

A PEAK-RESPONSIBILITY COST-OF-SERVICE MANUAL FOR
INTRASTATE TELEPHONE SERVICES: A REVIEW DRAFT

William Pollard
Senior Research Associate

THE NATIONAL REGULATORY RESEARCH INSTITUTE
1080 Carmack Road
Columbus, Ohio 43210

August 1986

This report was prepared by The National Regulatory Research Institute (NRRI) with funding provided by participating member commissions of the National Association of Regulatory Utility Commissioners (NARUC). The views and opinions of the author do not necessarily state or reflect the views, opinions, or policies of the NRRI, the NARUC, or NARUC member commissions.

FOREWORD

The present publication is part of an NRRI multiple-year effort in developing a peak-responsibility method for allocating the costs of providing intrastate telephone services. Last year we brought out a report (Cost-of-Service Methods for Intrastate Jurisdictional Telephone Services) which reviewed the theory applicable to cost-of-service methods, examined existing cost-of-service studies, and proposed peak-responsibility as a fully distributed costing method. This new report is a cost-of-service manual delineating actual procedures for assigning cost by this inventive method, not previously applied in the telephone sector. The method is currently being tested in a pilot study in Texas.

We commend this draft manual to your examination and attention and would encourage comments toward its improvement.

Douglas N. Jones
Director
August 1, 1986

ACKNOWLEDGEMENTS

The author of this manual would like to thank the many individuals who provided support over the past fifteen months while this volume was being written. In particular I would like to thank the Public Utility Commission of Texas for their support and commission staff members Rowland Curry and Joe Kirk. I would also like to thank several individuals in the Cost Studies Division of Southwestern Bell and in Network Administration of Southwestern Bell of Texas.

TABLE OF CONTENTS

FOREWORD..... iii
 ACKNOWLEDGEMENTS..... v
 LIST OF FIGURES xii

Section	Page
I. INTRODUCTION.....	1
Overview of the NRRI Cost-of-Service Project.....	2
Statement of Purpose.....	7
The Customer Classes and Service Categories	9
The Peak-Load Pricing Model.....	17
Cost Accounting.....	20
II. CENTRAL OFFICE EQUIPMENT ACCOUNT 221.....	33
Cost Category 1, Manual Switching Equipment.....	34
Cost Category 2, Dial Tandem Switching Equipment.....	41
Cost Category 3, Intertoll Dial Switching Equipment	46
Cost Category 4, Automatic Message Recording Equipment	55
Cost Category 5, Other Toll Dial Switching Equipment	57
Cost Category 6, Local Dial Switching Equipment	59
Cost Category 7, Special Services Switching Equipment	70
Cost Category 8, Circuit Equipment	72
8C	73
8E	73
8F	74
8G	75
8H	81
8J	81
8K	82
8KCS	84
8KCT	88
III. OUTSIDE PLANT THE 240 SERIES OF ACCOUNTS	93
Cost Category C, Interexchange Outside Plant Used To Provide Special Communications Services At Certain Missile Sites	94
Cost Category E, Outside Plant Used For Interexchange Broadband Services	95
Cost Category F, Outside Plant Used To Provide Wideband Interexchange Services	95

Cost Category G, Interexchange Outside Plant Not Assigned To Interexchange Categories C, E, F, H, and J	97
Cost Category H, Outside Plant Used For Host/Remote Facilities Interconnecting A Host and A Remote Switching Unit of A Host Remote Switching Complex	101
Cost Category J, Outside Plant Used To Provide Radio End Links For Certain Mobile Radio Services Under Interexchange Tariffs	101
Cost Category K, Exchange Outside Plant	102
KCS	104
KCT	106
 IV. OTHER PLANT ACCOUNTS	 111
Account 201, Organization	111
Account 202, Franchises	111
Account 203, Patent Rights	111
Accounts 211 and 212, Land and Buildings	112
Account 231, Station Apparatus	116
Account 232, Station Connections - Inside Wire .	117
Account 234, Large Private Branch Exchanges	119
Account 235, Public Telephone Equipment	120
Account 261, Furniture and Office Equipment	121
Account 262, Other Communications Equipment	125
Account 264, Vehicles and Other Work Equipment .	126
Account 276, Telephone Plant Acquired	129
Account 277, Telephone Plant Sold	130
 V. SUMMARY ACCOUNTS	 131
Account 100.1, Telephone Plant in Service	131
Account 100.2, Telephone Plant Under Construction	131
Account 100.3, Property Held For Future Telephone Use	131
Account 100.4, Telephone Plant Acquisition Adjustment	131
Account 171, Depreciation Reserve	132
Account 172, Amortization Reserve	134
Account 176.1, Accumulated Deferred Income Taxes - Accelerated Tax Depreciation	134
Account 176.2, Accumulated Deferred Income Taxes - Other	135

VI.	DEPRECIATION AND AMORTIZATION EXPENSES	137
	Account 608, Depreciation Expense	137
	Account 609, Extraordinary Retirements	137
	Account 613, Amortization of Intangible Property	139
	Account 614, Amortization of Telephone Plant Acquisition Adjustment	139
VII.	OPERATING EXPENSE ACCOUNTS	141
	Account 602, Maintenance Expenses For Outside Plant	141
	Account 603, Test Desk Work	142
	Account 604, Repairs To Central Office Equipment	147
	Account 605, Installation and Repairs Of Station Equipment	149
	Account 606, Repairs To Building and Grounds ...	153
	Account 607, Repairs To Public Telephone Equipment	153
	Account 610, Maintaining Transmission Power ...	154
	Account 611, Employment Stabilization	154
	Account 612, Other Maintenance Expenses	154
VIII.	TRAFFIC EXPENSES ACCOUNTS 621 THROUGH 635	157
	Financial Set 11, Network Administration	161
	Financial Set 12, Operator Services	165
	Account 632, Public Telephone Expense	171
	Account 634, Joint Traffic Expenses - Debit	171
	Account 635, Joint Traffic Expenses - Credit ...	171
IX.	COMMERCIAL EXPENSES	175
	Account 640, General Commercial Administration .	175
	Account 642, Advertising Expense	178
	Account 643, Sales Expense	181
	Account 644, Connecting Company Relations	184
	Account 645, Local Commercial Operations	186
	Account 648, Public Telephone Commissions	190
	Account 649, Directory Expense	191
	Account 650, Other Commercial Expenses	194

X.	GENERAL OFFICE SALARIES AND EXPENSES, ACCOUNTS 661 THROUGH 665	197
	Account 661, Executive Department	197
	Account 662, Accounting Department	197
	Account 663, Treasury Department	204
	Account 664, Law Department	204
	Account 665, Other General Office Salaries and Expenses	205
XI.	OTHER OPERATING EXPENSES ACCOUNTS 668 THROUGH 677	207
	Account 668, Insurance	207
	Account 669, Accidents and Damages	208
	Account 671, Operating Rents	208
	Account 672, Relief and Pensions	214
	Account 673, Telephone Franchise Requirement ...	215
	Account 674, General Services and Licenses	215
	Account 675, Other Expense	216
	Account 676, Telephone Franchise Requirement - Credit	217
	Account 677, Expenses Charged Construction - Credit	217
XII.	ALLOCATION OF COMMON COSTS	219
XIII.	OPERATING REVENUE ACCOUNTS THE 500 SERIES OF ACCOUNTS	221
	Account 500, Subscribers' Station Revenues	222
	Account 501, Public Telephone Revenues	223
	Account 503, Service Stations	223
	Account 504, Local Private Line Services	223
	Account 506, Other Local Service Revenues	224
	Account 508, Interstate Access Revenues	224
	Account 509, Intrastate Access Revenues	225
	Account 510, Message Tolls	227
	Account 511, Wide Area Toll Service	227
	Account 512, Toll Private Line Service	227
	Account 516, Other Toll Service Revenues	228
	Account 523, Directory Advertising and Sales ...	228
	Account 525, Revenues From General Service and Licenses	228
	Account 526, Other Operating Revenues	229
	Account 527, Interstate Billing and Collection Revenues	229
	Account 528, Intrastate Billing and Collection Revenues	229
	Account 530, Uncollectible Operating Revenues ..	229

XIV. TAX ACCOUNTS AND TAX-RELATED ACCOUNTS, SOME OF THE 300 SERIES OF ACCOUNTS.....	231
Account 304, Investment Credits - Net.....	231
Account 306, Federal Income Taxes - Operating...	232
Account 307, Other Operating Taxes.....	232
Account 308.1, Operating Federal Income Taxes Deferred - Accelerated Tax Depreciation....	235
Account 308.2, Operating Federal Income Taxes Deferred - Other.....	235
Account 309, Income Credits and Charges Resulting From Prior Deferrals of Federal Income Taxes.....	236

LIST OF FIGURES

Figure	Page
1 Relationship of the Peak-Responsibility Cost-of-Service Manual to the NRRI Telephone Cost-of-Service Project	4
2 Research Work For Research Years 1986 - 87	5

I. INTRODUCTION: A PEAK-RESPONSIBILITY ALLOCATION
OF TELEPHONE COSTS OF SERVICE

This cost-of-service manual delineates procedures for a fully-distributed-costing method based on peak responsibility. This costing procedure allocates the booked costs of telephone plant and equipment, operating and maintenance expenses, depreciation expenses, taxes, and operating revenues to services offered by the company and to customer classes. Several features of this cost-of-service method for telephone are unique:

1. A peak-responsibility method of allocating costs to services and customer classes is used.
2. As a peak-responsibility method, it is the only costing method for telephone based on the direct application of congestion theory to the allocation of costs.
3. Fourteen customer classes for message service are defined which includes four classes of residential customers, seven classes of business customers, and three miscellaneous customer classes.
4. The allocation factors are based on hourly usage data never before available which provides daily usage profiles for the customer classes and services.
5. All plant and expenses are allocated to the customer classes, instead of allocating only the directly attributable or traceable costs to customer classes.

Some features of the costing method are fairly standard:

1. The functionalization of the plant accounts, with few exceptions, is based on and/or mimics the functional cost categories

used in the Bell Operating Companies' implementation of Separations procedures or their functional accounting system as specified in the MINIBOOK.¹

2. The costs as determined by Separations procedures for the interstate jurisdiction are accepted and the residual book costs are assumed to be the starting point for state regulators.

The purpose of the introduction to this manual is limited in scope. First, the role of this Cost-of-Service Manual in the overall flow of the cost-of-service development effort at the NRRI is explained. In the second section of the introduction, the purpose of the manual is stated. In the third section, the customer classes and the service categories for the peak-responsibility method are delineated. The fourth section of the introduction presents a brief discussion of the appropriateness of the peak-load pricing model as a model for the allocation of most costs of telephone plant and equipment. The last section of the introduction presents the cost accounting criteria and a discussion of how to apply them to the allocation of selected telephone investment costs and expenses.

OVERVIEW OF THE NRRI COST-OF-SERVICE PROJECT

The manual contained in this publication is a technical document that delineates the functionalization and classification of the Uniform System of Accounts into cost categories and that specifies allocation procedures for each cost category. In order to understand the role of this manual within the National Regulatory Research

¹ See the MR/IBPS MINIBOOK, Financial Code Hierarchies and Statistics, Southwestern Bell Telephone, April 1, 1986.

Institute's (NRRI) multiple year effort in developing a peak-responsibility method for allocating the costs of providing intrastate telephone services, the overall flow of this research project is reviewed.

The schematic presented in figure 1 reviews the research work accomplished in the 1984-85 research year. In April of 1985, NRRI report, Cost-of-Service Methods for Intrastate Jurisdictional Telephone Services (84-13) was published. This report reviewed the theory applicable to cost-of-service methods, investigated existing cost-of-service studies, and proposed the peak-responsibility method of allocating the costs of telephone service. Publication of this report spawned two parallel and interrelated projects. One was the development of this cost-of-service manual; the other was a pilot study in Texas with the cooperation of the Public Utility Commission of Texas and Southwestern Bell of Texas.

Figure 2 presents a schematic of the relationships between the last two research projects and depicts the relationships between the work remaining to be done. The box in the upper left-hand corner represents the work completed with the publication of this manual. As noted previously, the manual specifies allocation procedures for each cost category of each account. An important and essential parallel effort was undertaken in Texas with a pilot study. The box in the upper right-hand corner of the figure depicts the preliminary work done to date on the pilot study. The arrow between the cost-of-service and pilot study boxes represents the interrelationships between these two activities. The work on the pilot study to date has been to investigate the feasibility of the usage studies needed to implement the peak-responsibility method and to assure the allocation procedures specified in the manual are feasible. This

FIGURE 1: RELATIONSHIP OF THE PEAK-RESPONSIBILITY
COST-OF-SERVICE MANUAL TO THE NRRI
TELEPHONE COST-OF-SERVICE PROJECT

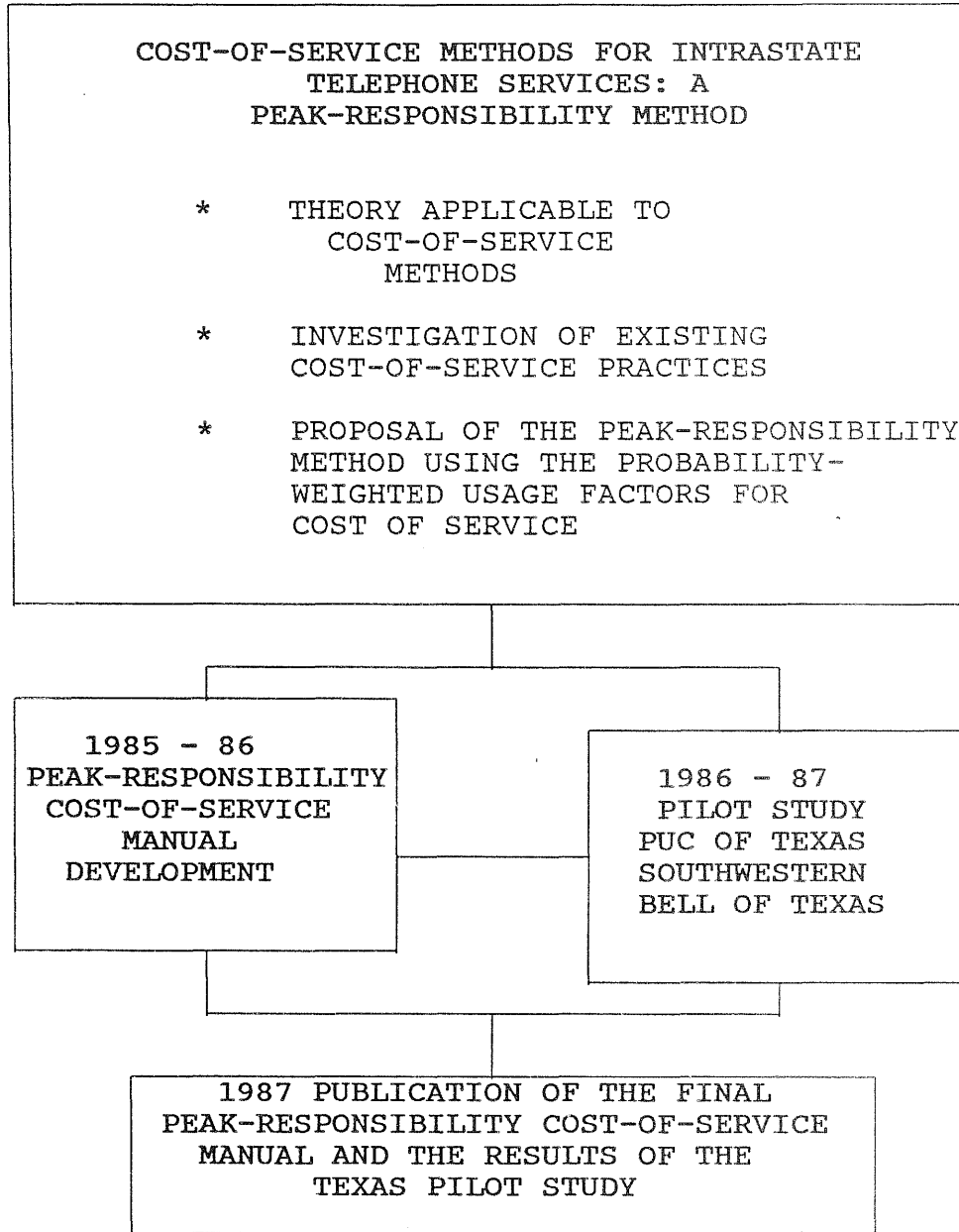
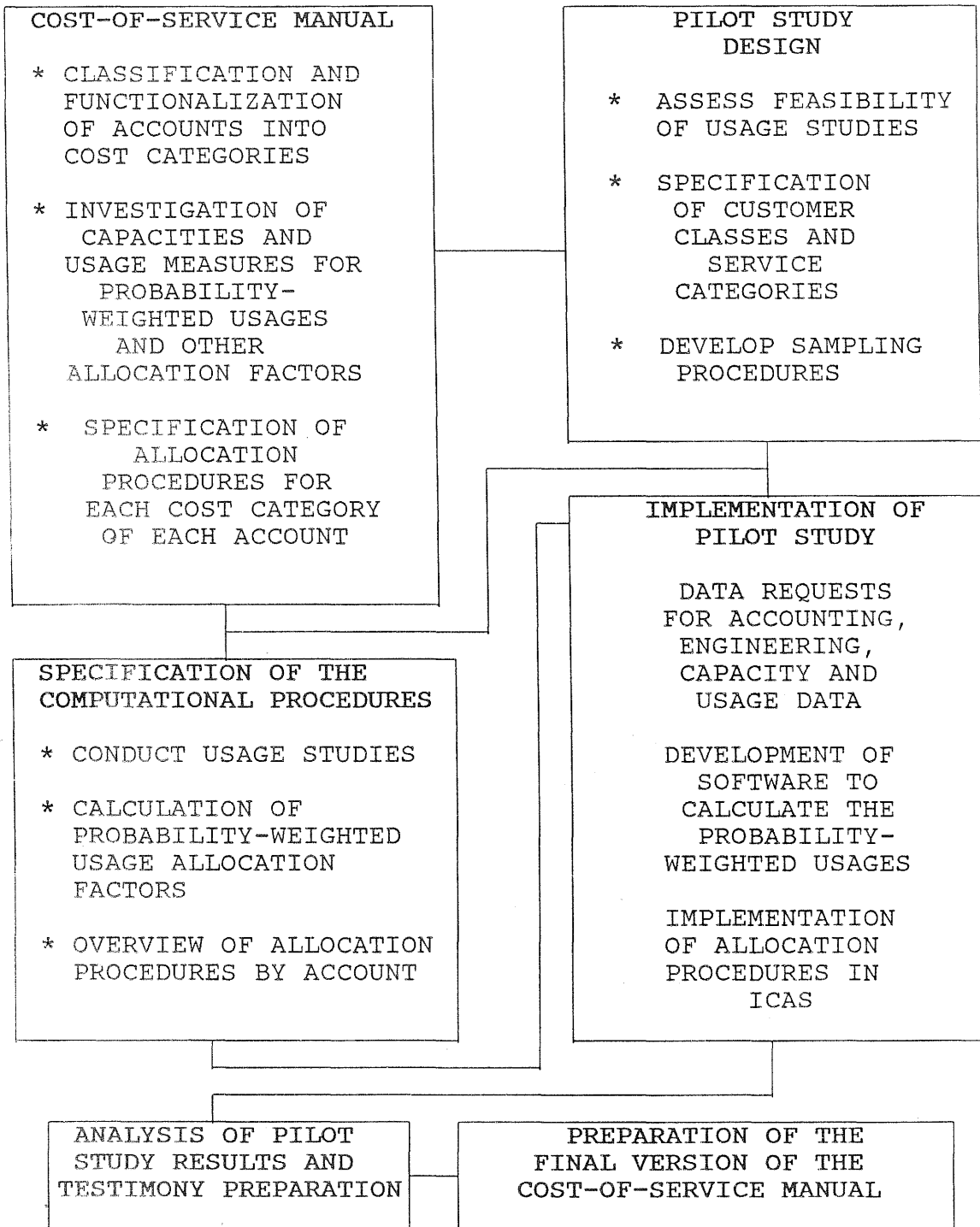


FIGURE 2 RESEARCH WORK FOR RESEARCH YEARS 1986 - 87



investigation led to the specification of customer class and services to which costs are to be allocated and specification of sampling procedures to collect the usage data. The thrust of the work on the pilot study to date has been to make the manual a better product. The manual, however, is not a stand-alone document and must be viewed in terms of the larger work flow.

The work remaining to be completed on the cost-of-service project can be divided into four major tasks. First, the cost-of-service manual and the work on the pilot study to date flow into the box labelled "Specification of Computational Procedures." The research effort represented by this box will delineate the usage study procedures and computational formulas needed to implement the cost of service method. This research effort will result in the Spring of 1987 in a publication to accompany the cost-of-service manual. The second major task is the implementation of the pilot study in Texas. This effort is already underway. The task on computational procedures flows into software development phase of the implementation of the pilot study. The third task is represented by the box in the lower left-hand corner of figure 2. The implementation of the pilot study will result in cost studies that need to be analyzed and model testimony developed for presentation before the Public Utility Commission of Texas. The fourth task is the culmination of the development of this cost-of-service method which is the publication of a final version of the cost-of-service manual based on the pilot study experience and comments on the peak-responsibility made by interested readers.

STATEMENT OF PURPOSE

The purpose of this cost-of-service method is to derive embedded book costs of providing telephone services to various customer classes according to a peak-responsibility method of allocation. The peak-responsibility allocations are based on how and when subscribers use their telephones and how they contribute to congestion on plant and equipment used to provide services. Probability-weighted usage allocation factors are the basis of the peak-responsibility approach. Usage studies on subscriber loops, local dial switches, tandem switches, and intertoll switches are used to develop typical daily profiles of hourly usage for each service and customer class.

The usage information gathered from usage studies of the subscriber lines and the local dial switch form the foundation of the allocation scheme. Usage by a customer class of a service (such as a local exchange call) during periods when network congestion is likely, results in this service and customer class being allocated a larger portion of the costs than if the call was placed during an hour when congestion was unlikely.

The probability distribution of blocked calls over a typical day form the weights attached to the hourly usage of each service by each customer class.² This probability distribution is computed for each item of plant that is capable of being congested, including the

² This idea is fully developed in chapter 9 of NRRI Report, Cost-of-Service Methods for Intrastate Jurisdictional Telephone Service: A Peak-Responsibility Method (84-13).

subscriber loop. Probability-weighted usages are computed for the subscriber loops serving each customer class because this plant item is capable of being congested as the result of placing originating calls to or receiving terminating calls from other subscribers. The originating usage for each service on each customer class subscriber loop is measured directly, while the terminating usage on this plant for each customer class is estimated. This measurement of both originating and terminating subscriber line usage enables these costs to be allocated to the services on the basis of their contribution to the congestion of a customer class's subscriber loop(s). The hourly subscriber line usage is also used as a basis to allocate the costs of other plant and equipment to the customer classes in proportion to their relative usage during a given hour.

The outputs of the cost-of-service study are:

1. An embedded cost of service for each service and customer class defined for study purposes.
2. A rate of return study for each service and customer class defined for study purposes.
3. Cost allocations to assist the commission in reaching decisions on customer line access charges and carrier's carrier access charges for intrastate interLATA traffic.

The peak-responsibility approach to cost allocation embodied in this manual has never been attempted before and as a result the conclusions one might draw from this study are difficult to anticipate. A pilot study is underway in Texas with the cooperation of the Public Utility Commission of Texas and Southwestern Bell of

Texas. Results are anticipated to be published in the spring of 1987.

NOTE OF CAUTION

It should be noted that Southwestern Bell of Texas does not have investments in plant and equipment for all of the cost categories of investment specified for each account. When this occurs, it is stated that this allocation procedure is untested in the pilot study. The import of this statement is that the usage studies implied by the procedures and the capacity measures stated in the procedures cannot be relied upon as an accurate model for allocating this cost. The NRRI welcomes input on refining the model of the relevant plant and equipment underlying the allocation procedures for these cost categories of investment.

THE CUSTOMER CLASSES AND SERVICE CATEGORIES

The services offered by a telephone company to its customers are segregated between message service and private line. Message service is broken down into roughly thirty service categories and fourteen customer classes. There are four classes of residential customers, seven classes of business customers, and three miscellaneous customer classes specified for this manual. Service categories are used to classify originating or terminating usage between jurisdictions and by rate-making area. Private line services are segregated into four service categories according to jurisdiction. Finally, a portion of the service categories related to access to the feature group carriers is summarized by feature group. The

delineation of the customer classes, service categories, and summaries for access costs are presented below.

CUSTOMER CLASSES FOR MESSAGE SERVICE

The customer classes can be segregated into three board classes which are residential, business and miscellaneous. The customer classes delineated below are intended to encompass and to be exhaustive of all possible subscribers telephone message service.³ The breakdown of the broad classifications is as follows:

Residential

- One-party flat rate
- Multi-party lines
- Measured rate customers
- Customer FX

Business

- Single-line flat rate
- Multi-line customers
- Trunk customers
- CENTREX
- Measured rate customers
- Customer FX
- Official Company Use

Miscellaneous

- Public
- WATS
- Mobile

The customer classes defined above are mutually exclusive and exhaustive of the telephone company's customers subscribing to telephone message service. This set of customer classes was defined because it was thought that

³ Any Universal Service Order Code (USOC) for message service customers will fit into one of these customer classes.

the usage characteristics of these customer classes may differ statistically by time of day and in total. The primary basis of the distinction among the customer classes is the conditions or rates under which customers subscribe to service.

Definitions of the customer classes are as follows:

Residential one-party flat rate: Residential subscribers who have a single dedicated subscriber loop and get unlimited local area calling for a fixed price each month.

Residential multi-party customer: Residential subscribers who share a single subscriber loop with one or more subscribers and get unlimited local area calling for a fixed price each month or who pay on a per message or measured basis for local area calling.

Residential measured rate customer: Residential subscribers who have a single dedicated subscriber loop and who pay on a message or measured basis for local area calling.

Residential customer FX: Residential customers subscribing to foreign exchange private line services.

Business single-line flat rate: Business customers with a single dedicated subscriber line terminating at their business premises who get unlimited local area calling for a fixed price each month.

Business multiline customers: Business customers with two or more subscriber lines terminating at their business premises, but the subscriber lines do not terminate at a switch at the business premises (see trunk). The multiline business customer can pay a fixed price for unlimited local area calling or pay on a message or measured basis for local area calling.

Business trunk customers: Business customers with two or more subscriber lines or trunks terminating at a switch at their business premises. The trunk business customer can pay a fixed price for unlimited local area calling or pay on a message or measured basis for local area calling.

CENTREX customers: Business customers subscribing to CENTREX 1 and 2. CENTREX 3 subscribers are excluded from the usage sample but are allocated costs based on CENTREX 1 and 2 usage.

Business measured rate customers: Business customers with a single dedicated subscriber line terminating at their business premises and who pay on a message or measured basis for local area calling.

Business customer FX: Business customers subscribing to foreign exchange private line services.

Company Official: The Official customer class represents the subscriber lines, trunks, CENTREX, and private lines subscribed to by the telephone company rendering service.

Public: The Public customer class encompasses public and semi-public telephones both coin and coinless.

WATS: The WATS customer class represents customers subscribing to OUT WATS and 800 service.

Mobile: The mobile customer class represents customers subscribing to mobile radio services such as coastal harbor, VHF maritime, air-ground, highway, and urban mobile radio and paging services.

PRIVATE LINE CATEGORIES

In addition to these fourteen customer classes costs are allocated to private line services. The classes for private line services are:

Private Line:

Interstate InterLATA for other carrier access
Interstate IntraLATA for the telephone company
Intrastate InterLATA for other carrier access
Intrastate IntraLATA for the telephone company

These customer classes for private line are a mixture of the service categories and customer class concepts. Usage

studies are not performed for private line. All plant costs are directly assigned on the basis of accounting records or are allocated on the basis of physical counts of plant and equipment rendering service to each of the above private line categories.

FEATURE GROUPS

The cost information on feature groups represents a different way of summarizing the costs allocated to the service categories and customer classes. One might refer to these as access services. InterLATA and intraLATA usage by customers attributed to the feature groups will be summarized into the following broad categories: Feature Group A, B, C, and D

The costs assigned to feature groups C and D are allocated or assigned to the service categories in the same manner as the customer classes. Feature groups A and B, on the other hand, are not allocated or assigned to the service categories because the breakdown of this traffic is not available for purposes of this study. The study will provide, however, estimates of the aggregate costs associated with the customer access charge and the carriers' carrier charge for feature groups A and B and detailed estimates of these charges by service category for feature groups C and D.

SERVICE CATEGORIES

The service categories represent jurisdictional and rate-making areas defined for regulatory purposes. One can think of the service categories as an exhaustive list of

all the different types of telephone calls a customer can originate or receive. The service categories can be segregated into three broad groups. The first group is services offered by the telephone company. The second group consists of services offered by interexchange (interLATA) carriers. The final group is made up of operator service for which the telephone companies have contracts with ATT-Communications (ATT-C). The service categories are:

FOR THE TELEPHONE COMPANY

Interstate Corridor
Interstate IntraLATA
Intrastate IntraLATA
Local

EAS/EMS Arrangement
Intraexchange
Intraswitch

800 Service

Intrastate IntraLATA

Operator Services

Directory Assistance
Interstate InterLATA
Interstate IntraLATA
Intrastate InterLATA
Intrastate IntraLATA
Local

Intercept (Disconnected or changed number)

Interstate InterLATA
Interstate IntraLATA
Intrastate InterLATA
Intrastate IntraLATA
Local

FOR INTEREXCHANGE CARRIERS

Feature Group A
Feature Group B

Feature Group C

International
Interstate InterLATA
Intrastate InterLATA
800 Service
 Interstate InterLATA
 Intrastate InterLATA

Feature Group D

International
Interstate InterLATA
Intrastate InterLATA
Intrastate IntraLATA
800 Service
 Interstate InterLATA
 Intrastate InterLATA

CONTRACTED OPERATOR SERVICES (Dial 0+ or 0-)

Interstate InterLATA
Interstate IntraLATA
Intrastate InterLATA
Intrastate IntraLATA
Local
800 Service
 Directory Assistance
 Intercept

Service categories are best thought of as all of the ways a customer can use message telephone service. Some of these service categories deserve comment. First, the interstate corridor service category is not applicable to most states but is included for the sake of completeness. The breakdown of local message service for the telephone company into the three parts is done partly for analysis of Extended Area or Metro Service (EAS/EMS) and partly for purposes of evaluating congestion on local dial switches. This latter purpose led to the breaking out of intraswitch usage. Intercept calls for message telephone service for the telephone company and 800 service cannot be measured directly. Therefore, it is assumed that intercept calls are randomly distributed over all types of telephone calls and will be allocated to the

customer classes and service categories of the basis of the relative subscriber line usage. The contracted operator services refer to calls handled through Traffic Service Position Systems (TSPS). These are operator assisted calls where the originator of the call dials 0 only or 0 plus seven or more digits. ATT Communications received all of these facilities and capabilities at divestiture. In most states, Bell operating companies have not undertaken "operator take back"⁴ for intraLATA and local services.

The user of this manual should keep in mind that the delineation of the customer classes and service categories in addition to private line and feature groups is not embossed in stone for purposes of a cost study. Each user of the manual may redefine these categories as appropriate for their analysis needs. HOWEVER, FOR PURPOSES OF THE USAGE STUDIES OF THE LOCAL DIAL SWITCH AND THE SUBSCRIBER LOOP, THIS DELINEATION OF CUSTOMER CLASSES AND SERVICE CATEGORIES IS CHOSEN TO MINIMIZE THE VARIANCE OF THE ESTIMATES OF USAGE. Thus, one could think of the delineation of the customer classes and service categories as accounting for 100% of the types of subscribers and as accounting for 100% of the ways they can use the telephone. By stratifying users and usages of the system in this manner the overall variance of the sample estimates is minimized. For summarizing the cost-of-

⁴ Operator take back is the expression used to designate the BOC has made investments in TSPS equipment and is providing these operator services for local and intraLATA toll calls.

service study, one can report a cost of service for each individual class and service category or aggregate the classes into broader summary customer classes or service categories. The choice is left to the user.

THE PEAK-LOAD PRICING MODEL

The purpose of this section is to briefly review in a nontechnical fashion the applicability of the peak-load pricing model to telephone.⁵ The peak-load pricing model is important to this cost-of-service method because it is intended to have the allocation of some costs mimic the optimal prices implied by this model. Application of this model to telephone services necessitates the use of queuing theory and the conceptualization of the telephone network as a network of queues. Congestion of a location in a queuing network occurs when the demand for service exceeds the ability of that location to provide service. This approach to telephone cost of service can be explained simply in terms of telephone planning criteria.

The intensity with which a telephone subscriber line, a local dial switch, and other parts of the network are used depends on the time of the day, week, and year. The time pattern of telephone use, when taken as a total, is reasonably stable and predictable. Telephone planning engineers are said to use the time periods of maximum use (the busy hour) as a basis for planning capacity

⁵ The economic theory relevant to a cost-of-service method was discussed in more detail in the companion report Cost-of-Service Methods for Intrastate Jurisdictional Telephone Services: A Peak-Responsibility Method, Chapter 2, pp. 7 - 24.

additions to the telephone network. For instance, the Erlang B formula is used to estimate the needed capacity of a switch or a trunk group that keeps the probability of blocked calls no greater than one percent.⁶ This links congestion in the telephone network to capacity additions. The Erlang formula is the central component of this linkage.

The peak-load pricing model applies to situations in which the demand for a product has a definite and predictable time pattern and the product demanded is non-storable. The first condition has been stated above. The non-storability of telephone calls should be self-evident. In such circumstances the capacity installed to serve demands during peak periods is also available to serve demands during off-peak time periods. This characteristic of capacity is known as the time-jointness of capacity costs. The peak-load pricing model generates prices for the recovery of these costs and conditions for the determination of the optimal amount of capacity.⁷

In theory, short-run optimal prices during the on-peak period recover the marginal costs of production plus a rationing cost. The rationing cost varies with the intensity of demand to assure that the demand satisfied at a point in time is no more than the capacity to serve. Short-run optimal prices during the off-peak period recover only the marginal costs of production since demand is less than capacity. In the long run, the rationing costs recovered during on-peak periods should just recover

⁶ For instance, see Bell Laboratories, Engineering And Operations in the Bell System. Bell Telephone Laboratories, Inc. 1977.

⁷ See NRRI report 84-13, Chapter 2, pages 15 & 16.

the marginal costs of capacity. This long run condition, in theory, determines precisely the optimal capacity to be installed.

Interpreting the peak-load pricing model as a model of cost causation for telephone cost of service, the peak-load pricing model and telephone planning criteria can be linked. Congestion of components of the telephone network lead to additions to switching and trunking capacity. Congestion can be measured by blocking probabilities as calculated by the Erlang B and C formulas. The relative value of the blocking probability during specified time periods is a measure of the intensity of demand relative to the capacity to serve.

Thus, blocking probabilities as a measure of congestion could be used as the basis for a proxy for rationing costs. The proxy would allocate the costs of the relevant capacity to customer classes and service categories according to their relative contribution to the congestion of the capacity. Probability-weighted usage allocation factors achieve this result. While this model is useful in identifying principles for allocation of costs, cost accounting must be relied on to identify the cost of capacity to which these principles apply.

COST ACCOUNTING⁸

Cost accountants have five criteria they use in assigning costs to services and customer classes. A fully-distributed-costing method as proposed in this manual requires all five of these criteria to assign costs. They are:

Cost causation: costs should be assigned to the revenue-producing objects that cause those costs to be incurred.

Traceability: an attribute of costs that permits the resources represented by the costs to be identified in their entirety with a revenue-producing unit.

Variability: costs, not traceable to a revenue-producing object, that vary in total with variations in some measure of the volume of activity that is associated with the revenue-producing object. These costs are assigned to revenue-producing objects according to the estimated rate of variability.

Capacity required: costs or capacity are assigned according to whether they are necessary to the performance of the service. The relevant test is that if these costs were not incurred, the service could not be rendered.

Beneficiality: A service is said to benefit from a cost if that cost is necessary to render that service.

⁸This section is a synopsis of the Chapter 3 in NRRI report 84-13, Cost-of-Service Methods for Intrastate Jurisdictional Telephone Services, April 1985. The material was based on John J. Neuner and Edward B. Deakin III, Cost Accounting, (Homewood, IL: Richard D. Irwin, Inc., 1977) and Gordon Shillinglaw, Managerial Cost Accounting, (Homewood, IL: Richard D. Irwin, Inc., 1982).

The purpose of these cost-accounting criteria are to provide an analyst with a systematic way to think about the allocation of specific costs and expenses incurred by a telephone company. These criteria are presented on the basis of the strength of the relationship between revenue-producing objects and the cost under consideration. The first criterion states the general philosophy of approach to cost studies. Examples of revenue-producing objects for a telephone company are a toll or local call by a subscriber, the termination of a toll or local call, or an order for a private line. The first criterion implies that a fully-distributed-costing method must ultimately assign or allocate all of the costs to customer classes, services categories, and private line on the basis of cost causation. For some costs recorded to the books of a telephone company, identification of cost causation will be straightforward and simple; for other costs it will not be so. Each of the remaining four criteria are examined and one or more telephone examples from this manual are used to illustrate the point.

Traceability

The traceability criterion states that the relationship between a cost and its cause is directly observable either empirically or abstractly. A classic example of a traceable cost is the cost of labor, thread, and leather needed to make a pair of shoes. One example of a traceable cost in telephone is the investment costs associated with private line services. A private line is a dedicated circuit and transmission facility between two or more points. The telephone company maintains separate

accounting records⁹ to assign these costs. While private line costs are fairly easy to trace, the costs of providing message service are more difficult.

The costs of message service must be assigned to both customer classes and service categories. The difficulty in tracing costs arises because a cost may be traceable to a customer class but not to the service categories or vice versa. An example of a cost directly traceable to customer classes but not to service categories is the subscriber loop. The loop investment can be traced directly to customer classes according to the traceability criterion. One approach might be to conduct a study to determine the average length of subscriber loops serving each customer class and the average cost per mile of subscriber loop. This information along with a count of subscriber loops serving each customer class could be used to allocate the total loop investment among the customer classes and private line.

While this approach makes this cost easily traceable to the customer classes, it is not traceable when it comes to allocating these costs to service categories such as interstate interLATA toll or local usage. The capacity-required criterion is needed as a guide in this allocation.

Instead of performing detailed studies as indicated above, one could use a proxy for allocating costs to the customer classes. In the example of the subscriber loop, a simple loop count, as currently used in separations, may be a more cost-effective approach to allocating this cost.

⁹In Bell operating companies these accounting records are referred to as "memo records."

However, if it is thought that the use of a proxy results in substantial inequities in the allocation of costs, special studies of investment expenditures and time and motion studies for expense accounts can be undertaken. Ultimately, the question concerning traceable costs is an empirical one, when the cost at issue has been properly identified as a traceable cost.¹⁰

Variability

Costs allocated on the basis of this criteria exhibit a functional relationship in the short term between the amount of costs incurred and the volume of some measure of output. For electric utilities the cost of fuel varies directly with the kilowatt-hours consumed by the customer classes. The nonlinear nature of this functional relationship leads many analysts to derive hourly costs based on production-cost models. For telephone companies, the variability criterion is useful in conceptualizing the allocation of cost recorded to several accounts.

An example of an expense allocated to customer classes as a variable cost can be found in account 645, Local Commercial Operations. This account is segregated into subaccounts for local commercial operations for business,

¹⁰ The allocation scheme for the subscriber loop, cost category KCS of the 240 series of accounts, allocates the loop investment on the basis of a simple loop count. A special study is required, however, for the circuit equipment associated with the subscriber loop (See cost category 8KCS of account 221). This special study is required because it is thought that the costs of the subscriber line circuit equipment providing the private line services is more expensive than the circuit equipment providing message service.

residential, public, and interexchange customer service centers. Some of the costs recorded to these subaccounts have attributes of traceable costs. By direct observation of customer representatives in each of these customer service centers, the activities of customer representatives can be divided between time spent handling service orders and time spent dealing with other customer service contacts. Service orders are taken whenever a customer adds or drops telephone service or changes the billing arrangement for local service. One could count the number of contacts that occur for each customer class and the average time it takes to process a service order or handle some other contact for each customer class. With information about wages of customer representatives handling the various customer classes, allocation factors can be developed for assigning these costs. This approach however will not assign all of the costs for these customer service center functions and such a detailed study is of dubious benefit.

Instead of expending this effort these costs can be conceptualized from the standpoint of the variability criterion and a proxy used to allocate these costs. The proxy should be based on readily available data from the telephone company. The proxy used to allocate the costs in account 645 to the customer classes is the relative amount of inward and outward migration to the customer classes.¹¹

It should be noted that the costs can be allocated only to the customer classes by the variability criterion. In

¹¹ Inward and outward migration are terms referring to customers adding a telephone service attributed to a customer class or dropping a service, respectively.

order to allocate the costs of Local Commercial Operations to the service categories, the application of the capacity-required criterion is needed. These costs are allocated to the service categories on the basis of the allocation of the subscriber loop. A service order is required to have the capacity to place and receive both local and toll calls.

Examples of other costs properly conceptualized under the variability criterion are maintenance expenses and certain traffic expenses associated with network administration and operator services. Variability can be determined by either a statistical test or through an expert's judgment or both. The allocation factors for these costs should reflect the average rate of cost variation within the customary range of production. In some cases such as with maintenance expenses, variability is conceptualized in terms of the amount of plant required to render the service. Thus, variability may be of a direct nature as with account 645, Local Commercial Operations, or indirect as in the case of certain traffic and maintenance expenses.

CAPACITY REQUIRED

Telephone cost of service is replete with examples of plant and equipment costs properly allocated according to the capacity-required criterion. Examples of telephone plant and equipment costs are the local dial switch and the subscriber loop. Cost causation is determined when reasonably clear long-term relationships between services and costs can be established. The test is that costs are divisible enough so that changes in normal volume of usage

will be accompanied, in time, by proportional changes in capacity. Note also that the criterion states that the service cannot be rendered if the costs were not incurred.

The costs of trunk capacity and circuit equipment are examples of a cost properly allocated according to the cost causation as implied by the capacity-required criterion. This capacity is designed and installed so that the probability of a call between two locations being blocked at any point in time is less than one percent. Accordingly, hours during which maximum usage is likely are periods during which blocking is most likely. Given the diurnal pattern of demand and the appropriateness of the peak-load pricing model, blocking probabilities (the Erlang B formula) and the relative contribution to hourly usage of the service categories by the customer classes is the basis for an adequate, if not precise, model for allocating these costs to the customer classes and service categories in accordance with the capacity-required criterion.

The costs of circuit equipment could be allocated according to cost causation as implied by the variability criterion. For investment accounts, the emphasis of the variability criterion is placed on the length of the planning horizon and the fungibility of the investments. Application is limited to short planning horizons of less than one year and to fungible investments. Circuit equipment is more or less fungible and the planning horizon is short term. However, the allocations in this manual allocate the costs of circuit equipment in the same manner as the outside plant to which the circuit equipment is attached.

In the case of the local dial switch, the capacity is designed and installed so that the probability of a call being blocked is less than one percent when the projected usage is achieved. There are certain economies to be gained by initially over-building a switch to meet the short-term demand and to grow into the switch in the long term. This characteristic of the planning for switching capacity renders the costs of switching somewhat less divisible than the case of trunking capacity. In the case of switching, the costs of capacity should be allocated on the basis of the relative utilization of the capacity when fully used. The model of probability-weighted usages derived through the application of the Erlang B formula applies to switching. The length of the planning horizon for local dial switches led to the application of the capacity-required criterion to discover cost causation.

The cost of the subscriber loop allocated to each customer class¹² can be allocated to the service categories on the basis of cost causation according to the capacity-required criterion. The subscriber loop is needed to originate and receive both local and toll calls. The linkage here is less obvious for two reasons. First, the subscriber, rather than the telephone company, makes capacity decisions regarding the number of loops that link an end-user's premises to the local dial switch. Second, the cost is more indivisible than any other plant cost for a large majority of customers. These two facts combine to obscure traditional thinking about the allocation of these costs.

¹² Recall that it was argued above that the costs of the subscriber loop are directly traceable to the customer classes, but not to the service categories.

Traditional reasoning about the allocation of the costs of the subscriber loop has asserted that the cost is not sensitive to the traffic it carries and that subscription to telephone service is done merely to gain access to the network. This reasoning has led to the conclusion that the principles for allocating the cost of the loop is fundamentally different and that the allocation of this cost to the service categories is at best arbitrary. This view of the subscriber loop is flawed because it ignores the fact that a subscriber loop is capacity capable of being congested.

Subscription to telephone service allows people physically present at the end-users premises to place and receive calls. If an individual originates a call he precludes others at the end-users premises from using that subscriber loop. Likewise, when the call originates, anyone outside the premises is precluded from terminating a call over that subscriber loop. Furthermore, any time a call is placed to another subscriber, the originator of that call is preventing anyone else from gaining access to the subscriber loop over which the call is terminating.¹³

¹³ In this respect a subscriber loop is similar to network trunking capacity. Any individual with access to a subscriber loop can complete a call over any other subscriber loop so long as the loop is not busy at the time the call is placed. Similarly, he must be present to receive a telephone call. The fundamental difference emphasized for regarding the subscriber loop as "access plant" focuses on the fact that a person must be present at an end-users premises in order to originate or receive a call and therefore it differs from other types of trunking. In this sense, the words originating and terminating usage take on a special meaning. Trunk plant carries incoming and outgoing calls from a switching location. Calls do not originate nor terminate at a switch but at the end-users premises. However, at the

Therefore, calls terminating over a subscriber loop contribute to congestion on it. Thus, both originating and terminating calls contribute to congestion of the subscriber loop and there is an economic cost associated with it.

The perception of severe congestion can lead to the subscriber installing additional loops to reduce the perceived congestion. The example of the migration of business customers from single lines to key systems to PBXs as their business grows illustrates that the number of loops a subscriber installs is sensitive to the amount of traffic and in the case of WATS and private line to the type of traffic originated and terminated. This customer behavior is a clear indication that the peak-responsibility method employing probability-weighted usages is an appropriate model for cost causation.¹⁴

end-users premise, the switching is much cruder and takes the form of a verbal request for a person receiving a call or taking turns to originate a call. All in all, there does not seem to be much basis for treating the cost in a fundamentally different way than other paths between two points. In any case, the plant is capable of being congested.

¹⁴ It has been commented that a business migrates from single lines to a PBX as the number of employees increases rather than as the result of traffic. This assertion is similar to the position that the act of subscription by a subscriber is the determining factor of loop costs rather than traffic. The issue raised by this assertion is an empirical one capable of being analyzed. This assertion, however, simply illustrates that the congestion occurs at the originating end of the call as the result of the fact users were in a queue to gain access to the available subscriber lines and terminating calls were being blocked as the result of the originating calls. By adding subscriber lines this congestion is relieved.

Turning to residential customers, examples of a teenager or personal computer in the household can be cited as contributing to severe congestion that results in subscription to an additional loop. For the majority of residential customers, however, the utilization of the subscriber loop is below capacity and a single loop is adequate. This fact, however, does not discredit the model. It only suggests that the blocking probabilities will be low when compared to heavier users. As long as the blocking probability is positive for a loop, there is a potential economic cost entailed with originating and terminating calls over that subscriber loop. The model of cost causation implied by the capacity-required criterion is appropriate and the probability-weighted usage factors mimic this cost causation.

BENEFICIALITY

The beneficiality criterion is useful to conceptualize the allocation of common costs. Common costs are indirect, fixed-overhead costs that lack any reasonably clear, long-term causal relationships to customer classes and services. Stated differently, common costs are costs for which the traceability, variability, and capacity-required criteria provide insufficient guidance for allocation. The key phrase in the beneficiality criterion is "necessary to render that service." This phrase can be interpreted to mean that if the cost were not incurred the service could still be rendered but not as effectively or efficiently. This particular point distinguishes this criterion from the capacity-required criterion and, as a result, common costs from other costs.

An example might clarify this point. The cost incurred in providing subscriber loops to subscribers of telephone service is required to render service; that is, interstate, intrastate, and local calling could not be rendered unless this cost was incurred. The costs of the Law Department recorded to account 664, on the other hand, are necessary to render service because of the regulatory environment and requirements of prudent business. Subscribers benefit from the company incurring these costs, although the benefit is indirect. The essential point here is that interstate, intrastate, and local calling could be provided whether the costs of the Law Department are incurred or not.

There are several examples of common costs that can be cited in telephone cost of service. Account 661, Executive Department, is a prime example of a common cost. This account is charged with the pay, office, traveling, and other expense of officers who are engaged in the general administration or management of the company, or its affairs in a territorial subdivision and the pay and expenses of their assistants and other office salaries. The identification of cost causation in terms of customer classes and services would be based on tenuous evidence. What is apparent is that these costs are "necessary to render" service to the customer classes, but if they were not incurred service would still be rendered.

Since a causal relationship between common costs and the customer classes and services cannot be established, the allocation of these costs is arbitrary. With a fully-distributed-costing method, however, these costs must be allocated. It is proposed that several allocation factors be used to allocate the costs identified as common

costs and the impact of these factors be examined (See section XII on the Allocation of Common Costs.).

II. ACCOUNT 221CENTRAL OFFICE EQUIPMENT

Central office equipment is used in switching, controlling, deriving, operating, conditioning, and testing communication channels. The equipment is installed in centralized locations such as central office buildings, toll wire center buildings, repeater buildings, repeater huts, and weatherproof buildings. It includes "standing" or "spare" equipment other than repair or replacement parts located in central offices, central office maintenance centers, or other locations to assure continuity of service. This account contains the original cost of electrical instruments, apparatus, and equipment, other than station equipment, in central offices (including terminal and test rooms), repeater stations and test stations used in transmitting traffic and operating signals, and similar equipment in operators' schools and other centralized locations. The account also contains the original cost of operators' chairs, wire chiefs' tools, desks and tables equipped with central office telephone equipment, and other furniture, fixtures, and equipment designed specifically for use in central offices, repeater stations, etc., or installed as a part of the electrical equipment therein. Some equipment may serve more than one class of switching system. Its costs should be classified to the switching equipment it is expected to be predominantly associated with over its service life. The investment in central office equipment is segregated into eight broad cost categories to begin functionalizing the investment cost recorded in account 221. The eight cost categories are:

CATEGORY 1 - MANUAL TELEPHONE SWITCHING EQUIPMENT

CATEGORY 2 - DIAL TANDEM SWITCHING EQUIPMENT

CATEGORY 3 - INTERTOLL DIAL SWITCHING EQUIPMENT

CATEGORY 4 - AUTOMATIC MESSAGE RECORDING EQUIPMENT

CATEGORY 5 - OTHER TOLL DIAL SWITCHING EQUIPMENT

CATEGORY 6 - LOCAL DIAL SWITCHING EQUIPMENT

CATEGORY 7 - SPECIAL SERVICES SWITCHING EQUIPMENT

CATEGORY 8 - CIRCUIT EQUIPMENT

These broad cost categories are further subdivided along functional lines for purposes of allocating the investment cost to service categories and customer classes. The procedures for functionalizing and allocating the costs of central office equipment are delineated below.

CATEGORY 1 MANUAL TELEPHONE SWITCHING EQUIPMENT: Manual telephone switching equipment includes all types of manual telephone switchboards except dial tandem switchboards and those used solely for recording of calling telephone numbers in connection with customer dialed charge traffic. It includes all face equipment, terminating relay circuits of trunk and toll line circuits, cord circuits, cable turning sections, subscriber line equipment, associated toll connecting trunk equipment, number checking facilities, ticket distributing systems, calculagraphs, chief operator and other desks, operator chairs, and other such equipment. The costs assigned to this category are segregated into thirteen cost subcategories.

The book costs recorded and assigned to cost categories 1A, 1B, 1D, 1H, 1N1, and 1P1 switchboard/systems will be zero during the period in which the telephone company is leasing these operator services from ATT-C. The lease or contract expenses for this plant are recorded in account 671, while those for the operator wages and related benefits are recorded in account 634, Joint Traffic Expenses - debit.

Category 1A Separate Toll Boards: This cost Category consists of the investment in outward, through, inward, and any other long distance positions in separate lines and at locations where outward long distance positions are in a separate line, any associated inward and through positions which are in the same line with local manual positions. The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is

assigned directly to interstate message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the service categories and customer classes on the basis of the relative probability-weighted, weighted standard work seconds at each switchboard/system. The calculation of the probability-weighted weighted standard work seconds at each switchboard requires the CCS (hundred call seconds) capacity of each switchboard given the number of manned positions at the switchboard on an hourly basis, the total weighted standard work seconds at each switchboard on an hourly basis, and a break down of weighted standard work seconds for each service category on an hourly basis. (This procedure is untested in the pilot study.)

Category 1B Combined Long Distance and Dial Service Assistance (DSA) Switchboards/Systems: This cost assigned to this cost category include all such switchboards/systems at which all of the originating long distance traffic is handled to completion; that is, ticketed and timed, whether located in a single office or multi-office exchange. Also included are switchboards having segregated long distance and DSA positions in the same line. The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the service categories and customer classes on the basis of the relative probability-weighted, weighted standard work seconds at each switchboard/system. The calculation of the probability-weighted weighted standard work seconds at each switchboard requires the CCS capacity of each switchboard given the number of manned positions at the switchboard on an hourly basis, the total weighted standard work seconds at each switchboard on an hourly basis, and a break down of weighted standard work seconds for each service category on an hourly basis. (This procedure is untested in the pilot study.)

Category 1B1 Cord Switchboards Which Handle Only Mobile/Marine Traffic: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the service categories and customer classes on the basis of the relative probability-weighted, weighted standard work seconds at each switchboard/system. The calculation of the probability-weighted weighted standard work seconds at each switchboard requires the CCS capacity of each switchboard given the number of manned positions at the switchboard on an hourly basis, the total weighted standard work seconds at each switchboard on an hourly basis, and a break down of weighted standard work seconds for each service category on an hourly basis. (This procedure is untested in the pilot study.)

Category 1D No. 3CL Manual Type Switchboards Handling Operator Services For The Speech and Hearing Impaired Customers -- Operator Services For The Deaf (OS/D): The operator services provided at these boards include assistance, directory assistance and operator handled local, intrastate, and interstate calls. The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the service categories and customer classes on the basis of the relative probability-weighted, weighted standard work seconds at each switchboard/system. The calculation of the probability-weighted weighted standard work seconds at each switchboard requires the CCS capacity of each switchboard given the number of manned positions at the switchboard on

an hourly basis, the total weighted standard work seconds at each switchboard on an hourly basis, and a break down of weighted standard work seconds for each service category on an hourly basis. (This procedure is untested in the pilot study.)

Category 1G Separate Centralized Rate and Route Board/System and Dedicated Rate and Route No.5 Automatic Call Distributor (No. 5 ACD) System Installations: The costs assigned to this cost category also includes the telephone company's contracted portion of the automatic call distribution (ACD) and/or auxiliary service which includes rate and route service. The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the service categories and customer classes on the basis of the relative probability-weighted, weighted standard work seconds at each switchboard/system. The calculation of the probability-weighted weighted standard work seconds at each switchboard requires the CCS capacity of each switchboard given the number of manned positions at the switchboard on an hourly basis, the total weighted standard work seconds at each switchboard on an hourly basis, and a break down of weighted standard work seconds for each service category on an hourly basis. (This procedure is untested in the pilot study.)

Category 1H 100-B Traffic Service Position System (TSPS) and Related Equipment: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the service categories and

customer classes on the basis of the relative probability-weighted, weighted standard work seconds at each switchboard/system. The calculation of the probability-weighted weighted standard work seconds at each switchboard requires the CCS capacity of each switchboard given the number of manned positions at the switchboard on an hourly basis, the total weighted standard work seconds at each switchboard on an hourly basis, and a break down of weighted standard work seconds for each service category on an hourly basis. (This procedure is untested in the pilot study.)

Category 1K Switchboards At All Attended Pay Stations Handling LDI Traffic To Completion: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the service categories and customer classes on the basis of the relative probability-weighted, weighted standard work seconds at each switchboard/system. The calculation of the probability-weighted weighted standard work seconds at each switchboard requires the CCS capacity of each switchboard given the number of manned positions at the switchboard on an hourly basis, the total weighted standard work seconds at each switchboard on an hourly basis, and a break down of weighted standard work seconds for each service category on an hourly basis. (This procedure is untested in the pilot study.)

Category 1N Separate IntraLATA Service Evaluation Boards/Systems or Service Evaluation System (SES) Signal Converter/Allotter (SC/A) (BOC Owned): The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion

of the costs is allocated to the service categories and customer classes on the basis of the relative subscriber line minutes of use.

Category 1N1 The Service Evaluation Board/System or Service Evaluation System (SES) Signal Converter/Allotter (SC/A): The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the service categories and customer classes on the basis of the relative subscriber line minutes of use. (This procedure is untested in the pilot study.)

Category 1P Separate Directory Assistance Boards/Systems Including No.5 (ACD) Used For Directory Assistance Service As Well As The Directory Assistance Portion Of A Joint Auxiliary Board or ACD System: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the service categories and customer classes on the basis of the relative probability-weighted standard work seconds at each switchboard/system. The calculation of the probability-weighted standard work seconds at each switchboard requires the number of manned positions at the switchboard on an hourly basis, the number of attempts at each location on an hourly basis, the average work time by time of day, the number of and identifier for each DA location, the CLLI codes that home on each of the directory assistance centers, and the area codes about which each directory assistance center has information. The information from the originating subscriber line usage study does not delineate directory assistance attempts by service category in

sufficient detail. Other information is needed as well as the originating subscriber line usage. The research team is currently investigating data sources.

Category 1P1 800 Directory Assistance Boards/Systems: This cost category also includes the portion of the ACD system used for 800 DA service: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the service categories and customer classes on the basis of the relative probability-weighted standard work seconds at each switchboard/system. The calculation of the probability-weighted standard work seconds at each switchboard requires the number of manned positions at the switchboard on an hourly basis, the number of attempts at each location on an hourly basis, the average work time by time of day, the number of and identifier for each location, and the CLLI codes that home on each to the directory assistance centers. (This procedure is untested in the pilot study.)

Category 1Q Separate Intercepting Boards/Systems or No. 5 ACD Used For Intercept Service As Well As The Intercept Portion Of A Joint Auxiliary Board or ACD System: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the service categories and customer classes on the basis of the subscriber line usage for each customer class. (assumes intercept calls are randomly distributed over all calls.)

Category 1ZZ Manual Telephone Switching Equipment To Provide Services That Have Not Been Previously Addressed: This cost category maybe used temporarily until new logic is established in BOCSIS. The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the service categories and customer classes in proportion to the allocation of the intrastate portion of the previous cost subcategories of cost category 1 excluding subcategory 1ZZ.

CATEGORY 2 DIAL TANDEM SWITCHING EQUIPMENT: Dial tandems are used to switch message traffic between local central offices and provide access from the local offices to the toll network. Dial tandem switching equipment includes all dial switching equipment in a tandem central office, including any associated dial tandem switchboard positions. Equipment, including switchboards, used for recording of calling telephone numbers and other billing information in connection with customer dialed charge traffic is included with automatic message recording equipment - category 4. The costs assigned to this cost category are segregated into the following eight cost subcategories.

Category 2A	Long Haul Dial Tandem Switching Equipment
Category 2A3	Central Office Equipment Installed For The Mass Announcement System (MAS) Associated With National/Local Dial-It Services

Category 2B	Short Haul Dial Tandem Switching Equipment
Category 2C	Common Switching and Control Equipment Used For Through Switched Message Exchange Traffic
Category 2D	Trunk Equipment and Other Identifiable Equipment Other Than That Classified As Category 2C Used Wholly For Through Switched Message Exchange Traffic or Through Switched Plus Terminal Message Exchange Traffic
Category 2E	Investment Relative To Common Switching and Control Equipment Used For Through Switched OCC-C InterLATA Traffic
Category 2H	Common Switching and Control Equipment In No. 1/1A Electronic Switching System (EES) Used To Handle Through Switched HILO 4-Wire Message Exchange Traffic

The costs recorded to some of the above cost categories of dial tandem switching equipment may be zero or include the costs of Bell operating company owned switches a portion of which is leased to ATT-C. A cost category will be zero when the Bell operation company leases or contracts for a portion of a ATT-C owned switch. In this case, the lease or contract costs will be recorded as an expense in account 671, Operating Rents. The allocation procedures for the cost subcategories of dial tandem switching equipment are delineated below.

Category 2A Long Haul Dial Tandem Switching Equipment: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures.

The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the service categories and customer classes on the basis of the relative probability-weighted minutes of use at each location. The calculation of the probability-weighted minutes of use at each location requires the CCS capacity of each tandem switch at each location, the total minutes of use at each location on an hourly basis, and a break down of usage for each service category on an hourly basis. (This procedure is untested in the pilot study.)

Category 2A3 Central Office Equipment Installed For The Mass Announcement System (MAS) Associated With National/Local Dial-It Services: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the service categories and customer classes on the basis of the relative probability-weighted minutes of use at each location. The calculation of the probability-weighted minutes of use at each location requires the CCS capacity of each tandem switch at each location, the total minutes of use at each location on an hourly basis, and a break down of usage for each service category on an hourly basis. (This procedure is untested in the pilot study.)

Category 2B Short Haul Dial Tandem Switching Equipment: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the service categories and customer classes on the basis of the relative probability-weighted minutes of use at each

location. The calculation of the probability-weighted minutes of use at each location requires the number of tandem switches performing this function, an identifier for each location, the CLLI codes that home on each location, total usage on an hourly basis at each location, and the number of paths through the switch at each location. The number of paths through the switch is the measure of the capacity and the measure differs according to the technology. For a crossbar switch, it is the number of active junctors. For an electronic analog switch (ESS), it is the number of trunk-to-trunk junctors. The appropriate model for a digital switch is still under investigation.

DIAL TANDEM FUNCTIONS PERFORMED BY A LOCAL DIAL SWITCH:

The local dial switch can perform tandem and intertoll switching functions. The cost allocation procedures for the intrastate portion of the following cost categories of category 2, Dial Tandem Switching Equipment, are presented in cost category 6, Local Dial Switching Equipment, below. The assignments of the interstate portion of these cost subcategories is delineated following this list.

- Category 2C Common Switching and Control Equipment Used For Through Switched Message Exchange Traffic

- Category 2D Trunk Equipment and Other Identifiable Equipment Other Than That Classified As Category 2C Used Wholly For Through Switched Message Exchange Traffic or Through Switched Plus Terminal Message Exchange Traffic

- Category 2E Investment Relative To Common Switching and Control Equipment Used For Through Switched OCC-C InterLATA Traffic

- Category 2H Common Switching and Control Equipment In No. 1/1A Electronic Switching System (ESS) Used To Handle Through Switched HILO 4-Wire Message Exchange Traffic

The interstate amounts for each of the above cost categories as identified by separations procedures are identified below. The intrastate costs are added to the

traffic sensitive portion of the appropriate cost subcategory of cost category 6 and the allocation procedures for the intrastate portion are identified in the allocation procedures for cost category 6.

Category 2C Common Switching and Control Equipment Used For Through Switched Message Exchange Traffic: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with the costs for each as determined by separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is assigned to the appropriate cost subcategory of cost category 6, Local Dial Switching Equipment.

Category 2D Trunk Equipment and Other Identifiable Equipment Other Than That Classified As Category 2C Used Wholly For Through Switched Message Exchange Traffic or Through Switched Plus Terminal Message Exchange Traffic: The costs assigned to this cost category are assigned to the appropriate cost subcategory of cost category 6, Local Dial Switching Equipment

Category 2E Investment Relative To Common Switching and Control Equipment Used For Through Switched OCC-C InterLATA Traffic: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access, Feature Group B. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is assigned to the appropriate cost subcategory of cost category 6, Local Dial Switching Equipment.

Category 2H Common Switching and Control Equipment In No. 1/1A Electronic Switching System (ESS) Used To Handle Through Switched HILO 4-Wire Message Exchange Traffic: The costs assigned to this cost category are assigned to the appropriate cost subcategory of cost category 6,

Local Dial Switching Equipment. (This procedure is untested in the pilot study.)

CATEGORY 3 INTERTOLL DIAL SWITCHING EQUIPMENT: Intertoll dial switching equipment performs switching functions in the toll network similar to those performed by the tandems. Generally, this equipment is located at a major toll center and may be entirely dedicated to either state or interstate service. Intertoll dial switching equipment includes dial switching equipment used for the interconnection of message toll telephone circuits with each other or with local or tandem central office trunks or, used to furnish through switching of special services. The costs assigned to this cost category are segregated into sixteen cost subcategories for allocation purposes. These allocation procedures are delineated below.

Category 3A Dial Switching Equipment Used Primarily For The Trunk To Trunk Interconnection Of Long Distance Message Circuits With Each Other: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the customer classes and to intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company on the basis of the relative probability-weighted minutes of use at each location. The calculation of the probability-weighted minutes of use at each location requires the number of tandem switches performing this function, and identifier for each location, the CLLI codes that home on each location, the total hourly average minutes of use at each tandem location, and the number of paths through the switch at each location. The number of paths through the switch is the measure of capacity and this measure differs according to the technology. For a crossbar switch, it is the number of active junctors. For an electronic analog switch (ESS), it is the number of trunk-to-trunk junctors. The appropriate model for a digital switch is still under investigation.

Category 3A3 Central Office Equipment Installed For The Mass Announcement System (MAS) Associated With National/Local Dial-It Services: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the customer classes and to intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company on the basis of the relative probability-weighted minutes of use at each location. The calculation of the probability-weighted minutes of use at each location requires the CCS capacity of each intertoll dial switch at each location, the total minutes of use at each location on an hourly basis, and a break down of usage for each service category on an hourly basis. (This procedure is untested in the pilot study.)

Category 3B Intertoll Dial Switching Facilities: The costs assigned to this cost category include step-by-step intertoll dial selector equipment, intertoll trunk relay equipment in No. 5 crossbar and electronic offices and step-by-step CAMA selector equipment used for the trunk to trunk interconnection of interexchange message circuits with each other or with local or tandem central office trunks. In addition, the cost category may include the cost of trunk terminating and access group controller equipment used to interconnect Common Control Switching Arrangement (CCSA) network trunks and access lines in any combination (that is, trunk to trunk, trunk to access line, or access line to access line.). The costs assigned to this cost category are segregated into four subcategories and allocated to the appropriate service categories.

Subcategory 3B1 Intertoll Dial Switching Facilities Which Handle Some Interstate Message Traffic: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and

interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is assigned to the appropriate cost subcategory of cost category 6, Local Dial Switching. The interstate interLATA and the intrastate interLATA portions of this switching category may be leased to ATT-C. (This procedure is untested in the pilot study.)

Subcategory 3B2 Intertoll Dial Switching Facilities Which Handle Only Intrastate Toll Message or Private Line Traffic: The costs assigned to this cost category are first segregated between intertoll dial switching for intrastate private line services and intrastate toll message service. The intrastate private line portion is assigned directly to intrastate interLATA private line for other carrier access and intrastate intraLATA private line for the telephone company on the basis of memo records of the telephone company for private line services. The intrastate toll message service portion of the costs is allocated to the customer classes and to intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company on the basis of the relative probability-weighted minutes of use at each location. The calculation of the probability-weighted minutes of use at each location requires the number of active junctors if this is a crossbar switch or the number of trunk-to-trunk junctors if this is an electronic analog switch (ESS), the total hourly minutes of use for each location, and the CLLI codes that home on each location.

There is a problem with this allocation procedure in the pilot study for two reasons. First there are only two locations both of which are #5 crossbar switches. Southwestern Bell of Texas is unable to measure total hourly usage. Second, non-Bell companies have switches that home (or use) these switches. Without detailed information on the composition of customer classes at these non-Bell companies' local dial switches, the hourly usage profiles of toll calls switched through these two locations cannot be estimated. As a result, appropriate allocation procedures are still under investigation and the allocation procedures proposed above may be untested in the pilot study.

Subcategory 3B3 CAMA Selector Equipment In Step-By-Step Offices: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is allocated to the customer classes and to intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company on the basis of the relative probability-weighted minutes of use at each location. The calculation of the probability-weighted minutes of use at each location requires the number of outgoing CAMA trunks at each intertoll step-by-step location, the total minutes of use at each location on an hourly basis, and a break down of usage for each service category on an hourly basis. (This procedure is untested in the pilot study.)

Subcategory 3B4 Trunk Terminating and Access Group Controller Equipment Which Handles Interstate Private Line Services: The costs assigned to this cost category are assigned directly to interstate interLATA private line for other carrier access and interstate intraLATA and interstate corridor private line for the telephone company in accordance with separations procedures.

INTERTOLL DIAL SWITCHING FUNCTIONS PERFORMED BY A LOCAL DIAL SWITCH: The local dial switch can perform tandem and intertoll switching functions. The cost allocation procedures for the intrastate portion of the following cost categories of category 3, Intertoll Dial Switching Equipment, are presented in cost category 6, Local Dial Switching Equipment, below. The assignments of the interstate portion of these cost subcategories is delineated following this list.

- Category 3C Common Switching and Control Equipment Which Is Used To Handle Appreciable Amounts Of Through Switched Message Toll Type Traffic and/or Through Plus Terminal Switched Private Line Traffic
- Category 3H Common Switching and Control Equipment In A No. 1/1A Electronic Switching System (ESS) Used To Handle Any Combination Of HILO 4-wire Through Switched Intertoll Traffic For Message Service, Enhanced Private Switched Communications Service (EPSCS), and 4-Wire Common Control Switching Arrangement (CCSA)
- Category 3H1 Intertoll HILO Trunk Terminating Equipment Which Handles Some Interstate Message Traffic
- Category 3H3 EPSCS Processor Equipment Which Handles Interstate and/or Intrastate Private Line Services
- Category 3H4 HILO Trunk Terminating Equipment Which Handles Only Common Control Switching Arrangement (CCSA) Interstate Private Line Services
- Category 3H5 HILO Trunk Terminating Equipment Which Handles Only Enhanced Private Switched Communications Service (EPSCS) Interstate InterLATA Private Line Services

The interstate amounts for each of the above cost categories as identified by separations procedures are identified below. The intrastate costs are added to the traffic sensitive portion of the appropriate cost subcategory of cost category 6 and the allocation procedures for the intrastate portion are identified in the allocation procedures for cost category 6.

Category 3C Common Switching and Control Equipment Which Is Used To Handle Appreciable Amounts Of Through Switched Message Toll Type Traffic and/or Through Plus Terminal Switched Private Line Traffic: The costs assigned to this cost category are first segregated between message service and private line. The private line portion is further segregated into interstate private line and intrastate private line portions in accordance with the interstate costs as determined by separations procedures. The intrastate private line portion is assigned to intrastate interLATA private line for other carrier access and intrastate intraLATA private line for the telephone company on the basis of memo records of the telephone company for such private line services. The message service portion is further segregated into interstate and intrastate portion in accordance with the interstate costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate toll message service portion of the costs is assigned to the appropriate cost subcategory of cost category 6, Local Dial Switching Equipment.

Category 3H Common Switching and Control Equipment In A No. 1/1A Electronic Switching System (ESS) Used To Handle Any Combination Of HILO 4-wire Through Switched Intertoll Traffic For Message Service, Enhanced Private Switched Communications Service (EPSCS), and 4-Wire Common Control Switching Arrangement (CCSA): The costs assigned to this cost category are first segregated into private line and message service portions on the basis of separations procedures. The private line portion is allocated to interstate interLATA private line for other carrier access and interstate intraLATA private line for the telephone company in accordance with the costs as determined by separations procedures. The intrastate private line portion is assigned to intrastate interLATA private line for other carrier access and intrastate intraLATA private line for the telephone company on the basis of memo records of the telephone company for such private line services.

The message service portion of this cost category is segregated into interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor

message service for the telephone company in accordance with the costs as determined by separations procedures. The intrastate portion is assigned to the appropriate cost subcategory of cost category 6, Local Dial Switching Equipment.

Category 3H1 Intertoll HILO Trunk Terminating Equipment Which Handles Some Interstate Message Traffic: The costs assigned to this cost category are first segregated between interstate and intrastate portions in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access. The intrastate portion is the residual from separations after the interstate portion is determined. The intrastate portion of the costs is assigned to the appropriate cost subcategory of cost category 6, Local Dial Switching Equipment. (This procedure is untested in the pilot study.)

Category 3H3 EPSCS Processor Equipment Which Handles Interstate and/or Intrastate Private Line Services: The costs assigned to this cost category include the costs of 3A Processor, processor interface frame, recorded announcement, maintenance and teletypewriter frames, and program store modules dedicated to the EPSCS feature group. The costs assigned to this cost category are first segregated into an interstate and intrastate portion in accordance with the costs as determined by separations procedures. The interstate portion is assigned directly to interstate private line for other carrier access and interstate intraLATA private line for the telephone company in accordance with separations procedures. The intrastate portion is the residual after the interstate portion has been determined. The intrastate portion is assigned to intrastate interLATA private line for other carrier access and intrastate intraLATA private line for the telephone company on the basis of memo records of the telephone company for such equipment. The interstate interLATA and the intrastate interLATA portions of this switching category are leased to ATT-C. (This procedure is untested in the pilot study.)

Category 3H4 HILO Trunk Terminating Equipment Which Handles Only Common Control Switching Arrangement (CCSA) Interstate Private Line Services: The costs assigned to this cost category are allocated directly to interstate interLATA private line for other carrier access and interstate intraLATA and interstate corridor private line

for the telephone company in accordance with separations procedures. (This procedure is untested in the pilot study.)

Category 3H5 HILO Trunk Terminating Equipment Which Handles Only Enhanced Private Switched Communications Service (EPSCS) Interstate InterLATA Private Line Services: The costs assigned to this cost category are assigned directly to interstate interLATA private line service for other carrier access. (This procedure is untested in the pilot study.)

Category 3D Long Distance Message Telephone Concentrators: The costs assigned to this cost category are segregated into interstate and intrastate portion in accordance with the interstate costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate message service portion of the costs is allocated to the customer classes and to intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company on the basis of the relative probability-weighted minutes of use at each location. The calculation of the probability-weighted minutes of use at each location requires the CCS capacity of the concentrator at each location, the total minutes of use at each location on an hourly basis, and a break down of usage for each service category on an hourly basis. (This procedure is untested in the pilot study.)

Category 3E Long Distance Message Telephone Rate Quoting Systems (RQS): The costs assigned to this cost category are first segregated into an interstate message portion and an intrastate message portion in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and to interstate intraLATA and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is allocated to the customer classes and to intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company on the basis of the relative probability-weighted number of requests at

each location. The calculation of the probability-weighted minutes of use at each location requires the number of servers at each location, the total number of requests at each location on an hourly basis, and a break down of requests for each service category on an hourly basis. (This procedure is untested in the pilot study.)

Category 3Z Common Channel Interoffice Signaling (CCIS): Common Channel Interoffice Signaling (CCIS) is a type of signaling between processor-equipped switching systems for which the voice and signaling portion of a call are separated. The signaling portion employs a separate data link(s) for a signaling path that carries information for error and network control as well as information to control the connection, monitoring, and disconnection of calls. The voice portion is carried on a trunk from one or more CCIS trunk groups. The costs assigned to this cost category is segregated into two cost subcategories and allocated to the appropriate service categories. The allocation procedures for these cost subcategories are delineated below.

Subcategory 3Z1 Intertoll Dial Switching Equipment At CCIS Signal Transfer Points (STP): The costs assigned to this cost category are first segregated into an interstate message portion and an intrastate message portion in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion is allocated to the customer classes and to intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company on the basis of the allocation of Subcategory 3Z2 Intertoll Dial Switching Equipment Applicable Only At CCIS User Offices. (This procedure is untested in the pilot study.)

Subcategory 3Z2 Intertoll Dial Switching Equipment Applicable Only At CCIS User Offices: The costs assigned to this cost category are first segregated into an interstate message portion and an intrastate message portion in accordance with the costs determined by separations procedures. The interstate portion is assigned directly to interstate message service for other carrier access and interstate intraLATA and interstate

corridor message service for the telephone company. The intrastate portion is allocated to the customer classes and to intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company on the basis of the relative probability-weighted minutes of use at each location. The calculation of the probability-weighted number of messages at each location requires the CCS capacity of each switch at each location, the total minutes of use at each location on an hourly basis, and a break down of usage for each service category on an hourly basis. (This procedure is untested in the pilot study.)

CATEGORY 4 AUTOMATIC MESSAGE RECORDING EQUIPMENT: Automatic message recording equipment comprises the central office equipment used for identification, recording, and timing of customer dialed charge calls or switched private line services (CAMA ANI). The costs assigned to this cost category are segregated into three subcategories as follows:

- Category 4A Automatic Message Recording Equipment Used For The Duration Of A Call Which Handles Only Interstate Traffic
- Category 4B Automatic Message Recording Equipment Used Only Momentarily Which Handles Some Interstate and/or Intrastate Traffic
- Category 4C Automatic Message Recording Equipment Handling Only Intrastate Traffic

The allocation procedures for these cost categories are delineated below.

Category 4A Automatic Message Recording Equipment Used For The Duration Of A Call Which Handles Only Interstate Traffic: The costs assigned to this cost category are assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. (This procedure is untested in the pilot study.)

Category 4B Automatic Message Recording Equipment Used Only Momentarily Which Handles Some Interstate and/or Intrastate Traffic: The costs assigned to this cost category are segregated into two cost subcategories for the automatic message recording equipment applicable to message services and the automatic message recording equipment applicable to switched private line. The allocation procedures for these two cost subcategories are delineated below.

Subcategory 4B1 Automatic Message Recording Equipment Used Only Momentarily Which Handles Some Interstate and/or Intrastate Message Service Traffic: The costs assigned to this cost category are first segregated between an interstate and intrastate portion in accordance with the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion is allocated intrastate interLATA message service for other carrier access (1+, 0-, and 0+ dialing of toll call), intrastate intraLATA message service for the telephone company (1+, 0-, and 0+ dialing of toll call), directory assistance calls, feature group A calls originated by a feature group A carrier's line, and measured local service and allocated to each of the customer classes on the basis of the relative subscriber line usage of the services by each of the customer classes.

Subcategory 4B2 Automatic Message Recording Equipment Used Only Momentarily Which Handles Some Interstate and/or Intrastate Switched Private Line Traffic: The costs assigned to this cost category are first segregated between an interstate and intrastate portion in accordance with the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA private line service for other carrier access and interstate intraLATA and interstate corridor private line service for the telephone company in accordance with separations procedures. The intrastate portion is allocated between intrastate interLATA private line service for other carrier access and intrastate intraLATA private line service for the telephone company on the

basis of the relative number of messages recorded at each location. (This procedure is untested in the pilot study.)

Category 4C Automatic Message Recording Equipment Handling Only Intrastate Traffic: The costs assigned to this cost category are allocated between intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company and to the customer classes on the basis of the relative subscriber line minutes of these toll services (1+ and 0+ dialed toll calls) by each customer class. (This procedure is untested in the pilot study.)

CATEGORY 5 OTHER TOLL DIAL SWITCHING EQUIPMENT: Other toll dial switching equipment consists of all that dial central office switching equipment provided and used primarily for operator dialed toll or customer dialed charge traffic except such equipment included in dial tandem switching equipment (category 2), intertoll dial equipment (category 3), automatic message recording equipment (category 4), or toll connecting trunks and completing trunk and completing equipment in the local dial switching equipment (category 6). Other toll dial switching equipment includes such items as directors, translators, sender registers, out trunk selectors and facilities for toll intercepting. The costs assigned to this cost category are segregated into two cost subcategories as follows:

Category 5A Other Toll Dial Switching Equipment
 Provided and Used For Operator or
 Customer Dialed Charge Traffic
 Except Equipment Included In
 Categories 2, 3, 4, 5b, 6, and 7

Category 5B Foreign Area Translator Equipment
 Used In The Completion Of Message
 and Private Line Traffic
 Originating At or Switching
 Through Step-By-Step and No. 5
 Crossbar Offices

The allocation procedures for these cost categories are delineated below.

Category 5A Other Toll Dial Switching Equipment Provided and Used For Operator or Customer Dialed Charge Traffic Except Equipment Included In Categories 2, 3, 4, 5b, 6, and 7: This cost category contains the costs of such items as directors, translators, sender registers, out trunk selectors, auxiliary senders, long distance intercepting equipment and long distance digit absorption equipment. The directors, translators, senders registers and out trunk selectors are those associated with automatic message recording systems used primarily by independent telephone companies. Likewise, the long distance intercepting equipment which are also used primarily by independent telephone companies. The costs assigned to this cost category are first segregated between an interstate and intrastate portion in accordance with the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion is allocated between intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company and to the customer classes on the basis of the relative probability-weighted number of connections at each location. The calculation of the probability-weighted number of connections at each location requires the number of message registers at each location, the total number of connections at each location on an hourly basis, and a break down of the number of connections by service category at each location on an hourly basis. (This procedure is untested in the pilot study.)

Category 5B Foreign Area Translator Equipment Used In The Completion Of Message and Private Line Traffic Originating At or Switching Through Step-By-Step and No. 5 Crossbar Offices: The costs assigned to this cost category are segregated into two cost subcategories for the foreign area translator equipment applicable to message services and the foreign area translator equipment applicable to private line. The allocation procedures for these two cost subcategories are delineated below.

Subcategory 5B1 Foreign Area Translator Used In The Completion Of Message Traffic Originating At or Switching Through Step-By-Step and No. 5 Crossbar Offices: The costs assigned to this cost category are first segregated between an interstate and intrastate portion in accordance

with the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion is allocated between intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company and the customer classes on the basis of the relative probability-weighted number of messages at each location. The calculation of the probability-weighted number of messages at each location requires the call capacity of the equipment at each location, the total number of messages at each location on an hourly basis, and a break down of the number of messages by service category at each location on an hourly basis. (This procedure is untested in the pilot study.)

Category 5B2 Foreign Area Translator Equipment Used In The Completion Of Private Line Traffic Originating At Or Switching Through Step-By-Step and No. 5 Crossbar Offices: The costs assigned to this cost subcategory are used in conjunction with Common Control Switching Arrangements (CCSA) for off network access (ONALS). The costs assigned to this cost category are first segregated between an interstate and intrastate portion in accordance with the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA private line service for other carrier access and interstate intraLATA and interstate corridor private line service for the telephone company in accordance with separations procedures. The intrastate portion is assigned directly to intrastate interLATA private line service for other carrier access and intrastate intraLATA private line service for the telephone company on the basis of memo records of the telephone company for such private line services. (This procedure is untested in the pilot study.)

CATEGORY 6 LOCAL DIAL SWITCHING EQUIPMENT: Local dial switching equipment comprises all dial central office switching equipment not assigned to other categories. Examples of local dial switching equipment are basic switching train, toll connecting trunk equipment, interlocal trunks, tandem trunks, terminating senders used for toll completion, toll completing train, call reverting equipment, weather and time of day service equipment, concentration equipment, and switching equipment at electronic analog or digital remote line locations. A

local dial office comprises one or more local dial switching entities of the same equipment type in an individual location. A local dial switching entity comprises that local dial central office equipment of the same type which has a common intermediate distribution frame, marker group or other separately identifiable switching unit serving one or more prefixes (NNX codes).

Also included in cost category 6 are the intrastate portions of the costs of Dial Tandem Switching and Intertoll Dial Switching functions normally contained in cost categories 2 and 3, respectively. These switching functions are performed by local dial switching equipment, but considered for purposes of separations as a separate switch. Actually, the dollar amounts allocated to cost categories 2 and 3 are done on the basis of usage. As a result, the costs allocated to the interstate jurisdiction by separations for these particular cost categories are identified in the allocation procedures for the appropriate cost subcategory of cost categories 2 and 3 (See above). The intrastate amounts are treated as traffic sensitive costs associated with the category 6 and allocated on the basis of probability-weighted minutes of use to the appropriate service categories and customer classes utilizing the dial tandem or intertoll dial switching capabilities of the local dial switch.

The costs assigned to cost category 6 are segregated into eight cost subcategories according to switching technology and/or size of office. The cost subcategories are:

- Subcategory 6B1 No. 1 Crossbar
- Subcategory 6B2 No. 5 Crossbar
- Subcategory 6C1 Step-by-Step (0 - 5000 working lines)
- Subcategory 6C2 Step-by-Step (Over 5000 working lines)
- Subcategory 6D Electronic--analog (0 - 2500 working lines)

- Subcategory 6E Electronic--analog (Over 2500
working lines)
- Subcategory 6F Electronic--digital
- Subcategory 6G3 Stand alone centralized mass
announcement equipment which
handles intrastate intraLATA
Dial-it services

For cost subcategories 6B1 , 6B2, 6D, 6E, and 6F, there may be costs associated with the following cost subcategories of cost category 2, Dial Tandem Switching Equipment, and cost category 3, Intertoll Switching Equipment:

- Category 2C Common Switching and Control
Equipment Used For Through
Switched Message Exchange
Traffic
- Category 2D Trunk Equipment and Other
Identifiable Equipment Other Than
That Classified As Category 2C
Used Wholly For Through Switched
Message Exchange Traffic or
Through Switched Plus Terminal
Message Exchange Traffic
- Category 2E Investment Relative To Common
Switching and Control Equipment
Used For Through Switched OCC-C
InterLATA Traffic
- Category 2H Common Switching and Control
Equipment In No. 1/1A Electronic
Switching System (ESS) Used To
Handle Through Switched HILO
4-Wire Message Exchange Traffic
- Category 3C Common Switching and Control
Equipment Which Is Used To Handle
Appreciable Amounts Of Through
Switched Message Toll Type
Traffic and/or Through Plus
Terminal Switched Private Line
Traffic

- Category 3H Common Switching and Control
Equipment In A No. 1/1A
Electronic Switching System (ESS)
Used To Handle Any Combination Of
HILO 4-wire Through Switched
Intertoll Traffic For Message
Service, Enhanced Private
Switched Communications Service
(EPSCS), and 4-Wire Common
Control Switching Arrangement
(CCSA)
- Category 3H1 Intertoll HILO Trunk Terminating
Equipment Which Handles Some
Interstate Message Traffic
- Category 3H3 EPSCS Processor Equipment Which
Handles Interstate and/or
Intrastate Private Line Services
- Category 3H4 HILO Trunk Terminating Equipment
Which Handles Only Common Control
Switching Arrangement (CCSA)
Interstate Private Line Services
- Category 3H5 HILO Trunk Terminating Equipment
Which Handles Only Enhanced
Private Switched Communications
Service (EPSCS) Interstate
InterLATA Private Line Services

The costs identified for each of the above cost subcategories of cost categories 2 and 3 are segregated between the interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portions are identified in the appropriate cost category in cost categories 2 and 3, above. The intrastate portion of each of the above cost categories is added to the traffic sensitive portion of the appropriate cost subcategory of cost category 6.

The allocation of the investment in the local dial switch requires hourly usage studies be performed on some local dial switches. For CLLI codes (local dial switches) in which the subscriber line usage study is placed, the total hourly originating and terminating number of attempts (peg count), both successful and unsuccessful, for each CLLI code, the total hourly usage for each CLLI code, and a breakdown of total hourly usage for each CLLI code are needed to develop the information to allocate the costs of

subscriber lines and the costs of local dial switching. The breakdown of usage by CLLI code is obtained from Separations Matrices resident in each CLLI code (switch) and from the Sample Traffic Analysis and Report System (STARS).

When a Local Dial Switch performs functions of a tandem switch, Category 2, and/or functions of an intertoll switch, category 3, additional information is needed. First, for each CLLI code, the presence or absence of these functions must be identified. Second, which other Local Dial switches (CLLI codes) home on the CLLI code performing these tandem and intertoll functions must be provided.

Subcategory 6B1 No. 1 Crossbar: This cost subcategory contains the cost of No. 1 Crossbar switches having one or more central office units served by the same common originating marker group. The costs assigned to this cost category are segregated according to the portion that is nontraffic sensitive and traffic sensitive. Both the nontraffic sensitive and the traffic sensitive portions are segregated between interstate and intrastate jurisdictional costs in accordance with the costs as determined by separations procedures. The interstate portions of the nontraffic and traffic sensitive costs are assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion of the costs assigned to this cost category consists of the nontraffic sensitive and traffic sensitive costs.

The intrastate nontraffic sensitive costs are allocated to the customer classes on the basis of the relative number of subscriber loops serving each class and allocated to the service categories on the basis of the probability-weighted subscriber line minutes of use for both incoming and outgoing usage combined for each service category and each customer class.

To the intrastate traffic sensitive portion of this cost category, the appropriate amounts for the intrastate portions of cost categories 2 and 3 identified above should be added. This intrastate traffic sensitive portion is allocated to the service categories and customer classes on the basis of the probability-weighted minutes of use of this switching equipment for each service category and customer class. The calculation of

the probability-weighted minutes of use for each location requires the number of designed lines and the number of active junctors for each CLLI code, the number of working subscriber lines for each customer class terminating at each CLLI code, and the hourly subscriber line usage and number of attempts for each service category and in total for each customer class, including the profiles for the dial tandem and intertoll switching functions.

Subcategory 6B2 No. 5 Crossbar: This cost subcategory contains the cost of No. 5 Crossbar switches having one or more central office units served by the same common originating marker group. The costs assigned to this cost category are segregated according to the portion that is nontraffic sensitive and traffic sensitive. Both the nontraffic sensitive and the traffic sensitive portions are segregated between interstate and intrastate jurisdictional costs in accordance with the costs as determined by separations procedures. The interstate portion of the nontraffic and traffic sensitive costs is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion of the costs assigned to this cost category consists of the nontraffic sensitive and traffic sensitive costs.

The intrastate nontraffic sensitive costs are allocated to the customer classes on the basis of the relative number of subscriber loops serving each class and allocated to the service categories on the basis of the probability-weighted subscriber line minutes of use for both incoming and outgoing usage combined for each service category and each customer class.

To the intrastate traffic sensitive portion of this cost category, the appropriate amounts for the intrastate portions of cost categories 2 and 3 identified above should be added. This intrastate traffic sensitive portion is allocated to the service categories and customer classes on the basis of the probability-weighted minutes of use of this switching equipment for each service category and customer class. The calculation of the probability-weighted minutes of use for each location requires the number of designed lines and the number of active junctors for each CLLI code, the number of working subscriber lines for each customer class terminating at each CLLI code, and the hourly subscriber line usage and

number of attempts for each service category and in total for each customer class, including the profiles for the dial tandem and intertoll switching functions.

Subcategory 6C1 Step-by-Step (0 - 5000 working lines): This cost subcategory contains the cost of step-by-step switches with less than 5000 working lines having one or more central office units having a common distributing frame. The costs assigned to this cost category are segregated according to the portion that is nontraffic sensitive and traffic sensitive. Both the nontraffic sensitive and the traffic sensitive portions are segregated between interstate and intrastate jurisdictional costs in accordance with the costs as determined by separations procedures. The interstate portion of the nontraffic and traffic sensitive costs is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion of the costs assigned to this cost category consists of the nontraffic sensitive and traffic sensitive costs.

The intrastate nontraffic sensitive costs are allocated to the customer classes on the basis of the relative number of subscriber loops serving each class and allocated to the service categories on the basis of the probability-weighted subscriber line minutes of use for both incoming and outgoing usage combined for each service category and each customer class.

The intrastate traffic sensitive portion of this cost category does not include any cost category 2 or 3 investment. The intrastate traffic sensitive portion is allocated to the service categories and customer classes on the basis of the probability-weighted minutes of use of this switching equipment for each service category and customer class. The calculation of the probability-weighted minutes of use for each location requires the number of designed lines for each CLLI code, the number of working subscriber lines for each customer class terminating at each CLLI code, and the hourly subscriber line usage and number of attempts for each service category and in total for each customer class. For step-by-step switches the ratio of line terminations to line finders and first selectors is ten to one. This fact along with the number of designed lines provides the information of compute the number of servers for the Erlang B formula.

Subcategory 6C2 Step-by-Step (Over 5000 working lines): This cost subcategory contains the cost of step-by-step switches with more than 5000 working lines having one or more central office units having a common distributing frame. The costs assigned to this cost category are segregated according to the portion that is nontraffic sensitive and traffic sensitive. Both the nontraffic sensitive and the traffic sensitive portions are segregated between interstate and intrastate jurisdictional costs in accordance with the costs as determined by separations procedures. The interstate portion of the nontraffic and traffic sensitive costs is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion of the costs assigned to this cost category consists of the nontraffic sensitive and traffic sensitive costs.

The intrastate nontraffic sensitive costs are allocated to the customer classes on the basis of the relative number of subscriber loops serving each class and allocated to the service categories on the basis of the probability-weighted subscriber line minutes of use for both incoming and outgoing usage combined for each service category and each customer class.

The intrastate traffic sensitive portion is allocated to the service categories and customer classes on the basis of the probability-weighted minutes of use of this switching equipment for each service category and customer class. The calculation of the probability-weighted minutes of use for each location requires the number of designed lines for each CLLI code, the number of working subscriber lines for each customer class terminating at each CLLI code, and the hourly subscriber line usage for each service category and in total for each customer class. For step-by-step switches the ratio of line terminations to line finders and first selectors is ten to one. This fact along with the number of designed lines provides the information of compute the number of servers for the Erlang B formula.

Subcategory 6D Electronic--analog (0 - 2500 working lines): This cost subcategory contains the cost of electronic-analog switch having less than 2500 lines having one or more central office units served by the same

central office control. The costs assigned to this cost category are segregated according to the portion that is nontraffic sensitive and traffic sensitive. Both the nontraffic sensitive and the traffic sensitive portions are segregated between interstate and intrastate jurisdictional costs in accordance with the costs as determined by separations procedures. The interstate portion of the nontraffic and traffic sensitive costs is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion of the costs assigned to this cost category consists of the nontraffic sensitive and traffic sensitive costs.

The intrastate nontraffic sensitive costs are allocated to the customer classes on the basis of the relative number of subscriber loops serving each class and allocated to the service categories on the basis of the probability-weighted subscriber line minutes of use for both incoming and outgoing usage combined for each service category and each customer class.

To the intrastate traffic sensitive portion of this cost category, the appropriate amounts for the intrastate portions of cost categories 2 and 3 identified above should be added. This intrastate traffic sensitive portion is allocated to the service categories and customer classes on the basis of the probability-weighted minutes of use of this switching equipment for each service category and customer class. The calculation of the probability-weighted minutes of use for each location requires the number of line-to-line junctors, line-to-trunk junctors, and trunk-to-trunk junctors for each CLLI code, the number of designed lines for each CLLI code, the number of working subscriber lines for each customer class terminating at each CLLI code, and the hourly subscriber line usage and number of attempts for each service category and in total for each customer class, including the profiles for the dial tandem and intertoll switching functions.

Subcategory 6E Electronic--analog (Over 2500 working lines): This cost subcategory contains the cost of electronic-analog switch having more than 2500 lines for one or more central office units served by the same central office control. The costs assigned to this cost category are segregated according to the portion that is nontraffic sensitive and traffic sensitive. Both the

nontraffic sensitive and the traffic sensitive portions are segregated between interstate and intrastate jurisdictional costs in accordance with the costs as determined by separations procedures. The interstate portion of the nontraffic and traffic sensitive costs is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion of the costs assigned to this cost category consists of the nontraffic sensitive and traffic sensitive costs.

The intrastate nontraffic sensitive costs are allocated to the customer classes on the basis of the relative number of subscriber loops serving each class and allocated to the service categories on the basis of the probability-weighted subscriber line minutes of use for both incoming and outgoing usage combined for each service category and each customer class.

To the intrastate traffic sensitive portion of this cost category, the appropriate amounts for the intrastate portions of cost categories 2 and 3 identified above should be added. This intrastate traffic sensitive portion is allocated to the service categories and customer classes on the basis of the probability-weighted minutes of use of this switching equipment for each service category and customer class. The calculation of the probability-weighted minutes of use for each location requires the number of line-to-line junctors, line-to-trunk junctors, and trunk-to-trunk junctors for each CLLI code, the number of designed lines for each CLLI code, the number of working subscriber lines for each customer class terminating at each CLLI code, and the hourly subscriber line usage and number of attempts for each service category and in total for each customer class, including the profiles for the dial tandem and intertoll switching functions.

Subcategory 6F Electronic--Digital: This cost subcategory contains the cost of electronic-digital switches having one or more central office units served by the same central processor. The costs assigned to this cost category are segregated according to the portion that is nontraffic sensitive and traffic sensitive. Both the nontraffic sensitive and the traffic sensitive portions are segregated between interstate and intrastate jurisdictional costs in accordance with the costs as determined by separations procedures. The interstate

portion of the nontraffic and traffic sensitive costs is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion of the costs assigned to this cost category consists of the nontraffic sensitive and traffic sensitive costs.

The intrastate nontraffic sensitive costs are allocated to the customer classes on the basis of the relative number of subscriber loops serving each class and allocated to the service categories on the basis of the probability-weighted subscriber line minutes of use for both incoming and outgoing usage combined for each service category and each customer class.

To the intrastate traffic sensitive portion of this cost category, the appropriate amounts for the intrastate portions of cost categories 2 and 3 identified above should be added. This intrastate traffic sensitive portion is allocated to the service categories and customer classes on the basis of the probability-weighted minutes of use of this switching equipment for each service category and customer class. The appropriate queuing model for a digital switch is still under investigation.

Subcategory 6G3 Stand Alone Centralized Mass Announcement Equipment Which Handles Intrastate IntraLATA Dial-It Services: This cost category contains the cost of stand alone centralized mass announcement equipment which handles intrastate intraLATA Dial-it services such as a Multiple Customer Announcement System (MCA ESS/40) or the McDonnell Douglas Automated Voice Information System (MAVIS). The costs assigned to this cost category are segregated between interstate and intrastate jurisdictional costs in accordance with the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion of the costs assigned to this cost category are allocated to the intrastate interLATA message service for other carrier access, intrastate intraLATA message service for the telephone company, and local message service and each of the customer classes on the basis of the probability-weighted minutes of use for each service category and customer

class. The calculation of the probability-weighted minutes of use at each location requires the CCS capacity of this equipment at each location, the total minutes of use at each location by hour of the day, and a break down of the minutes of use for each hour by service category. (This procedure is untested in the pilot study.)

CATEGORY 7 SPECIAL SERVICES SWITCHING EQUIPMENT: Special services switching equipment includes those switching systems which primarily perform the switching function for special services. It includes such equipment as private line switchboards, CCSA, and wideband message switching equipment and control units for type 101 ESS units on customers' premises. The costs assigned to this cost category are segregated into two cost subcategories as follows:

- | | |
|--------------|---|
| Category 7B2 | Switching Systems Which Serve WATS Access Lines In Addition To Private Line Services |
| Category 7E | Control Units For An Electronic Switching System (ESS) Located In Central Offices Which Are Used To Control Switch Units or Other Equipment of The Same System Housed At The Customer's Premise |

The allocation procedures for these two cost categories are delineated below.

Category 7B2 Switching Systems Which Serve WATS Access Lines In Addition To Private Line Services: The costs assigned to this cost category are first segregated between switching systems for private line services and WATS message service. The private line portion is next segregated between interstate and intrastate private line services in accordance with the private line costs as determined by separations procedures. The interstate private line portion is assigned directly to interstate private line for other carrier access and interstate intraLATA and interstate corridor private line for the telephone company in accordance with separations procedures. The intrastate private line portion is assigned directly to intrastate interLATA private line for

other carrier access and intrastate intraLATA private line for the telephone company on the basis of memo records of the telephone company for such equipment. The WATS portion of the costs is next segregated between interstate WATS message service and intrastate WATS message service in accordance with the costs as determined by separations procedures. The interstate WATS portion is assigned directly to interstate WATS message service for other carrier access and interstate intraLATA and interstate corridor WATS message service for the telephone company in accordance with separations procedures. The intrastate WATS message service portion of the costs is allocated to the intrastate interLATA WATS service for other carrier access and intrastate intraLATA WATS service for the telephone company on the basis of the relative probability-weighted minutes of use at each location. The calculation of the probability-weighted minutes of use at each location requires the CCS capacity of the switching system at each location, the total minutes of use at each location on an hourly basis, and a break down of usage for each service category on an hourly basis. (This procedure is untested in the pilot study.)

Category 7E Control Units For An Electronic Switching System (ESS) Located In Central Offices Which Are Used To Control Switch Units or Other Equipment of The Same System Housed At The Customer's Premise: The costs assigned to this cost category are first segregated between the interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate interLATA message service for other carrier access and interstate intraLATA message service and corridor message service for the telephone company in accordance with the costs as determined by separations procedures. The intrastate portion is assigned directly to the CENTREX customer class and is allocated to intrastate interLATA message service for other carrier access and intrastate intraLATA message service and local message service for the telephone company on the basis of the relative probability-weighted subscriber line minutes of use for the trunk customer class of the business customers. The cost of equipment recorded to this cost category is the CU CENTREX service.

CATEGORY 8 CIRCUIT EQUIPMENT: Circuit equipment includes central office equipment, other than switching equipment and automatic message recording equipment, which is used to derive communications transmission channels or which is used for the amplification, modulation, regeneration, testing, balancing or control of signals transmitted over communications transmission channels. The costs assigned to this cost category are segregated into seven broad cost subcategories which are subsequently broken down further for allocation purposes. The seven broad cost subcategories are:

- | | |
|-------------|--|
| Category 8C | Interexchange Circuit Equipment
Used To Provide Special
Communications Services
At Certain Missile Sites |
| Category 8E | Broadband Circuit Equipment Used
For Interexchange Broadband
Services |
| Category 8F | Circuit Equipment Used To Provide
Wideband Interexchange Services |
| Category 8G | Interexchange Circuit Equipment Not
Assigned To Interexchange
Categories 8C, 8E, 8F, 8H, 8J,
and 8K |
| Category 8H | Circuit Equipment Used For
Host/Remote Circuit Facilities
Interconnecting A Host And A Remote
Switching Unit Of A Host/Remote
Switching Complex Used For
Other Carrier Access and Operating
Company Message Telephone Switching
Functions |
| Category 8J | Circuit Equipment Used To Provide
Radio End Links For Certain Mobile
Radio Services Under Interexchange
Tariffs |
| Category 8K | Circuit Equipment Associated With
Exchange Outside Plant and Radio
Circuit Equipment That Is Not
Included In The Previous Cost
Categories For Circuit Equipment |

This categorization scheme is delineated according to the Bell operating companies' implementation of Separations procedures. Categories 8C through 8G and category 8J contain interexchange circuit equipment. Category 8K contains exchange circuit equipment. Category 8H contains circuit equipment associated with host/remote switching complexes which can handle both exchange and interexchange traffic. Each of the above seven cost categories is further segregated along functional lines and allocated to service categories and customer classes.

Category 8C Interexchange Circuit Equipment Used To Provide Special Communications Services At Certain Missile Sites: The cost assigned to this cost category is for interexchange circuit equipment used in the provision of special communications services at certain missile sites. The circuit equipment assigned to this cost category consists of only that equipment associated with circuits between the missile control center and the individual missile locations which are (a) furnished to the federal government under special contractual arrangements and, therefore, not tariffed, and (b) do not interconnect with any other services terminating in the missile control center. The costs of interexchange circuit equipment assigned to this cost category are assigned directly to the missile site service category.

Category 8E Broadband Circuit Equipment Used For Interexchange Broadband Services: The costs assigned to this cost category are used in rendering private line services. These costs are further segregated into four cost subcategories.

Subcategory 8EA1 Broadband circuit equipment used for access to interstate private line services offered by other carriers: The costs assigned to this category are assigned directly to interstate interLATA private line for other carrier access.

Subcategory 8EA2 Broadband circuit equipment used for the telephone company's interstate private line services: The costs assigned to this cost category are assigned directly to interstate intraLATA private line for the telephone company.

Subcategory 8EB1 Broadband circuit equipment used for access to intrastate private line services offered by other carriers: The costs assigned to this cost category are assigned directly to intrastate interLATA private line services for other carrier access.

Subcategory 8EB2 Broadband circuit equipment used for the telephone company's intrastate private line services: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Category 8F Circuit Equipment Used To Provide Wideband Interexchange Services: The costs assigned to this cost category are used in rendering private line services. These costs are further segregated into eight cost subcategories.

Subcategory 8FA1 Wideband circuit equipment used for access to interstate private line services offered by other carrier: The costs assigned to this cost category are assigned directly to interstate interLATA private line for other carrier access.

Subcategory 8FA2 Wideband circuit equipment used for the telephone company's interstate private line services: The costs assigned to this cost category are assigned directly to interstate intraLATA private line for the telephone company.

Subcategory 8FB1 Wideband circuit equipment used for access to intrastate private line services offered by other carrier: The costs assigned to this cost category are assigned directly to intrastate interLATA private line for other carrier access.

Subcategory 8FB2 Wideband circuit equipment used for the telephone company's intrastate private line services: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Subcategory 8FF1 Private line interstate circuit equipment used for DATAPHONE Digital Service (DDS) and High Speed Switched Digital Services (HSSDS) for other carrier access: The costs assigned to this cost category are assigned directly to interstate interLATA private line for other carrier access.

Subcategory 8FF2 Private Line Interstate Circuit Equipment Used For DATAPHONE Digital Service (DDS) and High Speed Switched Digital Services (HSSDS) Offered By The Bell Operating Company: The costs assigned to this cost category are assigned directly to interstate intraLATA private line for the telephone company.

Subcategory 8FG1 Private Line Intrastate Circuit Equipment Used For DATAPHONE Digital Service (DDS) and High Speed Switched Digital Services (HSSDS) For Other Carrier Access: The costs assigned to this cost category are assigned directly to intrastate interLATA private line for other carrier access.

Subcategory 8FG2 Private Line Intrastate Circuit Equipment Used For DATAPHONE Digital Service (DDS) and High Speed Switched Digital Services (HSSDS) Offered By The Bell Operating Company: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Category 8G Interexchange Circuit Equipment Not Assigned To Interexchange Categories 8C, 8E, 8F, 8J, and 8H: The cost assigned to this cost category are the costs of basic circuit equipment which performs functions necessary to operate channels suitable for voice grade transmission of interexchange traffic and the cost of special circuit equipment that is defined to be equipment peculiar to and used only for private line services other than wideband and broadband private line services. The costs assigned to this cost category are first segregated between basic circuit equipment and special circuit equipment. The costs of basic circuit equipment are further segregated into eighteen cost subcategories along functional lines on the basis of revenue producing equivalent telephone circuit miles in service. The costs of special circuit equipment are further segregated into six cost subcategories which are special circuit equipment used only for teletypewriter grade private line services and all other special circuit equipment used only for all

other private line services. The allocation procedures for basic and special circuit equipment are delineated below.

Subcategory 8G-1 Basic Circuit Equipment Used In The Provision Of Other Carrier Access For Interstate Message Telephone Services: The costs assigned to this cost category are assigned directly to the interstate interLATA message service for other carrier access.

Subcategory 8G-2 Basic Circuit Equipment Used In The Provision Of Other Carrier Access For Interstate Message Telephone Service and The Telephone Company's Interstate Message Telephone Service: The costs assigned to this cost category are allocated to interstate intraLATA and interstate corridor message service for the telephone company and interstate interLATA message service for other carrier access in accordance to the costs as determined by separations procedures.

Subcategory 8G-3 Basic Circuit Equipment Used In The Provision Of The Telephone Company's Interstate Message Services: The costs assigned to the cost category are assigned to interstate intraLATA and interstate corridor message service for the telephone company.

Subcategory 8G-4 Basic Circuit Equipment Used In The Provision Of Other Carrier Access For Interstate WATS Message Telephone Service: The costs assigned to this cost category are assigned directly to interstate interLATA WATS message service for other carrier access.

Subcategory 8G-5 Basic Circuit Equipment Used In The Provision Of Interstate WATS Message Telephone Service For The Telephone Company: The costs assigned to this cost category are assigned directly to interstate intraLATA WATS message service for the telephone company.

Combined Allocation of Cost Categories 8G-6, 8G-7, and 8G-8: These cost categories of interexchange circuit equipment correspond to cost categories G-5, G-6, and G-7 of the 240 series of accounts. They are:

Subcategory 8G-6	Basic Circuit Equipment Used In The Provision Of Other Carrier Access For Intrastate Message Service
Subcategory 8G-7	Basic Circuit Equipment Used In The Provision Of Other Carrier Access For Intrastate Message Services and The Telephone Company's Intrastate Message Services
Subcategory 8G-8	Basic Circuit Equipment Used In The Provision Of The Telephone Company's Intrastate Message Services

The costs assigned to these cost categories is allocated to the service categories and customer classes on the basis of the allocation of cost categories G-5, G-6, and G-7 of the 240 series of accounts. These cost categories are the outside plant counterpart of this circuit equipment.

Subcategory 8G-9 Basic Circuit Equipment Used In The Provision Of Other Carrier Access For Intrastate WATS Message Telephone Service: The costs assigned to this cost category are assigned directly to intrastate interLATA WATS message service for other carrier access.

Subcategory 8G-10 Basic Circuit Equipment Used In The Provision Of Intrastate WATS Message Telephone Service For The Telephone Company: The costs assigned to this cost category are assigned directly to intrastate intraLATA WATS message service for the telephone company.

Subcategory 8G-11 Basic Circuit Equipment Used In The Provision Of Message Telephone Central Office Connecting Facilities (COCF) For Other Carrier Access That Is Jointly Used In The Provision Of Both Interstate and Intrastate Message Telephone Services: The costs assigned to this cost category are assigned to interstate and intrastate service categories in accordance with the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access. The intrastate portion is assigned directly to intrastate interLATA

message service for other carrier access - Feature Group B and allocated to the customer classes on the basis of cost category G-9 of the 240 series of accounts

Subcategory 8G-12 Basic Circuit Equipment That Is Jointly Used To Provide Interstate and Intrastate Message Telephone Services For Other Carrier Access and The Telephone Company's Message Services: The costs assigned to this cost category are assigned to interstate message service for other carrier access and the telephone company and intrastate message service for other carrier access and the telephone company in accordance with the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separation procedures. The intrastate portion is allocated among intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company on the basis of cost category G-10 of the 240 series of accounts.

Subcategory 8G-13 Basic Circuit Equipment Used In The Provision Of Other Carrier Access For Private Line Teletypewriter Service: The costs assigned to this cost category are allocated between interstate private line for other carrier access and intrastate private line for other carrier access in accordance to the costs as determined by separations procedures.

Subcategory 8G-14 Basic Circuit Equipment Used In The Provision Of Other Carrier Access For Other Private Line Service: The costs assigned to this cost category are allocated between interstate private line for other carrier access and intrastate private line for other carrier access in accordance to the costs as determined by separations procedures.

Subcategory 8G-15 Basic Circuit Equipment Used In The Provision Of The Telephone Company's Private Line Teletypewriter Service: The costs assigned to this cost category are allocated between interstate intraLATA and interstate corridor private line for the telephone company and intrastate intraLATA private line for the telephone company in accordance to the costs as determined by separations procedures.

Subcategory 8G-16 Basic Circuit Equipment Used In The Provision Of The Telephone Company's Other Private Line Services: The costs assigned to this cost category are allocated between interstate private line for the telephone company and intrastate private line for the telephone company in accordance to the costs as determined by separations procedures.

Subcategory 8G-17 Basic Circuit Equipment Rented To Others For The Provision Of Interexchange Services: The costs assigned to this cost category are non-jurisdictional and not included in the cost of service.

Subcategory 8G-18 Basic Circuit Equipment Used Jointly In The Provision Of Both Interstate Corridor and Intrastate IntraLATA Message Telephone Service For The Telephone Company: The costs assigned to this cost category are segregated into an interstate portion and an intrastate portion in accordance with the costs as determined by separations procedures. The interstate portion is assigned directly to interstate corridor for the telephone company. The intrastate portion is assigned directly to intrastate intraLATA message service for the telephone company and allocated to the customer classes on the basis of their relative probability-weighted usage of these service categories.

Subcategory 8G-19 Special Circuit Equipment Used Only In The Provision Of Other Carrier Access For Private Line Teletypewriter Service: The costs assigned to this cost category are segregated into three cost subcategories. The costs assigned to the first two cost subcategories are determined by separations procedures and are the interstate private line costs. The third cost category consists of the intrastate private line costs for teletypewriter grade services.

Subcategory 8G-19a Special Circuit Equipment Used Only In The Provision Of Other Carrier Access For Interstate InterLATA Private Line Teletypewriter Service: The costs assigned to this cost category are determined by separations procedures and are assigned directly to interstate interLATA private line for other carrier access.

Subcategory 8G-19b Special Circuit Equipment Used In The Provision Of The Telephone Company's Interstate Private Line Teletypewriter Service: The costs assigned to this cost category are determined by separations procedures and are assigned directly to interstate intraLATA and interstate corridor private line for the telephone company.

Subcategory 8G-19c Special Circuit Equipment Used In The Provision Of Intrastate Private Line Teletypewriter Service For Other Carrier Access and The Telephone Company: The costs assigned to this cost category are allocated between intrastate interLATA private line for other carrier access and intrastate intraLATA private line for the telephone company on the basis of memo records of the telephone company for equipment used in rendering these private line services.

Subcategory 8G-20 Special Circuit Equipment Used In The Provision Of Other Carrier Access For Other Private Line Services: The costs assigned to this cost category are segregated into three cost subcategories. The costs assigned to the first two cost subcategories are determined by separations procedures and are the interstate private line costs. The third cost category consists of the intrastate private line costs for all other private line services.

Subcategory 8G-20a Special Circuit Equipment Used In The Provision Of Other Carrier Access For Other Interstate InterLATA Private Line Services: The costs assigned to this cost category are determined by separations procedures and are assigned directly to interstate interLATA private line for other carrier access.

Subcategory 8G-20b Special Circuit Equipment Used In The Provision Of The Telephone Company's Other Interstate Private Line Services: The costs assigned to this cost category are determined by separations procedures and are assigned to interstate intraLATA and interstate corridor private line for the telephone company.

Subcategory 8G-20c Special Circuit Equipment Used In The Provision of Other Intrastate Private Line Services for Other Access Carriers and The Telephone Company: The costs assigned to this cost category are allocated between intrastate interLATA private line for other carrier access and intrastate intraLATA private line for the telephone company on the basis of memo records of the telephone company for equipment used in rendering such services.

Category 8H Circuit Equipment Used For Host/Remote Circuit Facilities Interconnecting A Host And A Remote Switching Unit Of A Host/Remote Switching Complex Used For Other Carrier Access and Operating Company Message Telephone Switching Functions: The costs assigned to this cost category are first segregated between interstate message service and intrastate message service in accordance with the interstate costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion is the residual after the interstate portion is determined. The costs assigned to the intrastate portion are allocated to the customer classes on the basis of cost category H of the 240 series of accounts.

Category 8J Circuit Equipment Used To Provide Radio End Links For Certain Mobile Radio Services Under Interexchange Tariffs: The costs assigned to this cost category are the costs of circuit equipment used in the provision of radio end links for certain mobile radio services provided under interexchange tariffs set by the FCC or state commission. Examples of mobile radio services included in this cost category are coastal harbor, air-ground, and highway mobile radio services. The costs included in this cost category are further segregated into two cost subcategories according to jurisdictional rate making authority.

Subcategory 8JA Interexchange Circuit Equipment Used In The Provision Of Mobile Radio Services Provided Under FCC Tariffs: The costs assigned to this cost category are assigned directly to interstate mobile radio services.

Subcategory 8JB Interexchange Circuit Equipment Used In The Provision Of Mobile Radio Services Provided Under Intrastate Tariffs: The costs assigned to this cost category are assigned directly to intrastate mobile radio services for the telephone company.

Category 8K Circuit Equipment Associated With Exchange Outside Plant and Radio Circuit Equipment That Is Not Included In The Previous Cost Categories For Circuit Equipment: The costs assigned to this cost category include the cost of exchange circuit equipment used in the provision of local channels for broadband and wideband private line services, circuit equipment associated with subscriber loops used in the provision of message telephone services and for private line services, and circuit equipment used on exchange trunks used in the provision of message telephone services and local channels for private line services. The costs contained in this cost category are first segregated into five broad cost subcategories which are further segregated on a functional basis. There is a total of thirty-one cost subcategories used to functionalize the costs in this cost category. The cost subcategories and allocation procedures for this cost category are delineated below.

Subcategory 8KA1 Broadband Circuit Equipment Used On Local Channels For Other Carrier Access That Is Used In Their Provision Of Interstate Private Line Broadband Services: The costs assigned to this cost subcategory consists of broadband circuit equipment used on local channels for other carrier access that is used in their provision of interstate private line broadband services and the cost of similar circuit equipment on video pairs used for local channels on interstate private line wideband services. The costs assigned to this cost subcategory are assigned directly to interstate interLATA private line for other carrier access.

Subcategory 8KA2 Broadband Circuit Equipment Used On Local Channels Used In The Telephone Company's Provision Of Interstate Private Line Broadband Services: The costs assigned to this cost subcategory consists of broadband circuit equipment used on local channels used in the telephone company's provision of interstate intraLATA and interstate corridor private line broadband services and the cost of similar circuit equipment on video pairs used for local channels on interstate intraLATA and interstate corridor private line wideband services. The costs

assigned to this cost subcategory are assigned directly to interstate intraLATA and interstate corridor private line for the telephone company.

Subcategory 8KB1 Broadband Circuit Equipment Used On Local Channels For Other Carrier Access That Is Used In The Provision Of Intrastate Private Line Broadband Services: The costs assigned to this cost subcategory consists of broadband circuit equipment used on local channels for other carrier access that is used in their provision of intrastate private line broadband services and the cost of similar circuit equipment on video pairs used for local channels on intrastate private line wideband services. The costs assigned to this cost subcategory are assigned directly to intrastate interLATA private line for other carrier access.

Subcategory 8KB2 Broadband Circuit Equipment Used On Local Channels Used In The Telephone Company's Provision Of Intrastate Private Line Broadband Services: The costs assigned to this cost subcategory consists of broadband circuit equipment used on local channels used in the telephone company's provision of intrastate private line broadband services and the cost of similar circuit equipment on video pairs used for local channels on intrastate private line wideband services. The costs assigned to this cost subcategory are assigned directly to intrastate interLATA private line for the telephone company.

Subcategory 8KC Other Exchange Circuit Equipment: The costs assigned to this cost category are the investment costs of circuit equipment associated with subscriber loops used in the provision of message telephone service and private line services and the circuit equipment associated with exchange trunks used in the provision of message telephone service and private line services. The costs contained in this cost category are first segregated between basic circuit equipment and special circuit equipment. Basic circuit equipment is that equipment which performs functions necessary to operate channels suitable for voice transmission. Special circuit equipment is that equipment which is peculiar to and used only for special service circuits. The costs identified as basic circuit equipment is next segregated between circuit equipment associated with subscriber loops and that associated with exchange trunks. The costs of basic circuit equipment associated with subscriber loops are

further segregated into fourteen cost subcategories for purposes of allocation to service categories and customer classes. The costs of basic circuit equipment associated with exchange trunks are further segregated into eight cost subcategories for purposes of allocation to service categories and customer classes. The costs identified as special circuit equipment is next segregated into four cost subcategories for purposes of the allocation of these cost to service categories and customer classes. The cost subcategories and allocation procedures are delineated below.

Subcategory 8KCS Basic circuit equipment used to provide exchange subscriber loops and loop facilities for OCC's: The costs of basic circuit equipment associated with subscriber loops are segregated into fourteen cost subcategories on the basis of the relative number of weighted working subscriber loops. The weights are based on an engineering study of the costs of the circuit equipment used in the provision of message telephone services and private line services. The weights for private line services are calculated as the ratio to the costs of circuit equipment used in the provision of each private line service to the costs of circuit equipment used in the provision of message telephone services. The weight for message telephone services is assigned the value of one (1).

Subcategory 8KCS-1 Basic circuit equipment associated with subscriber loops used in the provision of message telephone service including WATS: The costs assigned to this cost subcategory are segregated between interstate and intrastate message telephone service in accordance with the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion is allocated to the customer classes on the basis of the relative number of working subscriber loops for each class and allocated to intrastate interLATA message service for other carrier access, intrastate intraLATA message service for the telephone company, and local message service on the basis of the relative probability-weighted subscriber line usage (originating and terminating) for each service category by each customer class.

Subcategory 8KCS-2 Basic circuit equipment associated with subscriber loops used in the provision of other carrier's access to the interstate long distance network: The costs assigned to this cost category are assigned directly to interstate interLATA message service for feature groups A and allocated to the customer classes on the basis of the relative probability-weighted usage of feature group A.

Subcategory 8KCS-3 Basic circuit equipment associated with subscriber loops used in the provision of other carrier's access to the intrastate long distance network: The costs assigned to this cost category are assigned directly to intrastate interLATA message service for feature group A and allocated to the customer classes on the basis of the relative probability-weighted usage of this equipment feature group A.

Subcategory 8KCS-4 Basic circuit equipment associated with subscriber loops used in the provision of switched interstate message telephone service for the telephone company's offering of interstate toll service: The costs assigned to this cost category are assigned directly to interstate intraLATA and interstate corridor message service for the telephone company and allocated between customer FX for business and residential customers on the basis of the relative number of working loops.

Subcategory 8KCS-5 Basic circuit equipment associated with subscriber loops used in the provision of switched interstate message telephone service for the telephone company's offering of interstate toll service: The costs assigned to this cost category are assigned directly to intrastate intraLATA message service for the telephone company and allocated between customer FX for business and residential customer on the basis of the relative number of working loops.

Subcategory 8KCS-6 Basic circuit equipment associated with subscriber loops used in the provision of other carrier access used for interstate private line services: The costs assigned to this cost category are assigned directly to interstate interLATA private line for other carrier access.

Subcategory 8KCS-7 Basic circuit equipment associated with subscriber loops used in the provision of other carrier access used for intrastate private line services: The costs assigned to this cost category are assigned directly to intrastate interLATA private line for other carrier access.

Subcategory 8KCS-8 Basic circuit equipment associated with subscriber loops used in the provision of interstate private line services offered by the telephone company: The costs assigned to this cost category are assigned directly to interstate intraLATA and interstate corridor private line for the telephone company.

Subcategory 8KCS-9 Basic circuit equipment associated with subscriber loops used in the provision of intrastate private line services offered by the telephone company: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Subcategory 8KCS-10 Basic circuit equipment associated with subscriber loops used in the provision of intrastate private line services for intraexchange service offered by the telephone company: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Subcategory 8KCS-11 Basic circuit equipment associated with subscriber loops used in the provision of other carrier access used for interstate private line Digital Data Services (DDS): The costs assigned to this cost category are assigned directly to interstate interLATA private line for other carrier access.

Subcategory 8KCS-12 Basic circuit equipment associated with subscriber loops used in the provision of interstate private line Digital Data Services (DDS) offered by the telephone company: The costs assigned to this cost category are assigned directly to interstate intraLATA and interstate corridor private line for the telephone company.

Subcategory 8KCS-13 Basic circuit equipment associated with subscriber loops used in the provision of other carrier access used for intrastate private line Digital Data Services (DDS): The costs assigned to this cost category are assigned directly to intrastate interLATA private line for other carrier access.

Subcategory 8KCS-14 Basic circuit equipment associated with subscriber loops used in the provision of intrastate private line Digital Data Services (DDS) offered by the telephone company: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

RECONCILIATION OF COST CATEGORY 8KCS WITH SEPARATIONS
PROCEDURES

Since the outcome of Separations Procedures is taken as a given, the allocation of 8KCS specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. 8KCS, as a whole, subcategories 8KCS-1 through 8KCS-14, are aggregated as a total.
2. The allocation of each subcategory of 8KCS as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of 8KCS assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of 8KCS is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.
6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories by

dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.

7. The proportional factors developed in step 6 are used to allocate 8KCS for the intrastate jurisdictional costs were computed in step 4 above.

Subcategory 8KCT Basic circuit equipment used on exchange trunks: The costs of basic circuit equipment used on exchange trunks assigned to this cost subcategory are segregated into eight cost categories. The cost subcategories and the procedures to allocate these costs to service categories and customer classes is delineated below.

Combined Allocation of Cost Categories 8KCT1 and 8KCT2A: The following cost categories of circuit equipment correspond to cost categories KCT-1 and KCT-2A of the 240 series of accounts. They are:

Subcategory 8KCT1	Basic circuit equipment associated with message exchange trunks used 100% for message exchange traffic and message type access traffic
Subcategory 8KCT2A	Basic circuit equipment associated with message exchange trunks used wholly for toll traffic or jointly for toll and exchange traffic

The costs assigned to these cost categories are first segregated between interstate costs and intrastate costs in accordance to the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion is allocated to the service categories and customer classes on the basis of the allocation of the intrastate portion of cost categories KCT-1 and KCT-2A of the 240 series of accounts.

Subcategory 8KCT2B Basic circuit equipment associated with message exchange trunks used jointly for toll and exchange central office connecting facility (COCF) traffic: The costs assigned to this cost category are first segregated between interstate message type access costs and intrastate costs in accordance to the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access in accordance with separations procedures. The intrastate portion is the residual from separations procedures. The intrastate portion is assigned to intrastate interLATA message service for feature group B and allocated to the customer classes on the basis of the allocation of KCT-2B.

Subcategory 8KCT4A Basic circuit equipment associated with message exchange trunk portion of outside plant used for interstate private line local channels: The costs assigned to this cost category are allocated to interstate interLATA private line for other carrier access and interstate intraLATA and interstate corridor private line for the telephone company in accordance to the allocation of these costs by separation procedures.

Subcategory 8KCT4B Basic circuit equipment associated with message exchange trunk portion of outside plant used for interstate switched access: The costs of circuit equipment assigned to this cost subcategory are for equipment used in rendering services such as FX open end and CCSA ONALS. The costs assigned to this cost category are assigned to interstate interLATA private line for other carrier access and interstate intraLATA and interstate corridor private line for the telephone company in accordance to the allocation of these costs by separation procedures.

Subcategory 8KCT5A Basic circuit equipment associated with message exchange trunk portion of outside plant used for intrastate private line local channels: The costs assigned to this cost category are allocated to intrastate interLATA private line for other carrier access and intrastate intraLATA private line for the telephone company in accordance with separations procedures.

Subcategory 8KCT5B Basic circuit equipment associated with message exchange trunk portion of outside plant used for intrastate switched access: The costs of circuit equipment assigned to this cost subcategory are for equipment used in rendering services such as FX open end and CCSA ONALS. The costs assigned to this cost category are assigned to the appropriate service categories and customer classes on the basis of the allocation of cost category KCT-5B of the 240 series of accounts.

Subcategory 8KCT6 Basic circuit equipment associated with message exchange trunk portion of outside plant used for the telephone company's intraexchange private line services: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Subcategory 8KCT7 Special circuit equipment used on exchange trunks: The costs of special circuit equipment used on exchange trunks assigned to this cost subcategory are segregated into four cost categories. The cost subcategories and the procedures to allocate these costs to service categories and customer classes is delineated below.

Subcategory 8KCT7-1 Special circuit equipment associated with exchange trunks used in the provision of access to interstate private line service offered by other carriers: The costs assigned to this cost category are assigned directly to interstate interLATA private line for other carrier access.

Subcategory 8KCT7-2 Special circuit equipment associated with exchange trunks used in the provision of access to intrastate private line service offered by other carriers: The costs assigned to this cost category are assigned directly to intrastate interLATA private line for other carrier access.

Subcategory 8KCT7-3 Special circuit equipment associated with exchange trunks used in the provision of interstate private line service offered by the telephone company: The costs assigned to this cost category are assigned directly to interstate intraLATA and interstate corridor private line for the telephone company.

Subcategory 8KCT7-4 Special circuit equipment associated with exchange trunks used in the provision of intrastate private line service offered by the telephone company: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Subcategory 8KJ Circuit equipment used to provide Urban Mobile, Bell Boy, VHF maritime radio services, and other such services that are furnished under the general exchange tariffs: The costs assigned to this cost category are assigned directly to local mobile radio service for the telephone company.

III. OUTSIDE PLANT THE 240 SERIES OF ACCOUNTS

The costs of outside plant are recorded in seven different accounts that are specified by the Uniform System of Accounts. The account numbers, titles, and descriptions of charges to each account are delineated below.

ACCOUNT 241 POLE LINES: This account contains the original cost of poles, crossarms, guys, and other material used in the construction of pole lines. This includes the cost of clearing pole line routes and tree trimming, but excludes the costs of maintenance of previous clearings. Also included are the costs of permits and privileges and right-of-way for construction of pole line plant.

ACCOUNT 242.1 AERIAL CABLE: This account contains the original cost of aerial cable and other material used in the construction of such cable.

ACCOUNT 242.2 UNDERGROUND CABLE: This account contains the original cost of underground cable in the conduit and other material used in the construction of such cable.

ACCOUNT 242.3 BURIED CABLE: This account contains the original cost of buried cable and other material used in the construction of such cable.

ACCOUNT 242.4 SUBMARINE CABLE: This account contains the original cost of submarine cable and other material used in the construction of such cable.

ACCOUNT 243 AERIAL WIRE: This account contains the original cost of aerial wire other than drop and block wires, including insulators, tie wires, and other material used in the construction of aerial wire plant.

ACCOUNT 244 UNDERGROUND CONDUIT: This account contains the original cost of tile, pipe, and other conduit, whether underground, in tunnels, or on bridges, and of manhole, handholes, and service boxes, including cable racks and other furnishings, thereof, and the cost of

riser pipe. It also contains the cost of permits and privileges and rights-of-way for construction.

These seven accounts for outside plant investment are treated as a single pool of dollars for purposes of allocating these costs to service categories and customer classes. Each account is functionalized into cost categories in accordance with the procedures prescribed by separation procedures as implemented in the Bell operating companies' implementation, BOCSIS. There are seven broad cost categories for outside plant. They are as follows:

Category C	Plant Used To Provide Internal Communications At Certain U.S. Government Missile Complexes or Other Locations Furnished Under Special Contract In Lieu Of A Filed Tariff
Category E	Broadband Facilities Used For Interexchange Broadband Services
Category F	Plant Used For Wideband Channels
Category G	Interexchange Plant Not Assigned To Categories C, E, F, or J
Category H	Host/Remote Message Facilities
Category J	Facilities Used To Provide Radio End Links For Certain Mobile Radio Services Under Interexchange Tariffs
Category K	Exchange Circuit Outside Plant

Each of the above seven broad cost categories is further functionalized into cost subcategories for allocation purposes. The cost categories and allocation procedures are delineated below.

Category C Interexchange Outside Plant Used To Provide Special Communications Services At Certain Missile Sites: The cost assigned to this cost category is for interexchange outside plant used in the provision of special communications services at certain missile sites. The outside plant assigned to this cost category consists of only that equipment associated with circuits between

the missile control center and the individual missile locations which are (a) furnished to the federal government under special contractual arrangements and, therefore, not tariffed, and (b) do not interconnect with any other services terminating in the missile control center. The costs of interexchange outside plant assigned to this cost category are assigned directly to the missile site service category.

Category E Outside Plant Used For Interexchange Broadband Services: The costs assigned to this cost category are used in rendering private line services. These costs are further segregated into four cost subcategories.

Subcategory EA1 Outside Plant Used For Access To Interstate Private Line Services Offered By Other Carriers: The costs assigned to this category are assigned directly to interstate interLATA private line for other carrier access.

Subcategory EA2 Outside Plant Used For The Telephone Company's Interstate Private Line Services: The costs assigned to this cost category are assigned directly to interstate intraLATA and interstate corridor private line for the telephone company.

Subcategory EB1 Outside Plant Used For Access To Intrastate Private Line Services Offered By Other Carriers: The costs assigned to this cost category are assigned directly to intrastate interLATA private line services for other carrier access.

Subcategory EB2 Outside Plant Used For The Telephone Company's Intrastate Private Line Services: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Category F Outside Plant Used To Provide Wideband Interexchange Services: The costs assigned to this cost category are used in rendering private line services. These costs are further segregated into eight cost subcategories.

Subcategory FA1 Outside Plant Used To Provide Wideband Channels For Interstate Private Line Services Offered By Other Carrier: The costs assigned to this cost category are assigned directly to interstate interLATA private line for other carrier access.

Subcategory FA2 Outside Plant Used To Provide Wideband Channels For The Telephone Company's Interstate Private Line Services: The costs assigned to this cost category are assigned directly to interstate intraLATA and interstate corridor private line for the telephone company.

Subcategory FB1 Outside Plant Used To Provide Wideband Channels For Intrastate Private Line Services Offered By Other Carrier: The costs assigned to this cost category are assigned directly to intrastate interLATA private line for other carrier access.

Subcategory FB2 Outside Plant Used To Provide Wideband Channels For The Telephone Company's Intrastate Private Line Services: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Subcategory FF1 Outside Plant Used To Provide Interstate Private Line Circuits For DATAPHONE Digital Service (DDS) and High Speed Switched Digital Services (HSSDS) For Other Carrier Access: The costs assigned to this cost category are assigned directly to interstate interLATA private line for other carrier access.

Subcategory FF2 Outside Plant Used To Provide Interstate Private Line Circuits For DATAPHONE Digital Service (DDS) and High Speed Switched Digital Services (HSSDS) Offered By The Bell Operating Company: The costs assigned to this cost category are assigned directly to interstate intraLATA and interstate corridor private line for the telephone company.

Subcategory FG1 Outside Plant Used To Provide Intrastate Private Line Circuits For DATAPHONE Digital Service (DDS) and High Speed Switched Digital Services (HSSDS) For Other Carrier Access: The costs assigned to this cost category are assigned directly to intrastate interLATA private line for other carrier access.

Subcategory FG2 Outside Plant Used To Provide Intrastate Private Line Circuits For DATAPHONE Digital Service (DDS) and High Speed Switched Digital Services (HSSDS) Offered By The Bell Operating Company: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Category G Interexchange Outside Plant Not Assigned To Interexchange Categories C, E, F, H, and J: The costs of outside plant are segregated into fifteen cost subcategories along functional lines on the basis of revenue producing equivalent telephone circuit miles in service. The allocation procedures for these subcategories of interexchange outside plant are delineated below.

Subcategory G-1 Outside Plant Used In The Provision Of Other Carrier Access For Interstate Message Telephone Services: The costs assigned to this cost category are assigned directly to interstate interLATA message service for other carrier access.

Subcategory G-2 Outside Plant Used In The Provision Of Other Carrier Access For Interstate Message Telephone Service and The Telephone Company's Interstate Message Telephone Service: The costs assigned to this cost category are allocated to interstate intraLATA and interstate corridor message service for the telephone company and interstate interLATA message service for other carrier access in accordance to the costs as determined by separations procedures.

Subcategory G-3 Outside Plant Used In The Provision Of Other Carrier Access For Interstate WATS Message Telephone Service: The costs assigned to this cost category are assigned directly to interstate interLATA WATS message service for other carrier access.

Subcategory G-4 Outside Plant Used In The Provision Of Interstate WATS Message Telephone Service For The Telephone Company: The costs assigned to this cost category are assigned directly to interstate intraLATA and interstate corridor WATS message service for the telephone company.

Combined Allocation of Cost Categories G-5, G-6, and G-7: Due to measurement limitations the following three cost categories for interexchange circuit plant used to provide intrastate toll service must be combined for allocation. They are:

- | | |
|-----------------|--|
| Subcategory G-5 | Outside Plant Used In
The Provision Of Other
Carrier Access For
Intrastate Message Service |
| Subcategory G-6 | Outside Plant Used In The
Provision Of Other Carrier
Access For Intrastate
Message Services and The
Telephone Company's
Intrastate Message Services |
| Subcategory G-7 | Outside Plant Used In The
Provision Of The Telephone
Company's Intrastate Message
Services |

The costs assigned to these cost categories are allocated to intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company and the customer classes on the basis of the relative probability-weighted minutes of use for intrastate interLATA and intraLATA message telephone service by each customer class. The calculation of the probability-weighted minutes of use requires the number of circuits at each location, the equal access status of each location, the total minutes of use at each location on an hourly basis, and a profile of usage by feature group and for the telephone company on an hourly basis at each location. The equal access information is used to determine whether an office has feature groups A, B, and C or feature groups A, B, and D.

Subcategory G-8 Outside Plant Used In The Provision Of Other Carrier Access For Intrastate WATS Message Telephone Service and Intrastate WATS Message Telephone Service For The Telephone Company: The costs assigned to this cost category are segregated between other carrier access and the telephone company based on the relative number of circuits providing service to each. The costs assigned to intrastate WATS message telephone service for other carrier access are assigned directly to intrastate interLATA WATS message service for other carrier access. The costs assigned to intrastate WATS message service for the telephone company is assigned directly to intrastate intraLATA WATS message service for the telephone company. This allocation requires the number of circuits providing WATS service to interexchange carriers and to the telephone company.

Subcategory G-9 Outside Plant Used In The Provision Of Message Telephone Central Office Connecting Facilities (COCF) For Other Carrier Access That Is Jointly Used In The Provision Of Both Interstate and Intrastate Message Telephone Services: The costs assigned to this cost category are assigned to interstate and intrastate interLATA in accordance with the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access. The intrastate portion is assigned directly to intrastate interLATA message service for other carrier access and assigned to feature group B and allocated to the customer classes on the basis of their relative probability-weighted minutes of use of this outside plant. The calculation of the probability-weighted minutes of use for each service category requires the number of circuits at each location, the total usage of these circuits at each location on an hourly basis, and a break down of the usage for each service category by location on an hourly basis.

Subcategory G-10 Outside Plant That Is Jointly Used To Provide Interstate and Intrastate Message Telephone Services For Other Carrier Access and The Telephone Company's Message Services: The costs assigned to this cost category are segregated into a interstate message service portion and an intrastate message service portion in accordance with the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance

with separation procedures. The intrastate portion is allocated among intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company on the basis of the probability-weighted minutes of use for each service category of message service. The calculation of the probability-weighted minutes of use for each service category requires the number of circuits at each location, the equal access status of each location, the total usage of these circuits at each location on an hourly basis, and a break down of the usage for each service category by location on an hourly basis. The costs allocated to intrastate interLATA message service for other carrier access are allocated between the Feature Groups and the customer classes on the basis of the relative probability-weighted minutes of use for each Feature Groups by customer class.

Subcategory G-11 Outside Plant Used In The Provision Of Other Carrier Access For Interstate Private Line Service: The costs assigned to this cost category are assigned directly to interstate interLATA private line for other carrier access.

Subcategory G-12 Outside Plant Used In The Provision Of The Telephone Company's Interstate Private Line Services: The costs assigned to this cost category are assigned directly to interstate intraLATA and interstate corridor private line for the telephone company.

Subcategory G-13 Outside Plant Used In The Provision Of Other Carrier Access For Intrastate Private Line Service: The costs assigned to this cost category are assigned directly to intrastate interLATA private line for other carrier access.

Subcategory G-14 Outside Plant Used In The Provision Of The Telephone Company's Intrastate Private Line Services: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Subcategory G-15 Outside Plant Rented To Others For The Provision Of Interexchange Services: The costs assigned to this cost category are assigned to non-tariffed services.

Category H Outside Plant Used For Host/Remote Facilities Interconnecting A Host And A Remote Switching Unit Of A Host/Remote Switching Complex Used For Other Carrier Access and Operating Company Message Telephone Switching Functions: The costs assigned to this cost category are first segregated between interstate message service and intrastate message service in accordance with the interstate costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion is the residual after the interstate portion is determined. The costs assigned to the intrastate portion are allocated between intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company on the basis of the probability-weighted minutes of use of this outside plant. The intrastate interLATA portion is allocated among the feature groups and the customer classes on the basis of each feature group's and customer classes' probability-weighted usage of this plant. The calculation of the probability-weighted minutes of use requires the number of circuits between the remote and host at each location. The total usage at each location on an hourly basis and the usage for each service category at each location on an hourly basis is derived from the subscriber line usage profiles and the number of subscriber lines terminating at the remote location.

Category J Outside Plant Used To Provide Radio End Links For Certain Mobile Radio Services Under Interexchange Tariffs: The costs assigned to this cost category is the cost of outside plant used in the provision of radio end links for certain mobile radio services provided under interexchange tariffs set by the FCC or state commission. Examples of mobile radio services included in this cost category are coastal harbor, air-ground, and highway mobile radio services. The costs included in this cost category are further segregated into two cost subcategories according to jurisdictional rate making authority.

Subcategory JA Interexchange Outside Plant Used In The Provision Of Mobile Radio Services Provided Under FCC Tariffs: The costs assigned to this cost category are assigned directly to interstate mobile radio services.

Subcategory JB Interexchange Outside Plant Used In The Provision Of Mobile Radio Services Provided Under Intrastate Tariffs: The costs assigned to this cost category are assigned directly to intrastate mobile radio services for the telephone company.

Category K Exchange Outside Plant: The costs assigned to this cost category include the cost of exchange outside plant used in the provision of local channels for broadband and wideband private line services, outside plant associated with subscriber loops used in the provision of message telephone services and for private line services, and outside plant used on exchange trunks used in the provision of message telephone services and local channels for private line services. The costs contained in this cost category are first segregated into five broad cost subcategories which are further segregated on a functional basis. The cost subcategories and allocation procedures for this cost category are delineated below.

Subcategory KA1 Special Facilities Used For Broadband Local Channels For Other Carrier Access That Is Used In Their Provision Of Interstate Private Line Broadband Services: The costs assigned to this cost subcategory consist of outside plant used for broadband local channels for other carrier access that is used in their provision of interstate private line broadband services and the cost of similar outside plant for video pairs used for local channels on interstate interLATA private line wideband services. The costs assigned to this cost subcategory are assigned directly to interstate interLATA private line for other carrier access.

Subcategory KA2 Special Facilities Used For Broadband Local Channels Used In The Telephone Company's Provision Of Interstate Private Line Broadband Services: The costs assigned to this cost subcategory consist of outside plant used for broadband local channels used in the telephone company's provision of interstate intraLATA and interstate corridor private line broadband services and the cost of similar outside plant for video pairs used for local

channels on interstate intraLATA and interstate corridor private line wideband services. The costs assigned to this cost subcategory are assigned directly to interstate intraLATA and interstate corridor private line for the telephone company.

Subcategory KB1 Special Facilities Used For Broadband Local Channels For Other Carrier Access That Is Used In The Provision Of Intrastate Private Line Broadband Services: The costs assigned to this cost subcategory consist of outside plant used for broadband local channels for other carrier access that is used in their provision of intrastate private line broadband services and the cost of similar outside plant for video pairs used for local channels on intrastate private line wideband services. The costs assigned to this cost subcategory are assigned directly to intrastate interLATA private line for other carrier access.

Subcategory KB2 Special Facilities Used For Broadband Local Channels Used In The Telephone Company's Provision Of Intrastate Private Line Broadband Services: The costs assigned to this cost subcategory consist of outside plant used for broadband local channels used in the telephone company's provision of intrastate private line broadband services and the cost of similar circuit equipment for video pairs used for local channels on intrastate private line wideband services. The costs assigned to this cost subcategory are assigned directly to intrastate intraLATA private line for the telephone company.

Subcategory KC Other Exchange Outside Plant: The costs assigned to this cost category are the investment costs of outside plant associated with subscriber loops used in the provision of message telephone service and private line services and the outside plant associated with exchange trunks used in the provision of message telephone service and private line services. The costs contained in this cost category are segregated between outside plant associated with subscriber loops and that associated with exchange trunks. The costs of outside plant associated with subscriber loops are further segregated into eleven cost subcategories for purposes of allocation to service categories and customer classes. The costs of outside plant associated with exchange trunks are further segregated into eight cost subcategories for purposes of

allocation to service categories and customer classes. The cost subcategories and allocation procedures are delineated below.

Category KCS Outside Plant Used To Provide Exchange Subscriber Loops And Loop Facilities For OCC's: The costs of outside plant associated with subscriber loops are segregated into eleven cost subcategories on the basis of the relative number of working subscriber loops.

Subcategory KCS-1 Outside plant associated with subscriber loops used in the provision of message telephone service including WATS: The costs assigned to this cost subcategory are segregated between interstate and intrastate message telephone service in accordance with the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion is allocated to the customer classes on the basis of the relative number of working subscriber loops serving each class. The intrastate portion for each customer class is allocated to intrastate interLATA message service for other carrier access, intrastate intraLATA message service for the telephone company, and local message service on the basis of the relative probability-weighted incoming and outgoing (originating and terminating) subscriber line usage for each service category. The calculation of the probability-weighted subscriber line minutes of use requires a profile of incoming and outgoing usage hourly for each service category and customer class and the number of loops provided to a typical customer in a customer class. The portion allocated to intrastate interLATA is allocated to the feature groups on the basis of the probability-weighted usage of each feature group by each customer class.

Subcategory KCS-2 Outside plant associated with subscriber loops used in the provision of other carrier access used for interstate private line services: The costs assigned to this cost category are assigned directly to interstate interLATA private line for other carrier access - Feature Group A.

Subcategory KCS-3 Outside plant associated with subscriber loops used in the provision of other carrier access used for intrastate private line services: The costs assigned to this cost category are assigned directly to intrastate interLATA private line for other carrier access - Feature Group A.

Subcategory KCS-4 Outside plant associated with subscriber loops used in the provision of interstate private line services offered by the telephone company: The costs assigned to this cost category are assigned directly to interstate intraLATA and interstate corridor private line for the telephone company.

Subcategory KCS-5 Outside plant associated with subscriber loops used in the provision of intrastate private line services offered by the telephone company: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Subcategory KCS-6 Outside plant associated with subscriber loops used in the provision of intrastate private line services for intraexchange service offered by the telephone company: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Subcategory KCS-7 Outside plant associated with subscriber loops used in the provision of other carrier access used for interstate private line Digital Data Services (DDS): The costs assigned to this cost category are assigned directly to interstate interLATA private line for other carrier access.

Subcategory KCS-8 Outside plant associated with subscriber loops used in the provision of interstate private line Digital Data Services (DDS) offered by the telephone company: The costs assigned to this cost category are assigned directly to interstate intraLATA and interstate corridor private line for the telephone company.

Subcategory KCS-9 Outside plant associated with subscriber loops used in the provision of other carrier access used for intrastate private line Digital Data Services (DDS): The costs assigned to this cost category are assigned directly to intrastate interLATA private line for other carrier access.

Subcategory KCS-10 Outside plant associated with subscriber loops used in the provision of intrastate private line Digital Data Services (DDS) offered by the telephone company: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Subcategory KCS-11 Outside plant associated with subscriber loops used in the provision of intrastate private line services Digital Data Services (DDS) for intraexchange service offered by the telephone company: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Category KCT Outside Plant Used For Exchange Trunks: The costs of basic outside plant used for exchange trunks assigned to this cost subcategory are segregated into eight cost categories. The cost subcategories and the procedures to allocate these costs to service categories and customer classes is delineated below.

Combined Allocation of Cost Categories KCT-1 and KCT-2A: Due to measurement limitations the exchange trunk plant assigned to the following cost categories must be combined for allocation purposes. They are:

Subcategory KCT-1	Outside plant associated with message exchange trunks used 100% for message exchange traffic and message type access traffic
-------------------	--

Subcategory KCT-2A

Outside plant associated
with message exchange trunks
used wholly for toll traffic
or jointly for toll and
exchange traffic:

The costs assigned to these cost categories are first segregated between interstate costs and intrastate costs in accordance to the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance with separations procedures. The intrastate portion is the residual from separations procedures. The intrastate portion is allocated to the customer classes and to intrastate interLATA message service for other carrier access and intrastate intraLATA message service for the telephone company and to the local service categories on the basis of the relative probability-weighted minutes of use for each service. The intrastate interLATA portion is allocated to the feature groups on the basis on their probability-weighted usage of this plant. The calculation of the probability-weighted minutes of use requires the number of circuits at each location, the equal access status of each location, the total usage at each location on an hourly basis, and the break down of the usage for each service category at each location on an hourly basis.

Subcategory KCT-2B Outside plant associated with message exchange trunks used jointly for toll and exchange central office connecting facility (COCF) traffic: The costs assigned to this cost category are first segregated between interstate message type access costs and intrastate costs in accordance to the costs as determined by separations procedures. The interstate portion is assigned directly to interstate interLATA message service for other carrier access in accordance with separations procedures. The intrastate portion is the residual from separations procedures. The intrastate portion is assigned to intrastate interLATA message service for feature group B and allocated to the customer classes on the basis of the relative probability-weighted usage of each feature group B by each customer class. The calculation of the probability-weighted minutes of use requires the number of circuits at each location, the total usage at each location on an hourly basis, and the break down of the usage for each customer class at each location on an hourly basis.

Subcategory KCT-4A Message exchange trunk portion of outside plant used for interstate private line local channels: The costs assigned to this cost category are allocated to interstate interLATA private line for other carrier access and interstate intraLATA and interstate corridor private line for the telephone company in accordance to the allocation of these costs by separation procedures.

Subcategory KCT-4B Exchange trunk portion of outside plant used for interstate switched access for private line: The costs of outside plant assigned to this cost subcategory are for equipment used in rendering services such as FX open end and CCSA ONALS. The costs assigned to this cost category are allocated to interstate interLATA message service for other carrier access and interstate intraLATA and interstate corridor message service for the telephone company in accordance to the allocation of these costs by separation procedures.

Subcategory KCT-5A Exchange trunk portion of outside plant used for intrastate private line local channels: The costs assigned to this cost category are allocated to intrastate interLATA private line for other carrier access and intrastate intraLATA private line for the telephone company in accordance with Separations procedures.

Subcategory KCT-5B Exchange trunk portion of outside plant used for intrastate switched access for private line: The costs of outside plant assigned to this cost subcategory are for equipment used in rendering services such as FX open end and CCSA ONALS. The costs assigned to this cost category are first segregated between access FX, which is feature group A, and non-access FX on the basis of the relative number of circuits used in rendering these services. The access FX cost are allocated to the customer classes on the basis of the relative probability-weighted usage for feature group A service for each customer class. The non-access FX costs are allocated to the business and residential FX customer classes on the basis of the relative number of circuits serving each class. The costs assigned to each class of FX customer are allocated to intrastate interLATA and intrastate intraLATA FX service for the telephone company on the basis of the probability-weighted minutes of use for this outside plant by the FX customer classes. The

calculation of the probability-weighted minutes of use requires the number of circuits at each location, the total minutes of use at each location on an hourly basis, and a break down of usage for each service category at each location on an hourly basis.

Subcategory KCT-6 Exchange trunk portion of outside plant used for the telephone company's intraexchange private line services: The costs assigned to this cost category are assigned directly to intrastate intraLATA private line for the telephone company.

Category KJ Outside Plant Used To Provide Urban Mobile, Bell Boy, VHF Maritime Radio Services, and Other Such Services That Are Furnished Under The General Exchange Tariffs: The costs assigned to this cost category are assigned directly to mobile radio service for the telephone company.

IV. OTHER PLANT ACCOUNTS

ACCOUNT 201 ORGANIZATION: The costs recorded in this account are the costs of organizing and incorporating the company. These costs include the fees paid to government agencies, attorneys' fees and other costs of organizing the company and of obtaining or amending its charter. The costs recorded to this account are allocated to private line, the service categories, and customer classes in proportion to the allocation of account 100.1, Telephone Plant In Service, less accounts 201, 202, 203, 276, and 277.

ACCOUNT 202 FRANCHISES: The costs recorded to this account are the original cost of governmental franchises and similar rights running for more than one year which are necessary in the conduct of the company's telephone operations. It includes amounts paid in cash and the cost of the plant, material, supplies, and equipment given as the initial consideration for such franchises; cost of advertising, governmental election costs assumed by the company, and similar expenses incurred in procuring such franchise; also the original cost of franchises acquired by assignment. This account includes amounts, other than those includible in account 201, Organization, paid to municipalities or other governmental agencies as a condition precedent to engaging in business whether or not the right to occupy city property, streets, and highways is obtained in connection therewith. The costs recorded to this account are allocated to private line, the service categories, and customer classes in proportion to the allocation of account 100.1, Telephone Plant In Service, less accounts 201, 202, 203, 276, and 277.

ACCOUNT 203 PATENT RIGHTS: The costs recorded in this account include the original cost of patent rights having a life of more than one year from date of acquisition for use in connection with the company's telephone operations. The costs recorded to this account are allocated to private line, the service categories, and customer classes in proportion to the allocation of account 100.1, Telephone Plant In Service, less accounts 201, 202, 203, 276, and 277.

ACCOUNTS 211 AND 212 LAND AND BUILDINGS: The costs of land and buildings are recorded in two different accounts that are specified by the Uniform System of Accounts. The account numbers, titles, and description of charges to each account are delineated below.

ACCOUNT 211 LAND: The recorded to this account are the original cost of all land held in fee, and of leaseholds, easements and similar rights in land having a term of more than 1 year used for purposes other than the location of outside plant (see outside plant accounts 241 through 244) or externally amounted central office equipment (see central office equipment account 221). It shall also include special assessment upon land of the construction of public improvements.

ACCOUNT 212 BUILDINGS: The costs recorded to this account are the original cost of buildings, and the cost of all permanent fixtures, machinery, appurtenances, and appliances installed as a part thereof. It shall include costs incident to the construction or purchase of a building and to securing possession and title.

The allocation of account 211, land, follows the allocation of account 212, buildings. At locations where land is not directly associated with buildings, it is assigned in accordance with its use. Consequently, the remainder of the allocation procedures shall treat these two accounts as a single account.

The allocation of land and buildings, including improvements to leased quarters, is based upon the use made of the building or quarters, determined by an analysis of floor plan layout drawings or of space occupancy reports used in the clearance of house service expense to operating expense and other accounts. The first step is the determination of the number of square feet of floor space in use in the building or quarters. Second, an average cost per square foot of floor space in use is computed and is used in assigning the building cost to the several categories into which the space in the building or quarters is subdivided. The cost of land and buildings is assigned to eleven categories according to the square footage attributed to each category and the average cost per square foot. The eleven categories are as follows:

CATEGORY 1.	OPERATING ROOM AND CENTRAL OFFICE EQUIPMENT SPACE
CATEGORY 2.	OPERATORS' QUARTERS
CATEGORY 3.	GENERAL TRAFFIC SUPERVISION SPACE
CATEGORY 4.	COMMERCIAL OFFICE SPACE
CATEGORY 5.	SPACE USED BY ANOTHER COMPANY FOR INTERSTATE OPERATIONS
CATEGORY 6.	REVENUE ACCOUNTING SPACE
CATEGORY 7.	GARAGES, STOREROOMS, WAREHOUSES, AND POLE YARDS
CATEGORY 8.	SPACE RENTED TO OTHERS
CATEGORY 9.	GENERAL OFFICE SPACE
CATEGORY 10.	ANTENNA SUPPORTING STRUCTURES
CATEGORY 11.	SPACE CONSTRUCTED AT THE SPECIFIC REQUEST OF ANOTHER COMPANY FOR INTERSTATE SERVICE ONLY.

The definitions and allocation procedures for each of these cost categories is specified below.

CATEGORY 1. OPERATING ROOM AND CENTRAL OFFICE EQUIPMENT SPACE: This category includes the space used to house central office equipment such as circuit equipment, toll and local switchboards, including traffic service positions, operating rooms, deal switching equipment, automatic message recording equipment, power plants, cable vaults, and space used by personnel when installing or maintaining central office equipment. The cost of this space, excluding space used or reserved for another company's interstate operations, is apportioned among the private line, the service categories, and customer classes in proportion to the allocation of the cost of the following types of central office equipment:

1. Manual Switchboard Equipment CATEGORY 1 OF ACCOUNT 221
2. Circuit Equipment CATEGORY 8 OF ACCOUNT 221
3. Dial Switching Equipment CATEGORIES 2, 3, 4, 5, 6, AND 7 OF ACCOUNT 221

CATEGORY 2. OPERATORS' QUARTERS: This category includes space (other than operating rooms) used by switchboard operators (for example, operators' lounges and lunch rooms). The cost of this space is allocated to private line, the service categories, and the customer classes on the basis of the allocation of category 1 of account 221.

CATEGORY 3. GENERAL TRAFFIC SUPERVISION SPACE: This category includes the space used by the general traffic supervision forces including that space used solely for operator employment, and that operator training space not assigned to Category 1. The cost of this space is first segregated between an interstate and intrastate portions in accordance with separations procedures. The interstate portion is assigned to interstate interLATA for other carrier access and interstate intraLATA and interstate corridor for the telephone company in accordance with separations procedures. The interstate portion is apportioned among the service categories and customer classes in proportioning to the allocation of General Traffic Supervision expenses, FSUB 1208 of the traffic expenses.

CATEGORY 4. COMMERCIAL OFFICE SPACE: This category includes the space used by local commercial offices, commercial and marketing supervisory forces and other office space used by commercial, marketing, sales, or directory forces, or combinations of these forces. The cost of this space is apportioned among private line, the service categories, and the customer classes in proportion to the allocation of account 640, General Commercial Administration, account 643, Sales Expense, account 644, Connecting Company Relations, and account 645, Local Commercial Operations expense, combined.

CATEGORY 5. SPACE USED BY ANOTHER COMPANY FOR INTERSTATE OPERATIONS: This category includes space used by employees of another company which is engaged only in the interstate operation, excluding operating rooms, operators quarters and central office equipment space. The cost of

this space is assigned to the interstate interLATA service category.

CATEGORY 6. REVENUE ACCOUNTING SPACE: This category includes the space occupied by data processing equipment used primarily for revenue accounting purposes and by employees whose salaries are assigned to revenue accounting operations. The cost of this space is apportioned among private line, the service categories, and the customer classes in proportion to the allocation of Revenue Accounting expenses, account 662.01.

CATEGORY 7. GARAGES, STOREROOMS, WAREHOUSES, AND POLE YARDS: This category includes the space used for the storage and care of motor vehicles, supplies and equipment. The cost of this space is apportioned among private line, the service categories, and the customer classes in proportion to the combined allocation of the 240 series of accounts, outside plant in service and accounts 262 and 264, materials and supplies.

CATEGORY 8. SPACE RENTED TO OTHERS: This category includes all space rented to others (e.g., barber shops, cigar counters). The cost of this space is non-jurisdictional and is not included in the cost of service.

CATEGORY 9. GENERAL OFFICE SPACE: This category includes all office space not included in preceding categories (e.g., space used by accounting other than revenue accounting, executive treasury, law, engineering and plant supervisory forces, personnel, general archives. The cost of this space is apportioned among private line, the service categories, and the customer classes in proportion to the allocation of general expenses, accounts 661 through 665.

CATEGORY 10. ANTENNA SUPPORTING STRUCTURES: This category includes the cost of structures (usually steel towers) used for supporting radio antennae. The cost of those structures is apportioned among the service categories and customer classes in proportion to the allocation of the cost of the antennae supported.

CATEGORY 11. SPACE CONSTRUCTED AT THE SPECIFIC REQUEST OF ANOTHER COMPANY FOR INTERSTATE SERVICE ONLY: This category includes the cost of a building, a building addition or a proportion thereof constructed at the specific request of another company for interstate services only and used or reserved for central office equipment. The cost of this space is assigned directly to the interstate service category.

ACCOUNT 231 STATION APPARATUS: The costs recorded to this account are the original costs of plant installed for emergency reporting systems only; that is, 911 equipment. This account also contains the costs of embedded company-used station apparatus costing \$200 or less which is to be amortized over a five year period. The costs recorded to this account are segregated between emergency reporting systems and embedded company-used station equipment. The costs of emergency reporting equipment is allocated to the customer classes and the service categories on the basis of the allocation of the subscriber loop, cost category KCS-1 of the 240 series of accounts. The embedded company-used station apparatus is assigned directly to official and allocated to the service categories in accordance with the probability-weighted usage by the official customer class.

RECONCILIATION OF ACCOUNT 231 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 231 as a whole, emergency systems and official, are aggregated as a total.
2. The allocation of each category of account 231 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of account 231 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.

4. The remaining portion of account 231 is designated as the intrastate jurisdictional costs.

5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.

6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.

7. The proportional factors developed in step 6 are used to allocate account 231 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 232 STATION CONNECTIONS - INSIDE WIRE: There are no current charges being made to this account. The costs recorded to this account are the unamortized portion of the original cost of installing all inside wiring for station apparatus from the connection to protector up to and including the terminating jack(s) and reconnection of inside wiring and the connection and installation, except as part of a replacement or an inside move of state apparatus. Also included is the cost of labor to install and the material cost of the wire (or small cables), jacks, connecting blocks, clamps, nails, screws, staples, and other materials used in the installation of teletypewriter inside wiring and the costs of activities associated with plant dispatch and completion and test desk work relating to inward movement service orders. The costs recorded to this account are segregated into six cost categories. Category 1 consists of the costs of wire for teletypewriter installations. Category 2 consists of the costs of inside wire for official company. Category 3 consists of complex inside wire installations. Category 4 consists of inside wire for public telephones. Category 5 consists of inside wire for mobile radio equipment. Category 6 consists of all other inside wire. The allocation procedures for each of these cost categories is delineated below.

CATEGORY 1 TELETYPEWRITER INSTALLATIONS: The costs assigned to this cost category are allocated to the customer classes and the service categories on the basis of the allocation of account 231.

CATEGORY 2 OFFICIAL COMPANY: The costs assigned to this cost category are assigned directly to the official customer class and allocated to the service categories on the basis of the probability-weighted usage of this plant by this customer class.

CATEGORY 3 COMPLEX INSIDE WIRE: The costs assigned to this cost category are allocated among the trunk, CENTREX, and multiline business customers and private line on the basis of the relative number of working subscriber loops serving each of these classes and private line and allocated to the service categories on the basis of the subscriber loop for private line and each of these customer classes, portion of cost category KCS of the 240 series of accounts.

CATEGORY 4 PUBLIC TELEPHONE: The cost assigned to this cost category are assigned directly to the public telephone customer class and allocated to the service categories on the basis of the probability-weighted usage of this plant by this customer class.

CATEGORY 5 MOBILE TELEPHONE: The cost assigned to this cost category are assigned directly to the mobile telephone customer class and allocated to the service categories on the basis of the probability-weighted usage of this plant by this customer class.

CATEGORY 6 ALL OTHER INSIDE WIRE: The costs assigned to this cost category are allocated among the residential customer classes, single line business, measured rate business, customer FX, and WATS on the basis of the relative number of working loops for each customer class and allocated to the service categories on the basis of the probability-weighted usage of this plant by these customer classes.

RECONCILIATION OF ACCOUNT 232 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 232 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 232 as a whole, cost categories 1 through 6, are aggregated as a total.
2. The allocation of each category of account 232 as specified above to the service categories, customer

classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.

3. The dollar amount of account 232 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.

4. The remaining portion of account 232 is designated as the intrastate jurisdictional costs.

5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.

6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.

7. The proportional factors developed in step 6 are used to allocate account 232 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 234 LARGE PRIVATE BRANCH EXCHANGES: The costs recorded to this account shall not include the investment of deregulated nontariffed equipment installed for lease to customers. It does include the costs of equipment which is separable from equipment required to provide the electrical transmission characteristics or network switching and routing of the carrier furnished basic transmission service, all types of equipment to which channel access is provided at a network interface; equipment which facilitates the customer's use of basic transmission services; equipment to provide pair gain capability; terminal equipment used for Digital Data Systems (DDS); miscellaneous telecommunication equipment installed for the customer's use such as automatic call distributing, television program supply equipment, and certain special individualized designs and assemblies of large installations of station equipment; terminal equipment to provide for transmission and/or signal enhancement; terminating equipment provided to meet channel transmission and/or signaling parameters or for network maintenance capabilities. The costs recorded to this account are segregated into message service and private line on the basis of an analysis of the charges to this account. The message service portion is assigned to

the CENTREX customer class and allocated to the service categories on the basis for the probability-weighted usage of subscriber loop by this class. The private line portion is allocated to the service categories on the basis of the allocation of the subscribe loop of private line.

RECONCILIATION OF ACCOUNT 234 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 234 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 234 as a whole, private line and message service, are aggregated as a total.
2. The allocation of each category of account 234 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of account 234 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of account 234 is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.
6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.
7. The proportional factors developed in step 6 are used to allocate account 234 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 235 PUBLIC TELEPHONE EQUIPMENT: The costs recorded to this account are the original cost of coin-operated and coinless telephone equipment. The original

cost includes the cost of premises wiring installed for use by the public telephones and the cost of operating spares. The costs recorded to this account are first segregated into interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate interLATA for other carrier access and interstate intraLATA and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is assigned directly to the public telephone customer class and allocated to the service categories on the basis of the allocation of the subscriber loop for the public telephone customer class.

ACCOUNT 261 FURNITURE AND OFFICE EQUIPMENT: This account contains the original cost, not provided for in other accounts, of furniture and equipment in offices, storerooms, shops, and other quarters, computers and AMA systems, artworks, and items of small value. The cost recorded to this account are segregated into five cost categories for purposes of allocation to private line, the service categories, and the customer classes.

- CATEGORY 1 STOREROOM FURNITURE AND OFFICE EQUIPMENT
- CATEGORY 2 OTHER FURNITURE AND OFFICE EQUIPMENT
- CATEGORY 3 COMPUTERS AND AMA SYSTEMS
- CATEGORY 4 ARTWORKS
- CATEGORY 5 ITEMS OF SMALL VALUE

The allocation procedures for each of these cost categories are delineated below.

CATEGORY 1 STOREROOM FURNITURE AND OFFICE EQUIPMENT: The costs assigned to this cost category consist of the original cost of major items, such as counters, desks, chairs and other furniture of office equipment, located in telephone company storerooms and storeyards for plant supplies. The costs assigned to this cost category are allocated to private line, the service categories, and the customer classes on the basis of the allocation of the wage portion of maintenance, traffic, commercial, and

revenue accounting expenses excluding the wage portion of maintenance expenses related to general office expenses.

CATEGORY 2 OTHER FURNITURE AND OFFICE EQUIPMENT: The costs assigned to this cost category consists of the original cost of items of furniture and office equipment used in offices, shops, lunchrooms and other quarters. The costs assigned to this cost category are allocated to private line, the service categories, and the customer classes in accordance with the allocation of cost category 1 of these accounts.

CATEGORY 3 COMPUTERS AND AMA SYSTEMS: The costs assigned to this cost category consists of the original cost of electronic data processing (EDP), electronic accounting (EAM) equipment, and automatic message accounting (AMA) equipment located in revenue accounting centers. This cost category is subaccount 261.3. The costs assigned to this cost category are segregated into twelve cost subcategories as follows:

CATEGORY 3A	SUPPORT AND ADMINISTRATION OF LOCAL PLANT
CATEGORY 3B	SUPPORT AND ADMINISTRATION OF LOCAL DIAL SWITCHING EQUIPMENT
CATEGORY 3C	SUPPORT AND ADMINISTRATION OF TOLL DIAL SWITCHING EQUIPMENT
CATEGORY 3D	SUPPORT AND ADMINISTRATION OF TOTAL DIAL SWITCHING EQUIPMENT
CATEGORY 3E	MESSAGE TRUNK TESTING
CATEGORY 3F	PRIVATE LINE CIRCUIT MAINTENANCE
CATEGORY 3G	SUPPORT AND ADMINISTRATION OF CIRCUIT EQUIPMENT
CATEGORY 3H	OVERALL SUPPORT OF TELECOMMUNICATIONS EQUIPMENT

CATEGORY 3I	SUPPORT AND ADMINISTRATION MANUAL SWITCHBOARDS
CATEGORY 3J	DIRECTORY ASSISTANCE
CATEGORY 3K	NON-COE APPLICATIONS
CATEGORY 3L	NON-INTERSTATE

The allocation procedures for each of these cost categories are delineated below.

CATEGORY 3A SUPPORT AND ADMINISTRATION OF LOCAL PLANT: The costs assigned to this cost category are allocated to the service categories, customer classes, and private line on the basis of the allocation of cost category KCS of the 240 series of accounts.

CATEGORY 3B SUPPORT AND ADMINISTRATION OF LOCAL DIAL SWITCHING EQUIPMENT: The costs assigned to this cost category are allocated to the service categories and customer classes on the basis of the allocation of cost category 6 of account 221.

CATEGORY 3C SUPPORT AND ADMINISTRATION OF TOLL DIAL SWITCHING EQUIPMENT: The costs assigned to this cost category are allocated to the service categories and customer classes on the basis of the allocation of cost categories 2A and 3A of account 221.

CATEGORY 3D SUPPORT AND ADMINISTRATION OF TOTAL DIAL SWITCHING EQUIPMENT: The costs assigned to this cost category are allocated to the private line, the service categories, and the customer classes on the basis of the allocation of account 221.

CATEGORY 3E MESSAGE TRUNK TESTING: The costs assigned to this cost category are allocated to the service categories and customer classes on the basis of the allocation of cost category 8 of account 221, less the private line portion of cost category 8.

CATEGORY 3F PRIVATE LINE CIRCUIT EQUIPMENT: The costs assigned to this cost category are allocated to private line on the basis of the allocation of the private line portion of cost category 8 of account 221.

CATEGORY 3G SUPPORT AND ADMINISTRATION OF CIRCUIT EQUIPMENT: The costs assigned to this cost category are allocated to private line, the service categories, and customer classes on the basis of the allocation of cost category 8 of account 221.

CATEGORY 3H OVERALL SUPPORT OF TELECOMMUNICATION EQUIPMENT: The costs assigned to this cost category are allocated to private line, the service categories, and customer classes on the basis of the allocation of account 221.

CATEGORY 3I SUPPORT AND ADMINISTRATION OF MANUAL SWITCHBOARDS: The costs assigned to this cost category are allocated to the service categories and customer classes on the basis of the allocation of cost category 1 of account 221, less cost category 1P.

CATEGORY 3J DIRECTORY ASSISTANCE: The costs assigned to this cost category are allocated to the service categories and customer classes on the basis of the allocation of cost category 1P of account 221.

CATEGORY 3K NON-COE APPLICATIONS: The costs assigned to this cost category are allocated to the service categories and customer classes on the basis of the allocation of the wage portion of maintenance, traffic, commercial, and revenue accounting expenses, excluding the wage portion of maintenance expenses related to general office expenses.

CATEGORY 3L NON-INTERSTATE: The costs assigned to this cost category are allocated to the service categories and customer classes on the basis of the allocation of cost category KCS of the 240 series of accounts.

CATEGORY 4 ARTWORKS: The costs assigned to this cost category consists of the original cost of objects possessing aesthetic value that are original or of limited edition which do not have a determinable useful life. The costs assigned to this cost category are allocated to private line, the service categories, and the customer classes in accordance with the allocation of cost category 1 of this account.

CATEGORY 5 ITEMS OF SMALL VALUE: The costs assigned to this cost category consists of the cost of individual items of furniture and office equipment with an original cost of \$200 or less, which were capitalized prior to April 1, 1982. The costs assigned to this cost category

are allocated to service categories and customer classes in accordance with the allocation of cost category 1 of this account.

RECONCILIATION OF ACCOUNT 261 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 261 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 261 as a whole, categories 1 through 5, are aggregated as a total.
2. The allocation of each category of account 261 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of account 261 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of account 261 is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.
6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.
7. The proportional factors developed in step 6 are used to allocate account 261 for the intrastate jurisdictional cost that were computed in step 4 above.

ACCOUNT 262 OTHER COMMUNICATIONS EQUIPMENT: This account contains the original cost of private branch exchange and key system, intra-systems and station apparatus, including its associated inside wiring, installed for official company use. The costs recorded to this account are first segregated into an interstate and intrastate portions in

accordance with separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor in accordance with separations procedures. The intrastate portion is assigned directly to the official customer class and allocated to the service categories on the basis of the probability-weighted usage of official subscriber lines.

ACCOUNT 264 VEHICLES AND OTHER WORK EQUIPMENT: This account contains the original cost of vehicles, tools, garage and shop machinery and equipment, and miscellaneous work equipment not provided for in other accounts. The costs recorded to this account are broken down into seven subaccounts for purposes of allocating the costs to private line, the service categories, and customer classes. The subaccounts are:

ACCOUNT 264-01	MOTOR VEHICLES
ACCOUNT 264-02	GARAGE AND MOTOR VEHICLES SHOP EQUIPMENT
ACCOUNT 264-03	SPECIAL TOOLS AND WORK EQUIPMENT
ACCOUNT 264-04	OTHER SHOP EQUIPMENT
ACCOUNT 264-05	OTHER TOOLS AND WORK EQUIPMENT
ACCOUNT 264-06	STOREROOM WORK EQUIPMENT
ACCOUNT 264-08	SMALL VALUE ITEMS

The allocation procedures for each of these subaccounts are delineated below.

ACCOUNT 264-01 MOTOR VEHICLES: The costs recorded to this subaccount are the cost of motor vehicles of those types which are designed and routinely licensed to operate on public streets and highways. This includes passenger and material-carrying automobiles, trucks, truck-type tractors, and self-propelled vans and the cost of associated power-operated equipment items which are considered an integral part of a particular motor vehicle. The costs recorded to this subaccount are segregated in to three cost categories for purposes of allocation to private line, service categories, and customer classes. The cost categories are:

CATEGORY 1 CUSTOMER CONTACT VEHICLES
CATEGORY 2 OUTSIDE PLANT TYPE VEHICLES
CATEGORY 3 MOTOR POOL

The allocation procedures for each of these cost categories are delineated below.

CATEGORY 1 CUSTOMER CONTACT VEHICLES: The cost of vehicles assigned to this cost category is the cost of vehicles used to deal with service related problems. It includes the cost of small trucks, vans, and pickup trucks with a gross vehicle weight of below 6500 pounds and all supply equipment delivery trucks with gross weight of 11,001 pounds, witches, tailgates and elevators, and all truck tractors of 5th wheel types. The costs assigned to this cost category are allocated to private line, the service categories, and customer classes on the basis of the allocation of cost category KCS of the 240 series of accounts.

CATEGORY 2 OUTSIDE PLANT TYPE VEHICLES: The cost of vehicles assigned to this cost category is allocated to private line, the service categories, and the customer classes on the basis of the allocation of the 240 series of accounts.

CATEGORY 3 MOTOR POOL: The costs of vehicles assigned to this cost category is allocated to private line, the service categories, and customer classes on the basis of the allocation of the wage portion of traffic, commercial, revenue accounting, and general office expenses.

ACCOUNT 264-02 GARAGE AND MOTOR VEHICLE SHOP EQUIPMENT: The costs recorded to this subaccount are the costs of capital tools and work equipment used in garages and motor vehicles shops. This equipment includes such items as chain hoists, chassis lubricating apparatus, engine analyzers, and garage jacks. The costs in this subaccount are allocated to private line, the service categories, and the customer classes on the basis on the allocation of subaccount 264-01.

ACCOUNT 264-03 SPECIAL TOOLS AND WORK EQUIPMENT: The costs recorded to this subaccount are the costs of major power-operated or specialized tools and work equipment when both the substantial cost and special usage characteristics require that the cost of operation and maintenance be cleared solely on the basis of the usage of the individual items of equipment. The costs recorded to

this subaccount are allocated to private line, the service categories, and customer classes on the basis of the allocation of the 240 series of accounts.

ACCOUNT 264-04 OTHER SHOP EQUIPMENT: The costs recorded to this subaccount are the costs of capital tools and work equipment in cable forming, station equipment repair and other shops except garages and motor vehicle shops, when the character of such shops requires that the cost of operation and maintenance of the equipment be segregated for special clearance. Drop hammers, electric generators, engines, lathes and paint spraying equipment are examples of this equipment. The costs recorded to this subaccount are allocated to private line, the service categories, and customer classes on the basis of the allocation the 240 series of accounts.

ACCOUNT 264-05 OTHER TOOLS AND WORK EQUIPMENT: The costs recorded to this subaccount are the costs of capital tools and other work equipment not chargeable to other subaccounts of account 264. This equipment includes hand and power tools for general use, hydraulic lifts, and portable ladders. The costs recorded to this subaccount are allocated to private line, the service categories, and customer classes on the basis of Other Shop Equipment, account 264-04.

ACCOUNT 264-06 STOREROOM WORK EQUIPMENT: The costs recorded to this subaccount are the costs of capital tools and other work equipment assigned for use in storerooms and storage yards for material and supplies. The costs recorded to this subaccount are allocated to private line, the service categories, and customer classes on the basis of the allocation of cost category KCS of the 240 series of accounts.

ACCOUNT 264-08 SMALL VALUE ITEMS: The costs recorded to this subaccount are the costs of individual items of small value. The costs recorded to this subaccount are allocated to private line, the service categories, and customer classes on the basis of the combined allocation of subaccounts 264-01 through 264-06.

RECONCILIATION OF ACCOUNT 264 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 264 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 264 as a whole, subaccounts 264-01 through 264-08, are aggregated as a total.
2. The allocation of each subaccount of account 264 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of account 264 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of account 264 is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.
6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.
7. The proportional factors developed in step 6 are used to allocate account 264 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 276 TELEPHONE PLANT ACQUIRED: The costs recorded in this account are charged temporarily with the cost of acquisition of telephone plant pending distribution to the primary telephone plant accounts and to other accounts. The costs recorded to this account are allocated to private line, the service categories, and customer classes in proportion to the allocation of account 100.1, Telephone Plant In Service, less accounts 201, 202, 203, 276, and 277.

ACCOUNT 277 TELEPHONE PLANT SOLD: The costs recorded to this account are credited temporarily with the original cost at the time of retirement of telephone plant sold pending determination of the amounts to be credited to the primary telephone plant accounts. The costs recorded to this account are allocated to private line, the service categories, and customer classes in proportion to the allocation of account 100.1, Telephone Plant In Service, less accounts 201, 202, 203, 276, and 277.

V. SUMMARY ACCOUNTS

ACCOUNT 100.1 TELEPHONE PLANT IN SERVICE: The costs recorded to this account are the costs of property currently used in the furnishing of regulated telephone service or shared with nonregulated activities, as classified in accounts 201 through 277. The costs recorded to this account are allocated to private line, the customer classes, and the service categories in accordance with the allocation of accounts 201 through 277.

ACCOUNT 100.2 TELEPHONE PLANT UNDER CONSTRUCTION: The costs recorded to this account are the cost of construction of telephone plant, other than station apparatus and station connections, that is not completed and ready for service. The costs recorded to this account, if included in the cost of service, are allocated to private line, the customer classes, and the service categories in proportion to the allocation of account 100.1.

ACCOUNT 100.3 PROPERTY HELD FOR FUTURE TELEPHONE USE: The costs recorded to this account are the original cost of property other than station apparatus owned and held for not longer than two years under a definite plan for use. The costs recorded to this account, if included in the cost of service, are allocated to private line, the customer classes, and the service categories in proportion to the allocation of account 100.1.

ACCOUNT 100.4 TELEPHONE PLANT ACQUISITION ADJUSTMENT: The costs recorded to this account are amounts representing the difference between the amount of money actually paid for telephone plant acquired, plus preliminary expenses incurred in connection with the acquisition, and the original cost of such plant, government franchises and similar rights acquired, less the amounts of reserve requirements for depreciation and amortization of the property acquired. If the actual original cost is not known, the entries to this code are based upon an estimate of such cost. The cost recorded to this account, if included in the cost of service, are allocated to private line, the customer classes, and the service categories in proportion to the allocation of account 100.1.

ACCOUNT 171 DEPRECIATION RESERVE: The costs recorded to this account are credits for amount concurrently charged to account 608, depreciation, and to clearing account for currently accruing depreciation and amortization of telephone plant in service, with the exception of subaccount 171.8. The credits recorded to this account are segregated into several subaccounts corresponding to the plant accounts 211 through 264. The subaccounts are:

ACCOUNT 171.12	BUILDINGS
ACCOUNT 171.21	CENTRAL OFFICE EQUIPMENT
ACCOUNT 171.31	STATION APPARATUS
ACCOUNT 171.32	STATION CONNECTIONS
ACCOUNT 171.34	LARGE PRIVATE BRANCH EXCHANGES
ACCOUNT 171.35	PUBLIC TELEPHONE EQUIPMENT
ACCOUNT 171.41	POLE LINES
ACCOUNT 171.421	AERIAL CABLE
ACCOUNT 171.422	UNDERGROUND CABLE
ACCOUNT 171.423	BURIED CABLE
ACCOUNT 171.424	SUBMARINE CABLE
ACCOUNT 171.43	AERIAL WIRE
ACCOUNT 171.44	UNDERGROUND CONDUIT
ACCOUNT 171.61	FURNITURE AND OFFICE EQUIPMENT
ACCOUNT 171.62	OTHER COMMUNICATIONS EQUIPMENT
ACCOUNT 171.64	VEHICLES AND OTHER WORK EQUIPMENT
ACCOUNT 171.8	EQUAL ACCESS AND NETWORK RECONFIGURATION

The costs recorded to the central office equipment and outside plant subaccounts are segregated in to cost categories to correspond to the cost categories specified in the primary plant accounts. The allocation procedures for the subaccounts of account 171 are presented below.

ACCOUNT 171.12 BUILDINGS: The depreciation expense recorded to this subaccount is allocated to private line, the customer classes, and the service categories in proportion to the allocation of accounts 211 and 212.

ACCOUNT 171.21 CENTRAL OFFICE EQUIPMENT: The depreciation expense recorded to this account are first segregated into the cost categories and subcategories corresponding to those specified in the allocation procedures for account 221. Each of the cost categories and subcategories is allocated to private line, the customer classes, and the service categories in proportion to the allocation of the corresponding cost category or subcategory of account 221.

ACCOUNT 171.31 STATION APPARATUS: The depreciation expense recorded to this subaccount is allocated to private line, the customer classes, and the service categories in proportion to the allocation of account 231.

ACCOUNT 171.32 STATION CONNECTIONS: The depreciation expense recorded to this subaccount is allocated to private line, the customer classes, and the service categories in proportion to the allocation of account 232.

ACCOUNT 171.34 LARGE PRIVATE BRANCH EXCHANGES: The depreciation expense recorded to this account is allocated to private line, the customer classes, and the service categories in proportion to the allocation of account 234.

ACCOUNT 171.35 PUBLIC TELEPHONE EQUIPMENT: The depreciation expense recorded to this account is assigned to the public customer class and allocated to the service categories in proportion to the allocation of account 235.

ACCOUNT 171.4X OUTSIDE PLANT: The depreciation expenses recorded to this account is an aggregate of subaccounts 171.41, 171.421, 171.422, 171.423, 171.242, 171.43, and 171.44. The expenses included in this account are segregated into cost categories corresponding to the cost categories and subcategories of the 240 series of accounts. Each cost category and subcategory of this depreciation subaccount is allocated to private line, the customer classes, and the service categories in proportion to the allocation of the corresponding allocation of the cost category and subcategory of the 240 series of accounts.

ACCOUNT 171.61 FURNITURE AND OFFICE EQUIPMENT: The depreciation expense recorded to this account is assigned to private line, the customer classes, and the service categories in proportion to the allocation of account 261.

ACCOUNT 171.62 OTHER COMMUNICATIONS EQUIPMENT: The depreciation expense recorded to this account is assigned to the official customer class and the service categories in proportion to the allocation of account 262.

REVIEW DRAFT

ACCOUNT 171.64 VEHICLES AND OTHER WORK EQ depreciation expense recorded to this account to private line, the customer classes, and categories in proportion to the allocation c 264.

ACCOUNT 172 AMORTIZATION RESERVE: The costs recorded this account are credits for amounts concurrently included in account 613, amortization of intangible property, and the amortization of leaseholds, franchises, and patent rights. The costs recorded to this account are allocated to private line, the customer classes, and the service categories in proportion to the allocation of account 100.1.

ACCOUNT 176.1 ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED TAX DEPRECIATION: The costs recorded to account 176.1 represents the accumulated income tax effect resulting from the tax timing differences created by the use of depreciable lives and/or depreciation method used for accounting purposes. The deferred taxes recorded to this account are segregated into three subaccounts as follows:

- ACCOUNT 176.1-01 FEDERAL INCOME TAXES - OPERATING
- ACCOUNT 176.1-02 STATE/LOCAL INCOME TAXES OPERATING
- ACCOUNT 176.1-03 NON-OPERATING

The allocation procedures for accounts 176.1-01 and 176.102 are presented below. Account 176.1-03 is not included in the cost of service.

ACCOUNT 176.1-01 FEDERAL INCOME TAXES - OPERATING: The deferred federal income taxes recorded to this account are allocated to private line, the customer classes, and the service categories on the basis of the allocation of account 308.1.

ACCOUNT 176.1-02 STATE/LOCAL INCOME TAXES - OPERATING: The deferred state/local income taxes recorded to this account are allocated to private line, the customer classes, and the service categories on the basis of the allocation of account 307.02.

ACCOUNT 176.2 ACCUMULATED DEFERRED INCOME TAXES - OTHER:
The costs recorded to this account represent the balance of accumulated deferred income taxes resulting from tax timing differences other than depreciation. The account contains operating and non-operating deferrals. The non-operating portion is not included in the cost of service. The operating portion of this account is allocated to private line, the customer classes, and the service categories on the basis of account 306 and 307, combined.

VI. DEPRECIATION AND AMORTIZATION EXPENSES

ACCOUNT 608 DEPRECIATION EXPENSES: The depreciation expense is recorded in account 608. This account contains the amount of depreciation charges applicable to the accounting period for all classes of depreciable telephone plant, except amounts chargeable to clearing accounts. The depreciation expenses recorded in account 608 are allocated among private line, the service categories, and the customer classes in proportion to the allocation of the corresponding subaccounts of account 100.1, Telephone Plant In Service.

ACCOUNT 609 EXTRAORDINARY RETIREMENTS: The cost of extraordinary retirements is recorded in account 609. It contains the proportion of the service value of telephone plant retired, carried in account 138 extraordinary maintenance and retirements, which by specific authority of the FCC shall be charged to operating expenses for the period and contains losses in service value, other than relatively minor amounts, suffered through terminations of service when charges for such terminations are made which are designed to recover the loss in service value. The measure of a charge made hereto shall be the portion of the termination charge assignable to recovery of service value loss. Amounts thus charged to this account shall be credited to account 171, depreciation reserve. The charges to this account are segregated into three categories. Category one consists of charges for extraordinary retirements for private line services. Category two consists of charges for extraordinary retirements for interLATA carrier service. Category three consists of charges to extraordinary retirements for all other services.

The charges are segregated on the basis of a review and analysis of charges to account 609. The review and analysis are undertaken to determine the proper proportions chargeable to each to the three cost categories.

CATEGORY 1 EXTRAORDINARY RETIREMENTS FOR PRIVATE LINE SERVICES: The charges assigned to this cost category are allocated to the service categories in proportion to the allocation of account 100.1, Telephone Plant In Service, associated with private line services.

CATEGORY 2 EXTRAORDINARY RETIREMENTS FOR INTERLATA CARRIER SERVICES: The charges assigned to this cost category are allocated to the service categories, feature groups, and customer classes in proportion to the allocation of account 100.1, Telephone Plant In Service, associated with InterLATA carrier services.

CATEGORY 3 EXTRAORDINARY RETIREMENTS FOR ALL OTHER SERVICES: The charges assigned to this cost category are allocated to the service categories and the customer classes in proportion to the allocation of account 100.1, Telephone Plant In Service, associated with all other services.

RECONCILIATION OF ACCOUNT 609 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 609 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 609 as a whole, categories 1 through 3, are aggregated as a total.
2. The allocation of each subcategory of account 609 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of account 609 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of account 609 is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.
6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.

7. The proportional factors developed in step 6 are used to allocate account 609 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 613 AMORTIZATION OF INTANGIBLE PROPERTY: The amortization of intangible property is recorded in account 613. This account is charged each month with the amount necessary to cover such portions of the lives of limited term franchises, patents, leaseholds, and similar intangible property included in the telephone plant accounts, as have expired during the month. Amounts so charged will be credited to account 172, Amortization Reserve. The charges recorded in account 613 are segregated in to two cost categories. Category one consists of the amortization of leaseholds. Category two consists of all other amortization charges.

The charges are segregated on the basis of a periodic review and analysis of account 613. The review and analysis are undertaken to determine the proper portion assignable to each of the cost categories.

CATEGORY 1 AMORTIZATION OF LEASEHOLDS: The charges to account 613 for leasehold are allocated to private line, the service categories, and the customer classes in proportion to the allocation of account 211, Land, and account 212, Buildings.

CATEGORY 2 AMORTIZATION OF ALL OTHER INTANGIBLE PROPERTY: The charges to account 613 assigned to this cost category are allocated to private line, the service categories, and the customer classes in proportion to the allocation of account 201, Organization, account 202, Franchises, and account 203, Patent Rights, combined.

ACCOUNT 614 AMORTIZATION OF TELEPHONE PLANT ACQUISITION ADJUSTMENT: The amortization of telephone plant acquisition adjustment is recorded in account 614. This account is charged or credited each month with such amounts as may be authorized by the FCC to be included in operating expenses under a plan to amortize amounts in account 100.4, Telephone Plant Acquisition Adjustment. Amounts so entered are charged or credited, as appropriate, to account 172, Amortization Reserve. The account may also be charged or credited with amounts described in paragraph 31.100.4 (c)(3) of the Uniform System of Accounts. The charges recorded in this account are allocated to private line, the service categories, and

the customer classes in proportion to the allocation of account 100.4, Telephone Plant Acquisition Adjustment.

VII. OPERATING EXPENSE ACCOUNTS

ACCOUNT 602 MAINTENANCE EXPENSES FOR OUTSIDE PLANT: The costs of maintenance for outside plant are recorded in the several subaccounts of account 602. These subaccounts of account 602 contain the costs of ordinary repairs, rearrangements and changes, and rearrangements and changes associated with equal access and network reconfiguration. The subaccounts of 602 are as follows:

ACCOUNT 602.1 REPAIRS TO POLE LINES: This account contains the cost of repairing pole lines and the cost of maintaining right of way thereof.

ACCOUNT 602.2 REPAIRS TO AERIAL CABLE: This account contains the cost of repairing the aerial cable plant.

ACCOUNT 602.3 REPAIRS OF UNDERGROUND CABLE: This account contains the cost of repairing the underground cable plant.

ACCOUNT 602.4 REPAIRS OF BURIED CABLE: This account contains the cost of repairing the buried cable plant and the cost of maintaining the right of way thereof.

ACCOUNT 602.5 REPAIRS OF SUBMARINE CABLE: This account contains the cost of repairing the submarine cable plant and the cost of maintaining right of way thereof.

ACCOUNT 602.6 REPAIRS OF AERIAL WIRE: This account contains the cost of repairing the aerial wire plant.

ACCOUNT 602.7 REPAIRS OF UNDERGROUND CONDUIT: This account contains the cost of repairing the underground conduit plant and the cost of maintaining right of way thereof.

ACCOUNT 602.8 SHOP REPAIRS AND SALVAGE ADJUSTMENT: This account contains the cost of repairs and conversions of pole line, cable, aerial wire, and underground conduit material which has been removed from plant and returned to shops for repairs. It also contains salvage adjustments with respect to such material which cannot be practicably allocated to accounts 602.1 to 602.7, inclusive.

The costs recorded to each of these subaccounts are treated as a pool of dollars for allocation to private line, the service categories, and the customer classes. The costs recorded to these subaccounts are allocated to

private line, the service categories, and the customer classes in proportion to the allocation of all of the outside plant accounts, accounts 241 through 244.

ACCOUNT 603 TEST DESK WORK: The costs of test desk work are recorded in the various subaccounts of account 603. This account contains the costs incurred by forces located in central offices and engaged in the work of receiving and recording reports of trouble from subscribers and others; testing from test desks to determine the nature and location of trouble; dispatching repairman from test desks; testing from test desks with repairmen during the course of their work or upon its completion and making other tests from test desks to determine the condition of the plant; and testing from test desks in the course of inside moves and rearrangements of station apparatus, including service regrades. Account 603 also contains the cost of cable fault location work performed at specially equipped test desks; the cost of putting up and taking down leased toll circuits; monitoring, testing, and adjusting leased toll circuits to maintain such circuits in proper adjustment; and similar work in connection with toll message circuits. These costs are recorded in the following seven subaccounts of account 603:

- ACCOUNT 603.1 SUBSCRIBER LINE TESTING
- ACCOUNT 603.2 INWARD SERVICE ORDER TESTING
- ACCOUNT 603.3 DESIGNED SERVICE TESTING
- ACCOUNT 603.4 MESSAGE TRUNK TESTING
- ACCOUNT 603.5 FACILITY TESTING
- ACCOUNT 603.6 SWITCHED ACCESS TRUNK TESTING
- ACCOUNT 603.7 MISCELLANEOUS TESTING

Each of these subaccounts of account 603 are allocated to private line, the service categories, and the customer classes separately by the procedures delineated below.

ACCOUNT 603.1 SUBSCRIBER LINE TESTING: This account contains the costs of test desk work associated with rearrangements and changes of network facilities and testing of network facilities requested by field personnel except that testing associated with inward station

movement or required acceptance testing for the construction of new facilities, the cost of test desk work applicable to the maintenance of subscriber cables, records, the costs associated with mechanized systems which perform or assist the subscriber line testing function, the cost of handling customer trouble reports for non-designed services, the costs of handling public telephone trouble reports, and frame test assistance. The subscriber line testing expense recorded in this account is allocated to service categories and customer classes in proportion to the allocation of the subscriber loop and circuit equipment investment, cost category KCS-1 of the 240 accounts and cost category 8KCS-1 of account 221.

ACCOUNT 603.2 INWARD SERVICE ORDER: This account contains the cost of test desk work applicable to the testing of the network distribution facilities, up to, and including the network interface, when such testing is performed in conjunction with non-designed and public telephone inward service order. The service order testing expense is allocated to the customer classes in proportion to the relative number of inward service orders for each customer class and allocated to service categories in proportion to the corresponding allocation of the subscriber loop plant and circuit equipment investment for each class, excluding the private line, wideband, and interLATA access carrier portions, cost category KCS-1 of the 240 accounts and cost category 8KCS-1 of account 221.

ACCOUNT 603.3 DESIGNED SERVICE TESTING: Designed service is a telephone service that requires circuit provisioning (that is, some type of gain or equalization of facilities) and is installed, rearranged, or removed based on information on a Work Order Record Detail document and includes Special Access and Feature Group A services. This subaccount contains the test desk work expenses for test desk work activities being done in connection with inward, outward, and rearrangement of designed service orders, for test desk work activities for in-service designed services, and for test desk work activities for pre-service and in-service designed services designated a Digital Data Services (DDS) except for testing of the facilities or the digital multiplexers (MUX). The expense in this account is segregated into two categories. Category one consists of designed service testing expense for Feature Group A services. Category two consists of designed service testing expense for all other services.

The test desk work expenses in this subaccount are segregated into the two categories on the basis of a

periodic review of test desk work expenses for Feature Group A and private line services. A periodic review of the expenses for a representative test period is undertaken to determine appropriate proportions of costs assigned to each of the two cost categories.

CATEGORY 1 DESIGNED SERVICE TESTING EXPENSE FOR FEATURE GROUP A: The designed service testing expense assigned to this cost category is assigned directly to feature group A and allocated to service categories in proportion to the allocation of the corresponding investment in trunk and circuit equipment for Feature Group A services, cost categories 8KCS-2 and 8KCS-3 of account 221.

CATEGORY 2 DESIGNED SERVICE TESTING EXPENSE FOR ALL OTHER SERVICES: The designed service testing expense assigned to this cost category is allocated to service categories in proportion to the allocation of the investment in circuit equipment for private line services, cost categories 8EA1 through 8FG2, 8G-13 through 8G-16, 8G-19a through 8G-20c, 8KCS-2 through 8KCS-10, 8KA1 through 8KB2, 8KCT-4A through 8KCT7-4, and the trunk customer class portion of 8KCS-1 of account 221.

ACCOUNT 603.4 MESSAGE TRUNK TESTING: A message trunk is a circuit between two or more central office switching machines and is not dedicated (for the private use) to individual customers. This subaccount contains the cost of test desk work activities for pre-service and in-service trunks and special service circuits. Test desk work expenses for message trunk testing are allocated to service categories and customer classes in proportion to the allocation of trunk circuit equipment investment excluding the investment in trunk circuit equipment for private line and Feature Group A services, cost categories 8G-1 through 8G-12, 8G-17 through 8G-18, 8H, 8J, 8KJ, and 8KCT1 through 8KCT2B of account 221.

ACCOUNT 603.5 FACILITY TESTING: Facility testing is testing of media (transmission facility) or light wave used in the transmission of design services or message trunks. This subaccount contains the cost of test desk work activities for pre-service and in-service testing of media such as cable pairs, carrier, radio or light wave used in the transmission of design services, message trunks, and switched access trunks including Digital Data Service (DDS) but excluding testing expenses related to digital multiplex for other than DDS. The test desk work expense in this subaccount are segregated into three categories. Category one expenses are those test desk

work expenses for private line service. Category two expenses are those test desk work expenses for wideband service. Category three test desk work expenses are those test desk work expenses for message service.

The test desk work expenses in this subaccount are segregated into the three categories on the basis of a periodic review of test desk work expenses of costs assigned to private line, wideband, and message services. A periodic review of the expenses for a representative test period is undertaken to determine appropriate proportions for each of the three categories.

CATEGORY 1 FACILITY TESTING EXPENSE FOR PRIVATE LINE SERVICE: The test desk work expenses for facility testing in the private line service category (other than wideband or broadband) are allocated to the service categories in proportion to the corresponding allocation of the outside plant investment for private line service excluding wideband and broadband services and excluding the corresponding subscriber loop investment for private line service, cost categories EA1 through EB2, FF1 through FG2, G-12 through G-15, KCS-2 through KCS-11, and KCT-4A through KCT-6 of the 240 accounts.

CATEGORY 2 FACILITY TESTING EXPENSE FOR WIDEBAND SERVICE: The test desk work expenses for facility testing in the wideband service category are allocated to the service categories in proportion to the corresponding allocation of the outside plant investment for wideband services excluding the subscriber loop investment for wideband services, cost categories FA1 through FB2 and KA1 through KB2 of the 240 accounts.

CATEGORY 3 FACILITY TESTING EXPENSE FOR MESSAGE SERVICE: The test desk work expenses for facility testing in the message service category are allocated to service categories and customer classes in proportion to the corresponding allocation of the outside plant investment excluding the subscriber loop investment for message service, cost categories G-2, G-4, G-6, G-7, G-9, G-11, H, JA, JB, KCS-1, and KCT-1 through KCT-2A of the 240 accounts.

ACCOUNT 603.6 SWITCHED ACCESS TRUNK TESTING: A switched access trunk is a circuit between the interexchange customer point of interface (POI) and the BOC switching machine and is used by the interexchange customer for providing its services. This subaccount contains the cost

of test desk work activities for pre-service and in-service switched access trunks. The test desk work expenses in this subaccount are allocated among service categories, feature groups, and customer classes in proportion to the trunk and circuit equipment providing service to interexchange carriers excluding those interexchange carriers subscribing to Feature Group A, cost categories G-1, G-3, G-5, G-8, G-10, and KCT-2B of the 240 accounts.

ACCOUNT 603.7 MISCELLANEOUS: This subaccount test contains the cost of test desk work associated with "Right to Use" license fees and software costs of Operation Support Systems used for interoffice testing and the cost of test desk work activities not chargeable to the other subaccounts of 603.3, 603.4, 603.5, and 603.6. The costs in this subaccount are allocated to the service categories in proportion to the combined allocation of subaccounts 603.3 through 603.6, inclusive.

RECONCILIATION OF ACCOUNT 603 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 603 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 603 as a whole, subaccounts 603.1 through 603.7, are aggregated as a total.
2. The allocation of each subcategory of account 603 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of account 603 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of account 603 is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.

6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.

7. The proportional factors developed in step 6 are used to allocate account 603 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 604 REPAIRS TO CENTRAL OFFICE EQUIPMENT: The cost of repairs to central office equipment are recorded in account 604. The account contains the costs of repairing central office equipment and the pay and expenses of plant department forces engaged in maintaining and operating equipment for producing electricity for transmitting traffic and operating signals. These costs are recorded in the following subaccounts of account 604:

ACCOUNT 604.1	ORDINARY REPAIRS
ACCOUNT 604.4	SHOP REPAIRS AND SALVAGE ADJUSTMENTS
ACCOUNT 604.6	HOUSE SERVICE
ACCOUNT 604.7	REARRANGEMENTS AND CHANGES
ACCOUNT 604.8	INTEROFFICE FACILITY ASSIGNMENT AND CIRCUIT LAYOUT

The allocation procedures for each of these subaccounts is delineated below.

ACCOUNT 604.1 ORDINARY REPAIRS TO CENTRAL OFFICE EQUIPMENT: This account contains the cost of routine inspection and repairs of central office equipment, the cost of repairs of central office equipment in the course of clearing trouble, and the cost of other repairs of such equipment not chargeable to other subaccounts of this account. It also contains the cost and repairs of tools and other individual central office equipment items of small value or short life, the cost of operating transmission power equipment, and the cost of supplies consumed in such operation. The ordinary repairs expense for central office equipment recorded in this account is allocated to private line, the service categories, and the customer classes in proportion to the allocation of account 221 Central Office Equipment.

ACCOUNT 604.4 SHOP REPAIRS AND SALVAGE ADJUSTMENTS EXPENSE FOR CENTRAL OFFICE EQUIPMENT: The expense recorded in this account is allocated to private line, the service categories, and the customer classes in proportion to the allocation of ordinary repairs to central office equipment, account 604.1.

ACCOUNT 604.6 HOUSE SERVICE: This account contains the cost of house service for central office plant quarters. The expense recorded in this account is allocated to private line, the service categories, and the customer classes in proportion to the allocation of category 1 of accounts 211 and 212, Land and Buildings used for operating room and central office equipment.

ACCOUNT 604.7 REARRANGEMENTS AND CHANGES EXPENSE FOR CENTRAL OFFICE EQUIPMENT: This account contains the cost of rearrangements and changes of central office equipment. This includes the cost of changes in location and changes in type of items in good condition (that is, items which would not be replaced if no improved or more suitable type existed) except for the cost of retirement units replaced, the cost of central office cross-connection work in connection with service order activity, and the cost of assigning specific central office circuit and/or trunk equipment in particular locations. The expense recorded in this account is allocated to private line, the service categories, and the customer classes in proportion to the allocation of Central Office Equipment, account 221.

ACCOUNT 604.8 INTEROFFICE FACILITY ASSIGNMENT AND CIRCUIT LAYOUT: The interoffice facility assignment and circuit layout expense recorded in this account is the cost of assignment of interoffice trunks, circuits channels and associated plant facilities which are related to the preparation of circuit orders, trunk orders or service orders, the cost of circuit layout work related to the preparation of circuit orders, trunk orders or service orders, the related time spent by facility assignment and circuit layout forces in keeping records of the assignment of central office equipment, interoffice cable facilities and carrier and radio channel facilities, and the incidental time of assigning specific central office circuit and/or trunk equipment when it is done as an integral part of an interoffice facility assignment. The facility assignment and circuit layout expenses assigned to this category is allocated to private line, the service categories, and the customer classes in proportion to the allocation of circuit equipment and outside plant

investment less the subscriber loop investment, the 240 accounts excluding all cost categories of KCS and cost category 8 of account 221 excluding the cost categories of 8KCS.

RECONCILIATION OF ACCOUNT 604 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 604 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 604 as a whole, subaccounts 604.1 through 604.8, are aggregated as a total.
2. The allocation of each subcategory of account 604 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of account 604 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of account 604 is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.
6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.
7. The proportional factors developed in step 6 are used to allocate account 604 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 605 INSTALLATION AND REPAIRS OF STATION EQUIPMENT: The cost of installation and repairs of station equipment is recorded in account 605. This account is divided into five subaccounts.

ACCOUNT 605.1	ORDINARY REPAIRS
ACCOUNT 605.4	SHOP REPAIRS AND SALVAGE ADJUSTMENTS
ACCOUNT 605.7	REARRANGEMENTS AND CHANGES
ACCOUNT 605.8	PLANT ASSIGNMENT AND RELATED CLERICAL WORK

Each of these subaccounts of account 605 is allocated separately as delineated below.

ACCOUNT 605.1 ORDINARY REPAIRS: This account contains the expense of routine inspection, testing and repairs of station equipment, repairs and testing of station equipment in the course of clearing trouble, replacing defective or deteriorated minor items of station apparatus or large private branch exchanges (excluding the cost of material other than repair parts), replacing dry-cell batteries, and producing power at private branch exchanges excluding any testing which is included in account 603. This subaccount is segregated into four cost categories. Category one consists of ordinary repairs to telephone and miscellaneous station apparatus repair parts and ordinary repairs to station apparatus and inside wire for telephone and miscellaneous. Category two consists of ordinary repairs to large private branch exchanges.

CATEGORY 1 ORDINARY REPAIRS TO TELEPHONE AND MISCELLANEOUS STATION APPARATUS REPAIR PARTS AND ORDINARY REPAIRS TO STATION APPARATUS AND INSIDE WIRE: The ordinary repair expense assigned to this category is allocated to private line, the service categories, and the customer classes in proportion to the allocation of cost category KCS of the 240 series of accounts.

CATEGORY 2 ORDINARY REPAIRS TO LARGE PRIVATE BRANCH EXCHANGES: The ordinary repairs expense for large private branch exchanges assigned to this category are further segregated into large private branch exchanges used exclusively for private line service and all other. The ordinary repair expense assigned to large private branch exchanges used exclusively for private line service are allocated to service categories in proportion to the allocation of the private line portion of cost category KCS of the 240 series of accounts. The ordinary repair expense assigned to all other private branch exchange is

assigned to the trunk and CENTREX customer class in proportion to the relative number of working subscriber loops and allocated to the service categories in proportion to the allocation of the cost category KCS for these customer classes.

ACCOUNT 605.4 SHOP REPAIRS AND SALVAGE ADJUSTMENTS TO STATION EQUIPMENT: This account contains the expense of shop repairs and conversion of station equipment for reuse, salvage adjustments or credits related to station equipment material the salvage value of which is creditable to this account and which cannot practicably be allocated to other subaccounts of expense in this account, supply expense cleared on the basis of station apparatus being reused, and transporting station equipment material to and from repair shops. The expense in this subaccount is allocated to private line, service categories, and the customer classes in proportion to the allocation of cost category of account 605.1.

ACCOUNT 605.7 REARRANGEMENT AND CHANGES: This account contains the expense of rearrangement and changes incurred while working on station equipment, all inside wire and service access wire installations not done incident to and as part of the initial installation of service at a location; the costs of changes in location and type of station apparatus items or replacing minor items of large private branch exchanges that are in good condition, excluding the cost of material other than repair parts or the cost of replacing retirement units; the cost of work done at customer's premises to deny service provisionally for nonpayment and to restore service in cases of provisional denials which do not become final and work done incident to service regrades, including temporary suspensions of service where billing continues at a reduced rate; the costs of activities associated with plant assignment and control and dispatch and completion relating to rearrangement and change service orders; the costs associated with the extension of network terminating wire at the point of termination to meet the 25 foot rule as provided in FCC Rules and Regulations, Part 68.216; the costs associated with the installation, removal, rearrangements and changes of all other network terminating wire; time sensitive charges for labor and/or materials beyond the point of termination on the customer's premises, where the customer does not have a wire maintenance contract; and the costs of removals, rearrangement and changes of premises wire where the customer has a wire maintenance contract.

CATEGORY 2 REARRANGEMENTS AND CHANGES FOR STATION APPARATUS AND INSIDE WIRE: The rearrangement and changes expense assigned to this category is for rearrangement and changes to network terminating wire and inside premises wire. The cost assigned to this cost category are allocated to private line, the customer classes except trunk and CENTREX on the basis of the allocation of cost category KCS of the 240 series of accounts.

CATEGORY 4 REARRANGEMENTS AND CHANGES TO LARGE PRIVATE BRANCH EXCHANGE STATION APPARATUS AND INSIDE WIRE: The rearrangements and changes expense for large private branch exchanges assigned to this category are further segregated into large private branch exchanges used exclusively for private line service and all other. The rearrangements and changes expense assigned to large private branch exchanges used exclusively for private line service are allocated to service categories in proportion to the allocation of the private line portion of cost category KCS of the 240 series of accounts. The rearrangements and changes expense assigned to all other private branch exchange is allocated to the service categories in proportion to the allocation of the trunk and CENTREX customer class's allocation of the subscriber loop, cost category KCS-1 of the 240 series of accounts.

ACCOUNT 605.8 PLANT ASSIGNMENT AND RELATED CLERICAL WORK: This account contains the cost of the work activities related to service order installation control and dispatch. The costs assigned to this cost category are allocated to private line, the customer classes, and the service categories in proportion to the allocation of the service order portions of account 645, cost categories 1a, 2a, 3, and 4a.

RECONCILIATION OF ACCOUNT 605 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 605 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 605 as a whole, account 605.1 through 650.8 are aggregated as a total.

2. The allocation of each subaccount of account 605 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.

3. The dollar amount of account 605 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.

4. The remaining portion of account 605 is designated as the intrastate jurisdictional costs.

5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.

6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.

7. The proportional factors developed in step 6 are used to allocate account 605 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 606 REPAIRS TO BUILDING AND GROUNDS: The cost of repairs to building and grounds is recorded account 606. This account contains the cost of repairing buildings and grounds, their fixtures and appurtenances, except as provided in the texts of the clearing accounts with respect to rented quarters. The repair to building and grounds expense recorded to this account is allocated to private line, the service categories, and the customer classes in proportion to the allocation of the cost of the corresponding land and buildings recorded in accounts 211 and 212.

ACCOUNT 607 REPAIRS TO PUBLIC TELEPHONE EQUIPMENT: The cost of repairs to public telephone equipment is recorded in account 607. This account contains the cost of ordinary repairs, rearrangements and changes of public telephone equipment (coin, coinless and other). The amount in this account is assigned directly to public telephone and allocated to the service categories in the same manner as Public Telephone Equipment, account 235.

ACCOUNT 610 MAINTAINING TRANSMISSION POWER: The cost of maintaining transmission power is recorded in account 610. This account contains the cost of power for transmitting traffic and operating signals. This includes the cost of electricity purchased and the cost of coal, gas, gasoline, oil, and other fuel used in the generation, conversion, and storage of current for operating dial system, repeater, and carrier equipment, ringing machines, ticket-distributor systems, battery-charging machines, coin-collection equipment, and for other transmission power requirements of central office equipment, private branch exchanges, and other station equipment. The expense in this account is allocated to rate groups, service categories, and customer classes on the basis of the investment in central office equipment, account 221.

ACCOUNT 611 EMPLOYMENT STABILIZATION: Employment stabilization expenses are recorded in account 611. This account contains amounts systematically accrued with respect to maintenance work to be performed in accordance with an employment stabilization program designed to spread the total volume to maintenance work more evenly from year to year. Charges to this account are made only after approval by the FCC of the company's employment stabilization program, the plan of administration of the program, the character of the work to which sums accrued may subsequently be applied, and the amount of the monthly annual accruals for stabilization. The expenses in account 611 are first segregated into interstate and intrastate portions in accordance with separations procedures. The interstate portion is assigned to interstate interLATA private line and interstate interLATA for other carrier access and interstate intraLATA private line, interstate intraLATA and interstate corridor for the telephone company in accordance with the costs as determined by separations procedures. The intrastate portion is allocated to private line, the customer classes and the service categories on the basis of the allocation of the intrastate portion of maintenance expenses in accounts 602.1 through 610, inclusive.

ACCOUNT 612 OTHER MAINTENANCE EXPENSE: Other maintenance expense is recorded in account 612. This account contains only those expenses which are not properly chargeable to clearing, maintenance or other expense accounts. The amount in this account is first segregated into interstate and intrastate portions in accordance with separations procedures. The interstate portion is assigned to

interstate interLATA private line and interstate interLATA for other carrier access and interstate intraLATA private line, interstate intraLATA and interstate corridor for the telephone company in accordance with the costs as determined by separations procedures. The intrastate portion is allocated to private line, the customer classes and the service categories on the basis of the allocation of the intrastate portion of maintenance expenses in accounts 602.1 through 610, inclusive.

VIII. TRAFFIC EXPENSESACCOUNTS 621 THROUGH 635

Traffic expenses are the costs of salaries and wages for supervisory and nonsupervisory personnel and other support functions associated with operator services and the handling of customer traffic and closely related activities. These expenses are recorded in accounts 621 through 635 in accordance with the prescriptions of the FCC as delineated in the Uniform System of Accounts. The expense recorded to the accounts is not organized sufficiently along functional lines to be useful for a cost-of-service study for intrastate jurisdictional services. Instead, accounting codes recorded at the time the expense is generated can be used to functionalize the traffic expense recorded to accounts 621 through 635. For the most part the underlying Uniform System of Accounts is not readily discernable.

In the information that follows, the traffic expense accounts as delineated by the Uniform System of Accounts is presented. Following this, the broad functional cost categories for traffic expenses are presented. The breakdown of these broad cost categories into cost subcategories and the allocation procedures for these costs are presented in the remaining portion of this section.

ACCOUNT 621 GENERAL TRAFFIC EXPENSES: The costs recorded to this account are the costs of salaries and expenses of employees engaged in performing the functions of general supervision of traffic, network administration, and business services facilities administration for the telephone company as a whole or territorial forces who are directly supportive of these functions.

ACCOUNT 622 SERVICE INSPECTION AND CUSTOMER INSTRUCTION: The costs recorded to this account are the salary, office, travel, data processing, and other expenses of employees while engaged in evaluating the handling of traffic, in summarizing these evaluations, or in directly supervising such work including management at the second level or below, data processing charges for services related to service evaluation, and other expenses.

ACCOUNT 624 OPERATORS' WAGES: The costs recorded to this account are the salaries of supervising management at second level and below and of nonmanagement employees engaged in telephone operating and telephone clerical functions. Also included are the salaries of employees operating customers' private branch exchanges.

ACCOUNT 626 REST AND LUNCH ROOMS: The costs recorded to this account are the expenses of operating the rest and lunch rooms provided for the exclusive use of employees whose salaries are includible in accounts 624 and 627. The expenses are segregated between dining services and other quarters.

ACCOUNT 627 OPERATORS' EMPLOYMENT AND TRAINING: The costs recorded in this account are the costs of salaries, office, travel and other expenses of all employees up to and including second level supervising management whose normal salary subaccount is 624-01 or 624-23 while supervising, conducting or receiving training designed for the specific purpose of directly improving the employees' performance in the execution of their basic job. Also included are department and interdepartmental training programs such as general education in business subjects, humanity courses, etc. Time of instructors devoted to preparation for teaching and review of lecture notes is also included, as is clerical support of the administrator, second level and below, of a centralized training facility or clerical support of the instructor. Also included is the expense of employment of all personnel whose salaries are includible in account 624.

ACCOUNT 629 CENTRAL OFFICE STATIONERY AND PRINTING: The costs recorded to this account are the costs of postage, stationery and printing associated with traffic forces whose salaries are includible in account 624. The expenses recorded to this account are segregated between TSPS, directory assistance, intercept, other, network administration, intraLATA toll and assistance, and customer name and address (CNA).

ACCOUNT 630 CENTRAL OFFICE HOUSE SERVICE: The cost of light, heat, janitor service, and other care of central office traffic quarters occupied by employees whose salaries are includible in accounts 624 and 627, except such costs attributable to account 626. This includes

proportionate amounts cleared monthly from account 707 - House Service Expense. Also, expenditures incurred by the traffic department for similar items such as the cost of fuel, towels, drinking water, toilet and other supplies used in the quarters involved. These subaccounts include electricity for elevators, fans, lights, and ventilators. Also included is house service expense to deliver mark sense toll tickets from a loading dock to a traffic storage space location or from a traffic storage space location to a central office quarters. The expenses recorded to this account are segregated between operator services and network services.

ACCOUNT 631 MISCELLANEOUS CENTRAL OFFICE EXPENSES: The costs recorded to this account are the expenses of operating central offices not includible in other accounts such as transportation and travel expenses for employees whose salaries are includible in account 624, guard service, data processing, and other expenses.

ACCOUNT 632 PUBLIC TELEPHONE EXPENSES: The costs recorded to this account are the salary, office, travel, and other expense of employees who are more than incidentally engaged in public telephone service as it pertains to operation of attended centers or to the provision of customer assistance. Supervising management at second level and below are included. This includes the expense of providing instruction cards and location engraving as required, but does not include the expenses incurred at operator service offices. The costs recorded to this account are broken down between salaries and other expenses.

ACCOUNT 633 OTHER TRAFFIC EXPENSES: The expense recorded to this account are expenses which are properly chargeable to traffic accounts but are not provided for under other traffic expense accounts. In some cases amounts billed to or by another telephone company for switching, night operating, service observing, recording or other traffic operating services, do not represent divisions of revenue or reimbursements for the cost of rendering the services involved. In this case, this account should include amounts billed to the telephone company, while account 526, Other Operating Revenues, should be credited for amounts billed by the telephone company. Payment for traffic operating services performed under contracts separate from the extended area service agreements are included in this account as appropriate.

ACCOUNT 634 JOINT TRAFFIC EXPENSES - DEBIT: The costs recorded to this account are the amounts paid to another Class A telephone company for this telephone company's portion of traffic expenses incurred by it under an arrangement for joint participation or apportionment between this company and the other company. This accounting is applicable provided the other company has agreed to include the amounts of such reimbursements for traffic expenses in account 635.

ACCOUNT 635 JOINT TRAFFIC EXPENSE - CREDIT: The costs recorded to this account are the amounts received from another Class A telephone company for its portion of traffic expenses incurred by this telephone company under an arrangement for joint participation or apportionment between this company and the other company. This accounting is applicable provided the other company has agreed to include its portion of such traffic expenses in account 634.

The expenses recorded in accounts 621 through 631 are treated as a single pool of dollars and delineated along functional lines prior to their allocation to service categories and customer classes. Accounts 632, 633, 634 and 635 are allocated to the service categories and customer classes without any functionalization. The functionalization of accounts 621 through 631 can be conceptually divided into two parts. First the expenses recorded to these expense accounts are segregated into two broad cost categories. They are:

FSET 11	NETWORK ADMINISTRATION
FSET 12	OPERATOR SERVICES

These FSETs (Financial Set) are further segregated into Financial Subsets (FSUB) and Functional Summary Groups (FSG). The Financial Subset is an aggregation of the Functional Summary Groups along functional lines. FSET 11 is segregated into ten Financial Summary Groups (FSG) for purposes of allocation to the service categories and customer classes. FSET 12 is divided into seven Financial Subsets (FSUB). Two of the Financial Subsets of FSET 12 are further segregated into Financial Summary Groups (FSG) for purposes of allocation to service categories and customer classes. The functionalization of these FSETs and their allocation procedures are delineated below.

FSET 11 NETWORK ADMINISTRATION

The traffic expense recorded to this Financial Set includes costs associated with general network administration as well as administration of central office lines, numbers, and related equipment. The traffic expense recorded to this financial set is segregated into the following ten financial summary groups (FSG):

FSG 27000	NETWORK ADMINISTRATION - DATA
FSG 27010	NETWORK ADMINISTRATION - SWITCHING
FSG 27020	NETWORK ADMINISTRATION - TRUNKS
FSG 27030	NETWORK ADMINISTRATION - TRANSITION
FSG 27040	NETWORK ADMINISTRATION - LINE, NUMBER, AND CENTRAL OFFICE
FSG 27050	NETWORK ADMINISTRATION - TRANSLATION
FSG 00220	NETWORK ADMINISTRATION SUPPORT - CUSTOMER
FSG 27600	NETWORK ADMINISTRATION SUPPORT GENERAL ADMINISTRATION
FSG 27610	NETWORK ADMINISTRATION SUPPORT - SUPERVISORY
FSG 27620	NETWORK ADMINISTRATION SUPPORT - EDUCATION AND TRAINING

The allocation procedures for each of these Financial Summary Groups are presented below.

FSG 27000 NETWORK ADMINISTRATION - DATA: The costs recorded to the Financial Summary Group are costs associated with collecting, validating, processing, and reporting network traffic data, the related office services, and local supervision. Portions of account 624, Operator Wages, for clerical personnel; account 626, Rest and Lunch Rooms; account 629, Central Office Stationery and Printing; account 630, Central Office House Service, for network services; and account 631, Miscellaneous Central Office Expense are recorded to this FSG. The costs recorded to this Financial Summary Group are allocated to the service categories, customer classes, and

private line in accordance with the combined allocation of cost categories 2, 3, 4, 5, 6, 7 of account 221.

FSG 27010 NETWORK ADMINISTRATION - SWITCHING: The costs recorded to this Financial Summary Group are costs associated with analysis of traffic data and monitoring switching performance for administration of all types of central offices, the related office services, and local supervision. Portions of account 624, Operator Wages, for clerical personnel; account 626, Rest and Lunch Rooms; account 629, Central Office Stationery and Printing; account 630, Central Office House Service, for network services; and account 631, Miscellaneous Central Office Expense are recorded to this FSG. The costs recorded to this Financial Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of cost categories 2, 3, 4, 5, 6, 7 of account 221.

FSG 27020 NETWORK ADMINISTRATION - TRUNKS: The costs recorded to this Financial Summary Group are costs associated with writing and issuing recommendations to add, change, or remove trunks, the associated office services, and local supervision. Portions of account 624, Operator Wages, for clerical personnel; account 626, Rest and Lunch Rooms; account 629, Central Office Stationery and Printing; account 630, Central Office House Service, for network services; and account 631, Miscellaneous Central Office Expense are recorded to this FSG. The costs recorded to this Financial Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of the 240 series of accounts, Outside Plant, less cost category KCS, Outside Plant used to Provide Exchange Subscriber Loops, and cost category 8 of account 221, Circuit Equipment, less cost subcategory 8KCS, Basic Circuit Equipment Used to Provide Exchange Subscriber Loops.

FSG 27030 NETWORK ADMINISTRATION - TRANSITION: The costs recorded to this Financial Summary Group are costs associated with installation of central office equipment, the associated office services, and local supervision. Portions of account 624, Operator Wages, for clerical personnel; account 626, Rest and Lunch Rooms; account 629, Central Office Stationery and Printing; account 630, Central Office House Service, for network services; and account 631, Miscellaneous Central Office Expense are

recorded to this FSG. The costs recorded to this Financial Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of cost categories 2, 3, 4, 5, 6, 7 of account 221.

FSG 27040 NETWORK ADMINISTRATION - LINE, NUMBER, AND CENTRAL OFFICE: The costs recorded to this Financial Summary Group are costs associated with administering and counting central office lines, numbers, and related equipment, the associated office services, and local supervision. Portions of account 624, Operator Wages, for clerical personnel; account 626, Rest and Lunch Rooms; account 629, Central Office Stationery and Printing; account 630, Central Office House Service, for network services; and account 631, Miscellaneous Central Office Expense are recorded to this FSG. The costs recorded to this Financial Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of cost category KCS of the 240 series of accounts, Outside Plant used to Provide Exchange Subscriber Loops and Loop Facilities for OCC's, and cost category 8KCS of account 221, Basic Circuit Equipment Used to Provide Exchange Subscriber Loops and Loop Facilities For OCC's.

FSG 27050 NETWORK ADMINISTRATION - TRANSLATION: The costs recorded to this Financial Summary Group are costs associated with administering all types of central offices, preparing and maintaining translation and cross-connect forms for routing and changing, and the associated local supervisory functions and basic office services. Portions of account 624, Operator Wages, for clerical personnel; account 626, Rest and Lunch Rooms; account 629, Central Office Stationery and Printing; account 630, Central Office House Service, for network services; and account 631, Miscellaneous Central Office Expense are recorded to this FSG. The costs recorded to this Financial Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of cost categories 2, 3, 4, 5, 6, 7 of account 221.

FSG 00220 NETWORK ADMINISTRATION SUPPORT - CUSTOMER: The costs recorded to this Financial Summary Group are costs associated with providing executive direction and formulating policy for the network administration aspects of the business. Portions of account 621, General Traffic

Supervision, and account 627, Operators' Employment and Training, are recorded to this FSG. The costs recorded to this Financial Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of FSG 27010, Network Administration - Switching, FSG 27020, Network Administration - Trunks, and FSG 27040, Network Administration - Line, Number, and Central Office.

FSG 27600 NETWORK ADMINISTRATION SUPPORT - GENERAL ADMINISTRATION: The costs recorded to this Financial Summary Group are some of the costs associated with general administration third level and above. Portions of account 621, General Traffic Supervision, and account 627, Operators' Employment and Training, are recorded to this FSG. The costs recorded to this Financial Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of FSG 27000 through FSG 27050 and FSG 00220.

FSG 27610 NETWORK ADMINISTRATION SUPPORT - SUPERVISORY: The costs recorded to this Financial Summary Group are some of the costs associated with general administration third level and above and some of the salaries of supervising management at the second level or below. Portions of account 621, General Traffic Supervision, account 622, Service Inspection and Customer Instruction, and account 627, Operators' Employment and Training, are recorded to this FSG. The costs recorded to this Financial Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of FSG 27000 through FSG 27050 and FSG 00220.

FSG 27620 NETWORK ADMINISTRATION SUPPORT - EDUCATION AND TRAINING: The costs recorded to this Financial Summary Group are costs associated with job training, management training for network administration activities. Portions of account 621, General Traffic Supervision, account 624, Operators' Wages, account 629, Central Office Stationery and Printing, account 630, Central Office House Service, and account 631, Miscellaneous Central Office Expense are recorded to this FSG. The costs recorded to this Financial Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of FSG 27000 through FSG 27050 and FSG 00220.

FSET 12 OPERATOR SERVICES

The costs recorded to the Financial Set are segregated into seven Financial Subsets (FSUB) according to broad categories of functions performed. Four of the Financial Subsets are as follows:

FSUB 1205	OPERATIONS CENTERS FOR OPERATOR SERVICES
FSUB 1206	OPERATOR SERVICE CENTERS
FSUB 1207	DIRECTORY ASSISTANCE RECORDS
FSUB 1208	OPERATOR SERVICES - GENERAL SUPERVISION
FSUB 1209	OPERATOR SERVICES - EQUAL ACCESS

Also included in FSET 12 are accounts 632, Public Telephone Expense, account 633, Other Traffic Expense, account 634, Joint Traffic Expense - Debit, and account 635, Joint Traffic Expense - Credit. The FSUB associated with each of these accounts is the entire account and charges recorded to these accounts are not recorded to any other FSUB or FSG. Therefore little is gained by presenting them as a functional category. The allocations of these accounts will be presented after the allocation procedures for the remaining portion of FSET 12 is presented.

FSUB 1205 OPERATION CENTERS FOR OPERATOR SERVICES: The costs recorded to the Financial Subset are the costs of managing and administering operation service centers. The costs incurred in Operation Centers include the costs for force planning and adjustment for all operator services offices, the costs for facilities administration for traffic services, position services, automatic call distribution systems, and mechanized intercepting, and the costs for directory assistance record maintenance, data base administration, service evaluation, and message investigation. The costs recorded to this Financial Subset are segregated into six Function Summary Groups. They are as follows:

FSG 21180 DIRECTORY ASSISTANCE - RECORD MAINTENANCE
FSG 21190 DATA BASE ADMINISTRATION CENTER
FSG 21200 SERVICE EVALUATION CENTER
FSG 21210 MESSAGE INVESTIGATION CENTER
FSG 29000 FORCE MANAGEMENT CENTER
FSG 29020 FACILITIES ADMINISTRATION CENTER

A brief description of each of these Function Summary Groups and the allocation procedures for the costs recorded to each of these groups is presented below.

FSG 21180 DIRECTORY ASSISTANCE RECORD MAINTENANCE: The costs recorded to this Function Summary Group are the costs associated with updating reprints, daily addenda, new connect lists, and reference sources, and the costs of time and materials devoted to maintenance of frequently called records and non-published records. Portions of account 624, Operators' Wages, account 626, Rest and Lunch Rooms, account 629, Central Office Stationery and Printing, account 630, Central Office House Service, and account 631, Miscellaneous Central Office Expense, are recorded to the Function Summary Group. The costs recorded to this Function Summary Group are allocated to the service categories, customer classes, and private line in accordance with the allocation of Directory Assistance Service Centers (FSG 21150).

FSG 21190 DATA BASE ADMINISTRATION CENTER: The costs recorded to the Function Summary Group are the costs associated with updating Intercept records and other Intercept operator references sources. Portions of account 621, General Traffic Supervision, account 624, Operators' Wages, account 626, Rest and Lunch Rooms, account 627, Operators' Employment and Training, account 629, Central Office Stationery and Printing, account 630, Central Office House Service, and account 631, Miscellaneous Central Office Expenses are recorded to this Function Summary Group. The costs recorded to the Function Summary Group are allocated to the service categories, customer classes, and private line in accordance with the allocation of Intercept Operator Service Centers (FSG 21170).

FSG 21200 SERVICE EVALUATION CENTER: The costs recorded to this Function Summary Group are the costs associated with service evaluation for operator services. Portions of account 621, General Traffic Supervision, and account 622, Service Inspection and Customer Instruction are recorded to this Function Summary Group. The costs recorded to this Function Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of Operator Service Centers FSUB 1206.

FSG 21210 MESSAGE INVESTIGATION CENTER: The costs recorded to this Function Summary Group are the costs of investigating toll billing claims, pre-billing problems, tickets, credit cards, and costs calling patterns to determine possibility of fraud and the costs of supervising related clerical activities. Portions of account 624, Operators' Wages, account 626, Rest and Lunch Rooms, account 629, Central Office Stationery and Printing, account 630, Central Office House Service, and account 631, Miscellaneous Central Office Expenses are recorded to the Function Summary Group. The costs recorded to this Function Summary Group are allocated to the service categories, customer classes, and private line in accordance with the allocation to total toll service revenues, which are the sum of accounts 510, 511, 512, and 516.

FSG 29000 FORCE MANAGEMENT CENTER: The costs recorded to this Function Summary Group are the costs of force planning and adjustment for all Operator Services Offices. Portions of account 621, General Traffic Supervision are recorded to this Function Summary Group. The costs recorded to this Function Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of Operator Service Centers, FSUB 1206.

FSG 29020 FACILITIES ADMINISTRATION: The costs recorded to this Function Summary Group are the costs of facilities administration for traffic services, position services, Automatic Call Distribution Systems and Mechanized Intercepting. Portions of account 621, General Traffic Supervision are recorded to this Function Summary Group. The costs recorded to this Function Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of Operator Service Centers, FSUB 1206.

FSUB 1206 OPERATOR SERVICE CENTERS: The costs recorded to the Financial Subset are the costs of handling, supervising, and assisting operators in handling cord board, TSPS, CAMA, directory assistance, intercept, rate and route, hotel billing information system (HOBIS), INWATS, and other operator assisted calls. The costs for education and training associated with operator service activities are included in this Financial Subset. The costs recorded to this Financial Subset are segregated into five Function Summary Groups for purposes of allocation. They are as follows:

FSG 21080 CUSTOMER NAME AND ADDRESS - OPERATING NETWORK

FSG 21090 INTRALATA TOLL AND ASSISTANCE NETWORK

FSG 21130 OPERATOR SERVICES - OTHER NETWORK

FSG 21150 DIRECTORY ASSISTANCE SERVICE CENTER

FSG 21170 INTERCEPT OPERATOR SERVICE CENTER

A brief description of each of these Function Summary Groups and the allocation procedures for the costs recorded to each of these groups is presented below.

FSG 21080 CUSTOMER NAME AND ADDRESS SERVICE CENTER: The costs recorded to this Function Summary Group are the costs of providing customer name and address information to the calling public and the cost of related supervisory and clerical activities. Portions of account 624, Operators' Wages, account 626, Rest and Lunch Rooms, account 627, Operators' Employment and Training, account 629, Central Office Stationery and Printing, account 630, Central Office House Service, and account 631, Miscellaneous Central Office Expense are recorded to the Function Summary Group. The costs recorded to this Function Summary Group are allocated to the service categories, customer classes, and private line in accordance with the allocation of Cost Category 1P of account 221.

FSG 21090 INTRALATA TOLL AND ASSISTANCE NETWORK: The costs recorded to this Function Summary Group are the costs of providing operator services for TSPS positions.

Portions of account 624, Operators' Wages, account 626, Rest and Lunch Rooms, account 627, Operators' Employment and Training, account 629, Central Office Stationery and Printing, account 630, Central Office House Service, and account 631, Miscellaneous Central Office Expense are recorded to the Function Summary Group. The costs recorded to this Function Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of Cost Categories 1A, 1B, and 1H of account 221.

FSG 21130 OPERATOR SERVICES - OTHER NETWORK: The costs recorded to this Function Summary Group are the costs of providing operator services not properly included in the other Function Summary Groups. Portions of account 621, General Traffic Supervision, account 624, Operators' Wages, account 626, Rest and Lunch Rooms, account 627, Operators' Employment and Training, account 629, Central Office Stationery and Printing, account 630, Central Office House Service, and account 631, Miscellaneous Central Office Expense are recorded to the Function Summary Group. The costs recorded to this Function Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of Operator Service Centers, FSUB 1206, excluding this Function Summary Group.

FSG 21150 DIRECTORY ASSISTANCE NETWORK SERVICE CENTER: The costs recorded to this Function Summary Group are the costs of providing operators to handle directory assistance for local and toll calls, the costs of related supervision and clerical support, and the costs associated with education and training of directory assistance operators. Portions of account 621, General Traffic Supervision, account 624, Operators' Wages, account 626, Rest and Lunch Rooms, account 627, Operators' Employment and Training, account 629, Central Office Stationery and Printing, account 630, Central Office House Service, and account 631, Miscellaneous Central Office Expense are recorded to the Function Summary Group. The costs recorded to this Function Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of Cost Category 1P of account 221.

FSG 21170 INTERCEPT OPERATOR SERVICE CENTER: The costs recorded to this Function Summary Group are the costs of providing operators to handle intercept for local and toll

calls, the costs of related supervision and clerical support, and the costs associated with education and training of directory assistance operators. Portions of account 621, General Traffic Supervision, account 624, Operators' Wages, account 626, Rest and Lunch Rooms, account 627, Operators' Employment and Training, account 629, Central Office Stationery and Printing, account 630, Central Office House Service, and account 631, Miscellaneous Central Office Expense are recorded to the Function Summary Group. The costs recorded to this Function Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of Cost Category 1Q of account 221.

FSUB 1207 DIRECTORY ASSISTANCE RECORDS: The costs recorded to this Financial Subset are the costs of manufacturing directory assistance addenda and reprint records, including typesetting, plating, printing, photo composition, computer data base updating, and shipping. Portions of account 624, Operators' Wages, account 626, Rest and Lunch Rooms, account 629, Central Office Stationery and Printing, account 630, Central Office House Service, and account 631, Miscellaneous Central Office Expenses are recorded to the Financial Subset. The costs recorded to this Function Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of Directory Assistance Service Centers, FSG 21150.

FSUB 1208 OPERATOR SERVICES - GENERAL SUPERVISION: The costs recorded to this Financial Subset are the costs of general administration and support activities associated with operator services activities. Portions of account 621, General Traffic Supervision, account 624, Operators' Wages, account 626, Rest and Lunch Rooms, account 627, Operators' Employment and Training, account 629, Central Office Stationery and Printing, account 630, Central Office House Service, and account 631, Miscellaneous Central Office Expense are recorded to the Function Summary Group. The costs recorded to this Function Summary Group are allocated to the service categories, customer classes, and private line in accordance with the combined allocation of FSUB 1205, FSUB 1206, FSUB 1207, account 632, account 633, account 634, and account 635.

FSUB 1209 OPERATOR SERVICES - EQUAL ACCESS: The costs recorded to this Financial Subset are allocated to the customer classes and interstate interLATA for other carrier access and intrastate interLATA for other carrier access on the basis of the probability-weighted usage of these services by each of the customer classes.

ACCOUNT 632 PUBLIC TELEPHONE EXPENSE: The costs recorded to this account are the costs of salary, office, travel, and other expenses of employees who are more than incidentally engaged in public telephone service as it pertains to operation of attended centers or to the provision of customer assistance. Supervising management at second level and below are included as well as the expense of providing instruction cards and location engraving as required. The costs recorded to this account are allocated to the service categories in accordance with the probability-weighted subscriber line usage for public telephones.

ACCOUNT 633 OTHER TRAFFIC EXPENSE: The expense recorded to this account are the traffic expenses which are properly chargeable to traffic accounts, but are not provided for under other traffic expense accounts. The costs recorded to this account are allocated to the service categories and customer classes in accordance with the combined allocation of FSET 12, Operator Services, excluding accounts 633, 634, and 635.

ACCOUNT 634 JOINT TRAFFIC EXPENSES - DEBIT: The expense recorded to account 634 are amounts paid to another Class A telephone company for the telephone company's portion of traffic expenses incurred by it under an arrangement for joint participation or apportionment between the telephone company and another telephone company. A portion of the costs recorded to this account are for operator wages and related benefits incurred under contractual arrangements for operator services with ATT-C. The costs recorded to this account are first segregated between ATT-C related expenses and those incurred with telephone companies other than ATT-C. The joint traffic expenses incurred under contractual arrangements with ATT-C are segregated among interstate interLATA, intrastate interLATA, interstate intraLATA, intrastate intraLATA, and local in accordance with the usage factors provided by separations procedures. The operator expense assigned to each of the service categories is allocated to the customer classes on the basis of the relative usage of TSPS equipment for each

service category. The expenses recorded to this account for joint traffic expenses other than ATT-C are allocated to the service categories and customer classes in accordance with the allocation of all traffic expenses excluding accounts 634 and 635.

ACCOUNT 635 JOINT TRAFFIC EXPENSES - CREDIT: The expense recorded to account 635 are amounts received from another Class A telephone company for its portion of traffic expenses incurred by the telephone company under an arrangement for joint participation or apportionment between the telephone company and the other company. A portion of the costs recorded to this account are for operator wages and related benefits incurred under contractual arrangements for operator services with ATT-C. The costs recorded to this account are first segregated between ATT-C related expenses and those incurred telephone companies other than ATT-C. The joint traffic expenses incurred under contractual arrangements with ATT-C are segregated among interstate interLATA, intrastate interLATA, interstate intraLATA, intrastate intraLATA, and local in accordance with the usage factors provided by separations procedures. The operator expense assigned to each of the service categories is allocated to the customer classes on the basis of the relative usage of TSPS equipment for each service category. The expenses recorded to this account for joint traffic expenses other than ATT-C are allocated to the service categories and customer classes in accordance with the allocation of all traffic expenses excluding accounts 634 and 635.

RECONCILIATION OF TRAFFIC EXPENSE ALLOCATION WITH
SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of Traffic Expenses specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Traffic expense as a whole, accounts 621 through 635, are aggregated as a total.
2. The allocation of each subcategory of traffic expenses as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.

3. The dollar amount of traffic expenses assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.

4. The remaining portion of traffic expenses is designated as the intrastate jurisdictional costs.

5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.

6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.

7. The proportional factors developed in step 6 are used to allocation the traffic expenses for the intrastate jurisdictional costs that were computed in step 4 above.

IX. COMMERCIAL EXPENSES

The general responsibility of the departments providing marketing and business office services is to evaluate the communications requirements of the company's customers. This includes both the planning and execution of the programs necessary for providing appropriate communications systems for these customers. Commercial expenses are included in the following accounts:

ACCOUNT 640	GENERAL COMMERCIAL ADMINISTRATION
ACCOUNT 642	ADVERTISING
ACCOUNT 643	SALES EXPENSE
ACCOUNT 644	CONNECTING COMPANY RELATIONS
ACCOUNT 645	LOCAL COMMERCIAL OPERATIONS
ACCOUNT 648	PUBLIC TELEPHONE COMMISSIONS
ACCOUNT 649	DIRECTORY EXPENSE
ACCOUNT 650	OTHER COMMERCIAL EXPENSES

The allocation procedures for these accounts is delineated below.

ACCOUNT 640 GENERAL COMMERCIAL ADMINISTRATION: The general commercial administration expense is recorded in account 640. This account contains the pay, office, traveling, and other expenses of officers directly in charge of the general administration of the commercial department either for the company as a whole or a territorial subdivision, also the pay and expenses for their assistants and office forces. The expense recorded in the account is segregated into five cost categories. Category one consists of the general commercial administration expense for business customers. Category two consists of the general commercial administration expense for residential customers. Category three

consists of the general commercial administration expense for public telephone. Category four consists of general commercial administration expenses of interexchange customer service centers. Category five consists of the remaining general commercial administration expense.

CATEGORY 1 GENERAL COMMERCIAL ADMINISTRATION EXPENSE FOR BUSINESS: The general commercial administration expense assigned to this category consists of the costs of salaries for executive direction, general supervision, and staff engaged in activities in business service centers and sales and marketing functions; staff salaries for forecast and development for business; and other nonsalary expenses for business service centers, marketing and sales functions, forecasts and development, and executive direction for business customers. The costs assigned to this category are allocated to the business customer classes, private line, and service categories in proportion to the allocation of the corresponding cost categories of accounts 642, 643, and 645.

CATEGORY 2 GENERAL COMMERCIAL ADMINISTRATION EXPENSE FOR RESIDENCE: The general commercial administration expense assigned to this category consists of the costs of salaries for executive direction, general supervision, and staff engaged in activities in residence service centers, sales and marketing functions; staff salaries for forecast and development for residence; and other nonsalary expenses for residence service centers, sales and marketing functions, forecasts and development, and executive direction for residential customers. The costs assigned to this category are allocated to the residential customer classes and service categories in proportion to the allocation of the corresponding cost categories of accounts 642, 643, and 645.

CATEGORY 3 GENERAL COMMERCIAL ADMINISTRATION EXPENSE FOR PUBLIC TELEPHONE: The general commercial administration expense assigned to this category consists of the costs of salaries for executive direction, general supervision, and staff engaged in activities in public service centers, sales and marketing functions; staff salaries for forecast and development for public telephone; and other nonsalary expenses for public service centers, sales and marketing functions, forecasts and development, and executive direction for public telephone. The costs assigned to this category are assigned to the public telephone customer class and allocated to service categories in proportion to the allocation of the corresponding cost categories of accounts 642, 643, and 645.

CATEGORY 4 GENERAL COMMERCIAL ADMINISTRATION EXPENSES FOR INTEREXCHANGE CUSTOMER SERVICE CENTER: The general commercial administration expense assigned to this cost category consists of the costs of salaries for executive direction, general supervision, and staff engaged in activities in interexchange customer service centers and other expenses for interexchange customer service centers. The costs assigned to this category are allocated to the interexchange customer classes, private line, and toll service categories in proportion to the allocation of the corresponding cost categories of account 645.

CATEGORY 5 ALL OTHER GENERAL COMMERCIAL ADMINISTRATION EXPENSE: The general commercial administration expense assigned to this cost category includes the salary and other expense for rates and tariffs and other general commercial administrative expense not recordable to categories 1 through 4 of this account. The costs assigned to this category are allocated to private line, the service categories, and the customer classes in proportion to the combined allocation of cost categories 1, 2, 3, and 4 of this account.

RECONCILIATION OF ACCOUNT 640 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 640 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 640 as a whole, cost categories 1 through 5, are aggregated as a total.
2. The allocation of each category of account 640 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of account 640 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of account 640 is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.

6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.

7. The proportional factors developed in step 6 are used to allocate account 640 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 642 ADVERTISING EXPENSE: Advertising expense is recorded in account 642. This account contains the expenses incurred in commercial advertising activities including expenses incurred in giving public demonstrations of telephones, switchboards, and so forth. The advertising expense recorded in this account is segregated into five cost categories. Category one is advertising expense for corporate purposes. Category two is advertising expense for informational purposes. Category three is advertising expense for sales. Category four is advertising expense for long distance. Category five is other advertising expense.

CATEGORY 1 ADVERTISING EXPENSE FOR CORPORATE: The advertising expense assigned to this cost category is incurred for the sole purpose to present a management point of view. The expense assigned to this cost category is assigned to the common service category.

CATEGORY 2 ADVERTISING EXPENSE FOR INFORMATIONAL PURPOSES: The advertising expense assigned to this cost category is advertising which instructs customers in the use of telecommunication services or provides information about the service. The expense assigned to this cost category is assigned to the local service category and allocated to residential and business customer classes on the basis of the relative number of working loops serving these classes and allocated to the service categories on the basis of the probability-weighted subscriber line usage for each of these classes.

CATEGORY 3 ADVERTISING EXPENSES FOR SALES: The advertising expense assigned to this cost category is advertising designed to increase revenues through the sale of products or services, except long distance, to business, residential, and public telephone customers. The expense assigned to this cost category is segregated

into three cost subcategories. Subcategory 3a consists of the advertising expense for sales aimed at business customers. Subcategory 3b consists of the advertising expense for sales aimed at residential customers. Subcategory 3c consists of the advertising expense for sales aimed at public telephone customers.

Category 3a Business Customers: The advertising expense assigned to this cost subcategory is assigned directly to the business customer class and is allocated among the business classes on the basis of the relative probability-weighted subscriber line usage for local service by these classes.

Category 3b Residential Customers: The advertising expense assigned to this cost subcategory is assigned directly to the residential customer class and is allocated among the residential classes on the basis of the relative probability-weighted subscriber line usage for local service by these classes.

Category 3c Public Telephone: The advertising expense assigned to this cost subcategory is assigned directly to the public telephone customer class and is assigned to the local service category for public telephone.

CATEGORY 4 ADVERTISING EXPENSE FOR LONG DISTANCE: The advertising expense assigned to this cost category in the advertising expense designed to stimulate long distance calling or revenues by business, residential, and public telephone customers. The expense assigned to this cost category is segregated into three cost subcategories. Subcategory 4a consists of the advertising expense for long distance aimed at business customers. Subcategory 4b consists of the advertising expense for long distance aimed a residential customers. Subcategory 4c consists of the advertising expense for long distance aimed at public telephone customers.

Category 4a Business Customers: The advertising expense assigned to this cost subcategory is assigned directly to the business customer class and is allocated among the business classes on the basis of the relative probability-weighted subscriber line usage for intraLATA service by these classes.

Category 4b Residential Customers: The advertising expense assigned to this cost subcategory is assigned directly to the residential customer class and is allocated among the residential classes on the basis of

the relative probability-weighted subscriber line usage for intraLATA service by these classes.

Category 4c Public Telephone: The advertising expense assigned to this cost subcategory is assigned directly to the public telephone customer class and is assigned to the intraLATA service category for public telephone.

Category 5 Other Advertising Expense: The advertising expenses recorded to this cost category are those expenses not properly recorded to the other cost categories of account 642. The expenses recorded to this cost category are allocated to the service categories and customer classes in accordance with the allocation of cost categories 1 through 4 of account 642

RECONCILIATION OF ACCOUNT 642 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 642 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 642 as a whole, cost categories 1 through 5, are aggregated as a total.
2. The allocation of each category of account 642 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of account 642 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of account 642 is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.
6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the

total costs for the intrastate jurisdiction identified in step 4.

7. The proportional factors developed in step 6 are used to allocate account 642 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 643 SALES EXPENSE: The sales expense is recorded in account 643. This account contains the pay and other expenses for employees engaged in canvassing for new business or for changing or renewing existing service, also in interviewing customers for promoting the further use of service. The expenses recorded in this account are segregated into three cost categories. Category one consists of the sales expense for business customers. Category two consists of the sales expenses for residential customers. Category three consists of the sales expense for public telephone.

CATEGORY 1 SALES EXPENSE FOR BUSINESS CUSTOMERS: The sales expenses assigned to this cost category consists of the pay and commission of employees while more than incidentally engaged in sales work except selling directory advertising for business customers, the pay of employees below district level engaged in the supervision and the supportive services of this supervision of employees engaged in sales work for business customers (except directory advertising) and employees engaged and servicing and implementation of products and enhanced services for business customers, the pay of employees who supervise inter-company services coordination functions, the pay of employees engaged in performing general office duties in support of sale functions for business customers, the pay of employees while receiving training or while serving as instructors or coaches for training associated with sales functions for business customers, serving and implementation, and clerical work in support of sales activities for business customers, and the nonsalary costs of employees performing sales functions (except directory advertising) for business customers.

The sales expense assigned to this cost category is segregated further in to two cost subcategories. The first subcategory, category 1a, consists of the sales expense of private line service. The second cost subcategory, category 1b, consists of the sales expense for message service for business customers. The segregation is accomplished by undertaking a periodic review of accounting records for charges to sales expense for business. The purpose of this review is to determine the proper proportion of sales expense for business

customers that is assignable to each of the two cost subcategories.

Category 1a Sales Expenses For Business Customers--Private Line Service: The cost assigned to the cost subcategory is assigned directly to intrastate intraLATA private line for the telephone company.

Category 1b Sales Expenses For Business Customers--Message Service: The costs assigned to this cost category are allocated among the business classes on the basis of the relative amount of inward and outward migration, combined, for each of the classes of business and allocated to the service categories on the basis of each business customer class's probability-weighted subscriber line minutes of use for each of the service categories.

CATEGORY 2 SALES EXPENSE FOR RESIDENTIAL CUSTOMERS: The sales expenses assigned to this cost category consists of the pay and commission of employees while more than incidentally engaged in the planning, selling, and implementing residence services, the pay of employees below district level engaged in the supervision and the supportive services of this supervision of employees engaged in planning, selling, and implementing residential services, the pay of employees engaged in performing general office duties in support of planning, selling, and implementing residential service, the pay of employees while receiving training or while serving as instructors or coaches for training associated with planning, selling, and implementing residential service, and clerical work in support of sales activities for residential customers, and the nonsalary costs of employees performing the activities of planning, selling, and implementing residential service. The sale expense assigned to this cost category is allocated among the residential classes on the basis of the relative amount of inward and outward migration, combined, for each class of residential customer classes and allocated to the service categories on the basis of each of the residential customer class's relative probability-weighted subscriber line minutes of use for each service category.

CATEGORY 3 SALES EXPENSE FOR PUBLIC TELEPHONE SERVICE: The sales expenses assigned to this cost category consists of the pay and commission of employees while more than incidentally engaged in the planning, selling, and implementing public telephone services, the pay of employees below district level engaged in the supervision and the supportive services of this supervision of employees engaged in the planning, selling, and

implementing public telephone services, the pay of employees engaged in performing general office duties in support of planning, selling, and implementing public telephone services, the pay of employees while receiving training or while serving as instructors or coaches for training associated with planning, selling, and implementing public telephone services, serving and implementation, and clerical work in support of sales activities for public telephone services, and the nonsalary costs of employees performing the activities of planning, selling, and implementing public telephone services. The sales expense assigned to this cost category is assigned directly to public telephone and allocated to the service categories on the basis of the probability-weighted minutes of use for each service category for the public telephone customer class.

RECONCILIATION OF ACCOUNT 643 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 643 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 643 as a whole, cost categories 1 through 3, are aggregated as a total.
2. The allocation of each category of account 643 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of account 643 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of account 643 is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.
6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and

operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.

7. The proportional factors developed in step 6 are used to allocate account 643 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 644 CONNECTING COMPANY RELATIONS: The connecting company relations expense is recorded in account 644. This account contains the pay and other expenses of employees engaged in performing the functions of developing the interchange of business and other expense of employees engaged in the negotiation of traffic agreements, assisting connecting companies in the development of toll business, and similar promotion of relations with connecting companies. The connecting company relations expense recorded in this account are segregated into four cost categories. Category one consists of the connecting company relations expense for private line service. Category two consists of the connecting company relations expense for extended area service (EAS). Category three consists of the connecting company relations expense for message toll service. Category four consists of the connecting company relations expense for contracting of services.

The segregation of connecting company relations expense is based on a periodic review of net settlement amounts associated with each of these services. The periodic review for a representative time period is undertaken to determine the proper proportion to use in assigning this expense to each of the four cost categories.

CATEGORY 1 CONNECTING COMPANY RELATIONS EXPENSE FOR PRIVATE LINE SERVICE: The connecting company relations expense assigned to this category is assigned to intrastate intraLATA private line service for the telephone company.

CATEGORY 2 CONNECTING COMPANY RELATIONS EXPENSE FOR EXTENDED AREA SERVICE: The connecting company relations expense assigned to this category is assigned directly to the local service category and is allocated among the customer classes on the basis of each customer class' relative probability-weighted subscriber line minutes of use of Extended Area Service (EAS) or Extended Metro Service (EMS).

CATEGORY 3 CONNECTING COMPANY RELATIONS EXPENSE FOR MESSAGE TOLL SERVICE: The connecting company relations expense assigned to the category is allocated to toll service categories on the basis of an analysis of current billing for intrastate interLATA and intraLATA toll and interstate toll messages sent paid and received collect, underlying the related inter-company settlements. The connecting company expense assigned to each of the toll service categories above is allocated among the customer classes on the basis of the probability-weighted subscriber line minutes of use of these toll service categories by each class.

CATEGORY 4 CONNECTING COMPANY RELATIONS EXPENSE FOR CONTRACTING OF SERVICES: The connecting company relations expense assigned to this cost category consists of the salary and nonsalary expense associated with the negotiation and execution of contracts under which one phone company provides services to another telephone company. The expense assigned to this cost category is allocated to the service categories and customer classes in proportion to the allocation of cost categories 1 through 3 for account 644.

RECONCILIATION OF ACCOUNT 644 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 644 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 644 as a whole, cost categories 1 through 4, are aggregated as a total.
2. The allocation of each category of account 644 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of account 644 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of account 644 is designated as the intrastate jurisdictional costs.

5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.

6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.

7. The proportional factors developed in step 6 are used to allocate account 644 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 645 LOCAL COMMERCIAL OPERATIONS: The local commercial operations expense account is recorded in account 645. This account contains the pay, office, traveling, and other expenses of employees engaged in local commercial operations other than promotion of directory. This includes employees of business and collection offices engaged in preparing changing, and handling contract or service orders, collecting revenues, and handling miscellaneous commercial relations with customers. The expense recorded in this account is segregated into five cost categories. Category one consists of the local commercial operations expense for business customers. Category two consists of the local commercial operations expense for residential customers. Category three consists of the local commercial operations expense for public telephone. Category four consists of the local commercial operations expense for interexchange customer service centers. Category five consists of the remaining local commercial operations expense.

When separate accounting records are not available to identify the cost assignable to each of these five cost categories, a periodic review of expenses chargeable to this account should be undertaken. The purpose of this periodic review is to determine the proper proportion of local commercial expense chargeable to each of the five cost categories.

CATEGORY 1 LOCAL COMMERCIAL OPERATIONS EXPENSE FOR BUSINESS CUSTOMERS: The local commercial operations expense assigned to this cost category includes the pay of employees engaged in activities and functions regarding business service center operations, the pay of employees below district level while more than incidentally engaged in business service center supervisory work at business service center locations, the pay of persons engaged in

managing employees who supervise employees engaged in business service center functions, the pay of employees while receiving or while serving as instructors or coaches for training associated with functions in business service centers, the salaries of business service center management employees while receiving general management development training, and other nonsalary costs chargeable to business service center operations. The costs assigned to this cost category are further segregated between service orders (subcategory 1a) and all other business service center contacts (subcategory 1b).

Category 1a Service Orders For Business: The expense assigned to this cost subcategory is allocated to private line and the customer classes of business customers on the basis of the inward and outward migration for each class and allocated to service categories in the same proportion as private line and each business class's allocation of the subscriber loop, cost category KCS of the 240 series of accounts.

Category 1b All Other Business Service Center Contacts: The expense assigned to this cost subcategory is assigned to private line, the business classes, and the service categories on the basis of the allocation of the subscriber loop for private line and each class of business customers.

CATEGORY 2 LOCAL COMMERCIAL OPERATIONS EXPENSE FOR RESIDENTIAL CUSTOMERS: The local commercial operations expense assigned to this cost category includes the pay of employees engaged in activities and functions regarding residence service center operations, the pay of employees below district level while more than incidentally engaged in residence service center supervisory work at residence service center locations, the pay of persons engaged in managing employees who supervise employees engaged in residence service center functions, the pay of employees while receiving or while serving as instructors or coaches for training associated with functions in residence service centers, the salaries of residence service center management employees while receiving general management development training, and other nonsalary costs chargeable to residence service center operations. The costs assigned to this cost category are further segregated between service orders (subcategory 2a) and all other residence service center contacts (subcategory 2b).

Category 2a Service Orders For Residence: The cost assigned to this cost subcategory is allocated to the classes of residential customers on the basis of the

combined inward and outward migration for each class and allocated to the service categories in the same proportion as each residence class's allocation of the subscriber loop, cost category KCS-1 of the 240 series of accounts.

Category 2b All Other Residence Service Center Contacts: The expense assigned to this cost subcategory is assigned to the residence class and allocated to the service categories and residential customer classes on the basis of the allocation of the subscriber loop for each class of residential customers.

Category 3 Local Commercial Operations Expense For Public Telephone: The local commercial operations expense assigned to this cost category includes the pay of employees engaged in activities and functions regarding public service center operations, the pay of employees below district level while more than incidentally engaged in public service center supervisory work at public service center locations, the pay of persons engaged in managing employees who supervise employees engaged in public service center functions, the pay of employees while receiving or while serving as instructors or coaches for training associated with functions in public service centers, the salaries of public service center management employees while receiving general management development training, the pay of employees engaged in activities and functions of public service coin collection and counting and coin security functions, the pay of employees engaged in the supervision of employees engaged in public service coin collection and counting and coin security functions, the pay of employees who manage employees who supervise employees engaged in coin collecting and counting and coin security functions, the pay of employees while receiving training or while serving as instructors or coaches for training associated with coin collecting and counting and coin security functions, and other nonsalary costs chargeable to public service center operations. This cost category also consists of the pay of employees engaged in internal safeguarding of coin telephone materials and operations. The expense assigned to this cost category is assigned directly to public telephone customer class and is allocated to service categories in the same proportion as the public telephone class' allocation of the subscriber loop, cost category KCS-1 of the 240 series of accounts.

CATEGORY 4 LOCAL COMMERCIAL OPERATIONS EXPENSE FOR INTEREXCHANGE CUSTOMER SERVICE CENTER: The local commercial operations expense assigned to this cost category includes the pay of employees engaged in

negotiating and processing common carrier requisitions for telephone company facilities, performing activities related to common carrier facilities billing matters, and performing basic office services, local supervision, job training support for interexchange customer service center activities, and the nonsalary cost related to the functions described in this cost category. The costs assigned to this cost category are further segregated between service orders (subcategory 4a) and all other interexchange customer service center contacts (subcategory 4b).

Category 4a Service Orders For Interexchange Customer: The expense assigned to this cost subcategory is allocated to the feature groups or interexchange carriers on the basis of the combined inward and outward migration to and from the feature groups and interexchange carriers and allocated to private line, the customer classes, and the service categories on the basis of private line's and each customer class's usage of each feature group or interexchange carrier.

Category 4b All Other Interexchange Customer Service Center Contacts: The expense assigned to this cost subcategory is assigned to the interexchange customer class and allocated to private line, the customer classes, and the service categories on the basis of private line's and each customer class's usage of each feature group or interexchange carrier.

CATEGORY 5 THE REMAINING LOCAL COMMERCIAL OPERATIONS EXPENSE: The local commercial operations expense assigned to the cost category consist of the amounts paid to collection agencies for collecting past-due accounts including amounts billed by such agencies for attorneys' fees and court costs incurred in collecting accounts and the amounts paid to payment agencies for receiving payment on customers' accounts. The local commercial operations expense assigned to this cost category is allocated to private line, the service categories, and customer classes in proportion to the allocation of cost categories 1 through 4 of this account.

RECONCILIATION OF ACCOUNT 645 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 645 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 645 as a whole, cost categories 1 through 5, are aggregated as a total.
2. The allocation of each category of account 645 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of account 645 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of account 645 is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.
6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.
7. The proportional factors developed in step 6 are used to allocate account 645 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 648 PUBLIC TELEPHONE COMMISSIONS: Public telephone commissions are recorded in account 648. This account contains the amounts paid, either in the form of percentages of receipts, flat amounts deducted from receipts or other specified sums, to the owners or tenants of premises upon which attended and nonattended public and semipublic telephone stations are located, as general compensation for occupancy privileges, light, heat, attendance, and all services rendered incident to the furnishing of service from such stations. The expense recorded in the account is first segregated between interstate and intrastate portions in accordance with separations procedures. The interstate portion is assigned to interstate interLATA for other carrier access and interstate intraLATA and interstate corridor for the telephone company in accordance with the costs as determined by separations procedures. The intrastate portion is assigned directly to public telephone and

allocated among service categories and feature groups on the basis of the allocation of the subscriber loop investment for public telephone, cost category KCS-1 of the 240 series of accounts.

ACCOUNT 649 DIRECTORY EXPENSE: The directory expense is recorded in account 649. This account contains the expenses incurred in preparing copy, printing, binding and distributing directories, the cost of securing advertisements for directories, the cost of directories of other companies purchased for the use of the company or for distribution or sale to its customers, and amounts credited with amounts received as salvage on old directories. The expense recorded in this account is segregated into four categories. Category one consists of the directory expense for the classified directory. Category two consists of the directory expense for the alphabetical and street address directory. Category three consists of the directory expense for the delivery of alphabetical and yellow page directories. Category four consists of the all other directory expenses.

CATEGORY 1 DIRECTORY EXPENSE FOR THE CLASSIFIED DIRECTORY: The directory expense for the classified directory consists of the salary and commissions expense of sales persons and the salaries of supervisory personnel and clerical staff, involved in selling local or multi-directory advertising to appear in alphabetical directories, the travel, motor vehicle, and data processing expense involved in selling local or multi-directory advertising to appear in alphabetical directories, the cost of contract photocomposition, data processing and other expenses and the salaries of clerical and supervisory personnel involved in classified directory production, and the cost of contract typesetting and composition, contract photocomposition, paper, and printing for the classified directory. The cost assigned to this cost category is directly assigned to directory profit center -- classified directory.

CATEGORY 2 DIRECTORY EXPENSE FOR THE ALPHABETICAL AND STREET ADDRESS DIRECTORY: The directory expense for the alphabetical and street address directory consists of the cost of contract photocomposition, data processing, and other expenses and the salaries of clerical and supervisory personnel involved in alphabetical and street address directory production, the cost of contract typesetting and composition, and contract photocomposition, paper, and printing for the alphabetical and street address directory. The directory expense

assigned to this cost category is divided between alphabetical directory expense and street address directory expense on the basis of the relative number of white-page pages printed for the alphabetical and street address directory. The street address directory expense is assigned to cost category 2a. The alphabetical directory expense is further subdivided between the alphabetical directories for distribution to subscribers (subcategory 2a) and the alphabetical directories for sale (subcategory 2b). The alphabetical directory expense is segregated between these two subcategories on the basis of the relative number of white page pages distributed to subscribers and the relative number of white page pages sold.

Category 2a The Street Address Directory Expense: The directory expense assigned to the subcategory is assigned directly to the directory profit center -- street address directory which will subsequently be matched against revenues from the sale of the street address directory.

Category 2b The Alphabetical Directory Expense For Distribution: The directory expense assigned to this subcategory is assigned to the local exchange service category and is allocated among the customer classes excluding private line service according to the relative number of loops (or equivalent loops) serving each customer class.

Category 2c The Alphabetical Directory Expense For Sale: The directory expense assigned to this cost subcategory is assigned directly to directory profit center -- directory sales which will subsequently be matched against revenues from the sale of alphabetical directories.

CATEGORY 3 DIRECTORY EXPENSE FOR DELIVERY OF ALPHABETICAL AND YELLOW PAGE DIRECTORIES: The directory expense assigned to this cost category consists of the salaries of clerical and supervisory personnel more than incidentally involved in tasks supporting the delivery of directories, the data processing and other expenses associated with the delivery of directories, and the contract expenses for initial delivery and warehousing and subsequent delivery of directories. The directory expense assigned to this category is divided evenly between yellow pages (subcategory 3a) and alphabetical directory (subcategory 3b) when yellow pages are delivered along with the white pages.

Category 3a Directory Expense For Delivery of Yellow Pages: The yellow page portion of the delivery expense is assigned to directory profit center -- classified directory.

Category 3b Directory Expense For Delivery of Alphabetical Directories: The alphabetical directory portion of the delivery expense is assigned to the local exchange service category and is allocated among the customer classes excluding private line service according to the relative number of loops (or equivalent loops) serving each customer class.

CATEGORY 4 ALL OTHER DIRECTORY EXPENSES: The directory expense assigned to this category consists of the salary and nonsalary costs incurred in the development and conversion of directory operation from a manual to a mechanized system, the salary and nonsalary costs incurred when making major modifications to the existing mechanized system, the salary and other expense associated with address telephone directories, special number services, foreign directories both alphabetical and customer guide pages, the salary and nonsalary costs of employees engaged in general administrative or support functions related to directory operations. The directory expense assigned to this category is further segregated into the expense associated with mechanization of directory operations (subcategory 4a), the expense associated with address telephone directories, special number services, and foreign directories (subcategory 4b), and the expense for administrative or support personnel in directory operations (subcategory 4c).

Subcategory 4a Mechanization of Directory Operations: The directory expense associated with the mechanization of directory operations is allocated in the same manner as category 2b for account 649.

Subcategory 4b Address Telephone Directories, Special Number Services, and Foreign Directories: The directory expense associated with address telephone directories, special number services, and foreign directories is assigned directly to directory profit center -- directory sales.

Subcategory 4c Administrative or Support Personnel in Directory Operations: The directory expense for administrative or support personnel in directory operations is allocated to service categories and customer classes in proportion to the allocation of categories 1 through 4b inclusive and combined.

RECONCILIATION OF ACCOUNT 649 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 649 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 649 as a whole, cost categories 1 through 4, are aggregated as a total.
2. The allocation of each category of account 649 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of account 649 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of account 649 is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.
6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.
7. The proportional factors developed in step 6 are used to allocate account 649 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 650 OTHER COMMERCIAL EXPENSES: Other commercial expense are recorded in account 650. This account contains all commercial expenses not properly chargeable to other accounts such as any definitely known amounts of losses of revenue collections due to fire or theft at customers' coin-box stations, at public or semipublic telephone stations, in the possession of collectors in route to collection offices, on hand at collection offices, and between collection offices and banks. The

amounts recorded in account 650 are segregated into three cost categories. Category one consists of the other commercial expenses for public telephone service. Category 2 consists of the other commercial expenses for directory operations. Category three consists of the remaining other commercial expenses.

The other commercial expenses are segregated on the basis of a periodic review of charges to this account. The review is undertaken to determine the proper proportion of other commercial expense that is assignable to each cost category.

CATEGORY 1 OTHER COMMERCIAL EXPENSES FOR PUBLIC TELEPHONE SERVICE: The other commercial expense assigned to this cost category is assigned to public telephone and is allocated to service categories in proportion to the allocation of category 3 of account 640, the public telephone portion of category 5 of account 640, category 3 of account 643, category 3 of account 645, and account 648, combined.

CATEGORY 2 OTHER COMMERCIAL EXPENSES FOR DIRECTORY OPERATIONS: The other commercial expenses assigned to this cost category are allocated to service categories and customer classes in proportion to the allocation of account 649.

CATEGORY 3 THE REMAINING OTHER COMMERCIAL EXPENSES: The remaining commercial expenses are allocated to service categories and customer classes in proportion to the allocation of categories 1, 2, and 4 of account 640 and category 5 of account 640 excluding the public telephone portion, categories 1 and 2 of account 643, account 644, and categories 1, 2, 4, and 5 of account 645, combined.

RECONCILIATION OF ACCOUNT 650 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 650 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 650 as a whole, cost categories 1 through 3, are aggregated as a total.
2. The allocation of each category of account 650 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation

yields a dollar amount allocated to each of the service categories, customer classes, and private line.

3. The dollar amount of account 650 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.

4. The remaining portion of account 650 is designated as the intrastate jurisdictional costs.

5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.

6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.

7. The proportional factors developed in step 6 are used to allocate account 650 for the intrastate jurisdictional costs that were computed in step 4 above.

X. GENERAL OFFICE SALARIES AND EXPENSESACCOUNTS 661 THROUGH 665

The expenses recorded to this group of accounts are the salaries and other expenses associated with the executive department, accounting department, treasury department, law department and other general office and salaries and expenses. The accounts are:

ACCOUNT 661	EXECUTIVE DEPARTMENT
ACCOUNT 662	ACCOUNTING DEPARTMENT
ACCOUNT 663	TREASURY DEPARTMENT
ACCOUNT 664	LAW DEPARTMENT
ACCOUNT 665	OTHER GENERAL OFFICE SALARIES AND EXPENSES

The allocation procedures for each of these accounts are delineated below.

ACCOUNT 661 EXECUTIVE DEPARTMENT: This account is charged with the pay, office, traveling, and other expenses of officers who are engaged in the general administration or management of the company, or its affairs in a territorial subdivision and the pay and expenses of their assistants and office salaries. This account is also charged with salaries, fees, and expenses other than law expenses, of receivers. The costs recorded to this account are first segregated into interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is assigned to the common category.

ACCOUNT 662 ACCOUNTING DEPARTMENT: This account is charged with the pay, office, travelling, and other expenses of officers, their assistants, and office forces, of the accounting department. The expense recorded to this account is segregated into three subaccounts for purposes of allocation to private line, the service

categories, and the customer classes. The subaccounts are:

ACCOUNT 662-01	CUSTOMER ACCOUNTING OPERATIONS
ACCOUNT 662-02	CORPORATE ACCOUNTING OPERATIONS
ACCOUNT 662-03	GENERAL ACCOUNTING

Each of these subaccounts is further segregated into cost categories (Functional Summary Groups) for purposes of allocating the accounting expense to the service categories and customer classes. The allocation procedures are delineated below.

ACCOUNT 662-01 CUSTOMER ACCOUNTING OPERATIONS: The expenses recorded to this subaccount are the accounting expenses associated with the processing of customer accounts such as billing, local and toll message accounting, and access charge billings. The expense assigned to this subaccount are segregated into eight cost categories for purposes of allocating the expense to the service categories and customer classes. The cost categories are:

CATEGORY 1	TOLL MESSAGE OPERATIONS
CATEGORY 2	LOCAL MESSAGE OPERATIONS
CATEGORY 3	SERVICE AND EQUIPMENT OPERATIONS
CATEGORY 4	REMITTANCE OPERATIONS
CATEGORY 5	ACCOUNTS OPERATIONS
CATEGORY 6	CUSTOMER OUTPUT
CATEGORY 7	ACCESS CHARGE OPERATIONS
CATEGORY 8	CUSTOMER ACCOUNTING OPERATIONS - EXECUTIVE

The allocation procedures for each of these cost categories are delineated below.

CATEGORY 1 TOLL MESSAGE OPERATIONS: The expenses assigned to this cost category are the costs of toll accounting operations such as Centralized Message Data System (CMDS) processing, toll data entry, toll message rating, and toll master file processing. The expense assigned to this cost category is allocated to the

customer classes and the service categories in accordance with the relative originating subscriber line usage of toll message service by each customer class.

CATEGORY 2 LOCAL MESSAGE OPERATIONS: The expense assigned to this cost category is the cost of accounting functions for local message processing such as receiving, timing, and maintaining records. The expense assigned to this cost category is assigned directly to the local service category and assigned directly to the local measured service customer class .

CATEGORY 3 SERVICE AND EQUIPMENT OPERATIONS: The expense assigned to this cost category are the costs of receiving, editing, and processing completed service orders and transmittals after receipt in the accounting office. This function also includes the costs of the maintenance and verification of service and equipment records by customer account. The costs assigned to this cost category are first segregated into the customer classes and private line on the basis of the relative amount of inward and outward migration, combined, for each customer class and private line. The inward and outward migration for the public telephone customer class refers only to semi-public telephones and excludes public coin and coinless telephones. This expense for each customer class, excluding that for private line, is then allocated to the service categories according to relative probability-weighted subscriber line usage for each customer class.

CATEGORY 4 REMITTANCE OPERATIONS: The expense assigned to this cost category are the costs of receiving mailed payments from customers, public offices, and agencies within a centralized operation. This expense is allocated to the customer classes and private line on the basis of the relative number subscriber lines serving each customer class and private line. The public telephone customer class refers only to semi-public telephones and excludes public coin and coinless telephones. The expense allocated to each customer class, excluding private line, is allocated to the service categories on the basis of the relative subscriber line usage of each service category by each customer class.

CATEGORY 5 ACCOUNTS OPERATIONS: The expense assigned to this cost category are the costs of processing all basic account data excluding message and service order data, including the updating and calculation of coin telephone commissions. This expense is allocated to the customer classes on the basis of the relative number subscriber lines serving each customer class and private line. This

expense allocated to each customer class, excluding private line, is allocated to the service categories on the basis of the relative subscriber line usage of each service category by each customer class.

CATEGORY 6 CUSTOMER OUTPUT: The expense assigned to this cost category are the costs associated with retrieving data for and producing customer bills, billing data stubs, semi-public bills, and commissions as well as charge and credit statements. This expense is allocated to the customer classes on the basis of the relative number subscriber lines serving each customer class and private line. The public telephone customer class refers only to semi-public telephones and excludes public coin and coinless telephones. The expense allocated to each customer class, excluding private line, is allocated to the service categories on the basis of the relative subscriber line usage of each service category by each customer class.

CATEGORY 7 ACCESS CHARGES OPERATIONS: The expense assigned to this cost category are the costs of performing accounting operation in connection with carrier access billing. This expense is allocated to the customer classes on the basis of the relative number subscriber lines serving each customer class. The public telephone customer class refers only to semi-public telephones and excludes public coin and coinless telephones. The expense allocated to each customer class is allocated to the service categories on the basis of the relative probability-weighted subscriber line usage of interstate interLATA and intrastate interLATA for other carrier access by each customer class.

CATEGORY 8 CUSTOMER ACCOUNTING OPERATIONS - EXECUTIVE: The expense assigned to this cost category is the costs of providing executive direction and formulating customer accounting policy. This expense is allocated to the service categories, customer classes, and private line on the basis to the allocation of cost categories 1 through 7 of this subaccount 662-01.

RECONCILIATION OF ACCOUNT 662-01 ALLOCATION WITH
SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 662-01 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 662-01 as a whole, cost categories 1 through 8, are aggregated as a total.
2. The allocation of each category of account 662-01 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of account 662-01 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of account 662-01 is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.
6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.
7. The proportional factors developed in step 6 are used to allocate account 662-01 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 662-02 CORPORATE ACCOUNTING OPERATIONS: The expenses recorded to this subaccount are the costs of payroll operations, accounting for investments and non-payroll expenses, accounts payable operations, and corporate reports. The expenses recorded to this subaccount are segregated into six cost categories for purposes of allocating the costs to the service categories and customer classes. The six cost categories are:

CATEGORY 1

PAYROLL OPERATIONS

CATEGORY 2	INVESTMENT AND COST OPERATIONS
CATEGORY 3	ACCOUNTS PAYABLE OPERATIONS
CATEGORY 4	CORPORATE REPORTS OPERATIONS
CATEGORY 5	FUNCTIONAL ACCOUNTING SYSTEM PROCESSING OPERATIONS
CATEGORY 6	CORPORATE ACCOUNTING OPERATIONS - EXECUTIVE

The allocation procedures for each of these cost categories are delineated below.

CATEGORY 1 PAYROLL OPERATIONS: The expense assigned to this cost category is the cost of receiving input data, editing, and evaluating all payroll records and the costs of computing wages, taxes, allotments, deductions, and retroactive adjustments. This expense is allocated to the service categories, customer classes, and private line on the basis of the allocation of all wages and salaries expenses. (general office, accounting, maintenance, operator services, network administration, business office, and marketing)

CATEGORY 2 INVESTMENT AND COST OPERATIONS: The expense assigned to this cost category is the cost associated with processing field work and material reports, outside plant work prints, and construction completion notices and the costs of editing, reconciling, and storing property records such as central office equipment, land, and buildings. This expense is allocated to the service categories, customer classes, and private line on the basis of the allocation of plant in service, account 100.1

CATEGORY 3 ACCOUNTS PAYABLE OPERATIONS: The expense assigned to this cost category is the cost of processing suppliers' bills and statements, purchase orders, and contractors' bills and the cost of recording, summarizing, evaluating, and processing of contractors transactions. This expense is allocated to the service categories, customer classes, and private line on the basis of the allocation of plant in service, account 100.1.

CATEGORY 4 CORPORATE REPORTS OPERATIONS: The expense assigned to this cost category is the cost of receiving, compiling, maintaining, filing, and editing data for corporate reports, financial statements, and management information reports and the cost of gathering data for the

preparation of separations reports and studies. This expense is assigned to the common category.

CATEGORY 5 FUNCTIONAL ACCOUNTING SYSTEM PROCESSING OPERATIONS: The expense assigned to this cost category is the cost of inputting, updating, and processing Functional Accounting System data bases as well as preparing and distributing Functional Accounting System reports. This expense is allocated to the service categories, customer classes, and private line on the basis of the allocation of customer accounting operations, account 662-01, and Corporate Accounting Operations, account 662-02.

CATEGORY 6 CORPORATE ACCOUNTING OPERATIONS - EXECUTIVE: The expense assigned to this cost category is the cost of providing executive direction and formulating corporate accounting policy. This expense is allocated to the service categories, customer classes, and private line on the basis of the allocation of cost categories 1 through 5 of subaccount 662-02, Corporate Accounting Operations.

ACCOUNT 662-03 GENERAL ACCOUNTING: The expenses recorded to this subaccount are the costs of general accounting and related activities not provided for in account 662-01 and account 662-02. This includes the costs associated with conducting valuation of plant studies, preparing depreciation rate studies, compiling corporate report analyses and financial budget reviews, and defining accounting principles, and the costs for making adjustments to totals at the total account level processed in the Functional Accounting System, and the costs of providing executive direction and formulating general accounting policy. The costs recorded to this account are allocated to the service categories, customer classes, and private line on the basis of the combined allocation of accounts 662-01 and 662-02.

**RECONCILIATION OF THE ALLOCATION OF ACCOUNTS 662-02
AND 662-03 WITH SEPARATIONS**

Since the outcome of Separations Procedures is taken as a given, the allocation of Accounting expenses specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Other accounting expenses as a whole, account 662-02 through 662-03 are aggregated as a total.

2. The allocation of each cost category of accounts 662-02 and 662-03, as specified above, for the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories and customer classes and private line.
3. The dollar amount of accounts 662-02 and 662-03 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of accounts 662-02 and 662-03 is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.
6. Proportional factors in terms of relative dollar amounts for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are developed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.
7. The proportional factors developed in step 6 are used to allocate the accounting expenses for the intrastate jurisdiction.

ACCOUNT 663 TREASURY DEPARTMENT: This account is charged with the pay, office, traveling, and other expenses of officers, their assistants and office forces, of the treasury department. The costs recorded to this account are first segregated into interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate interLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is assigned to the common category.

ACCOUNT 664 LAW DEPARTMENT: This account is charged, when not provided for elsewhere, the pay, office, and other expenses of officers, their assistants and office forces and other employees of the law department, the cost of suits and other law costs, including law expenses connected with damages. The costs recorded to this

account are first segregated into interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate interLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is assigned to the common category.

ACCOUNT 665 OTHER GENERAL OFFICE SALARIES AND EXPENSES:

This account is charged with the pay, office, traveling, and other expenses of officer, their assistants, and office forces of general offices that are not properly chargeable to other accounts, such as those engaged in editing magazine or periodicals published in behalf of all departments and employees engaged in detective or protective services for the company's interest as a whole. The costs recorded to this account are first segregated into interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate interLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is assigned to the common category.

XI. OTHER OPERATING EXPENSESACCOUNTS 668 THROUGH 677

The other operating expense accounts consists of eight accounts which are as follows:

ACCOUNT 668	INSURANCE
ACCOUNT 669	ACCIDENTS AND DAMAGES
ACCOUNT 671	OPERATING RENTS
ACCOUNT 672	RELIEF AND PENSIONS
ACCOUNT 673	TELEPHONE FRANCHISE REQUIREMENTS
ACCOUNT 674	GENERAL SERVICES AND LICENSES
ACCOUNT 675	OTHER EXPENSES
ACCOUNT 676	TELEPHONE FRANCHISE REQUIREMENTS - CR
ACCOUNT 677	EXPENSES CHARGED CONSTRUCTION - CR

The allocation procedures for each of these accounts are delineated below.

ACCOUNT 668 INSURANCE: The expense recorded to this account is the cost connected with insurance coverage to protect the company against losses and damages arising out of its operations which are not provided for in other accounts. This account is charged with the pay and expenses of employees who are engaged in negotiating and administering the non-legal aspects of insurance contracts, surety bond matters, and self-insurance risks matters; special costs incurred in procuring insurance, such as brokerage fees, notarial fees, and insurance inspection fees; the cost of insurance premiums paid to insurance companies; amounts provided for self-insurance risks which are credited to account 169, Insurance Reserve; the cost of insurance premiums covering blanket policies for which there is no suitable basis for the allocation of such costs to the several accounts which may be involved; the costs of performing basic general office duties, general administrative duties, and related office services, other supportive services, and providing

education and training support connected with the above corporate insurance matters. The expense recorded to this account is first segregated between interstate and intrastate costs in accordance with separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor in accordance with separations procedures. The intrastate portion is directly assigned to the common cost category.

ACCOUNT 669 ACCIDENTS AND DAMAGES: The expense recorded to this account is the expense, not provided for elsewhere, on account of persons killed or injured and property of others damaged in connection with the company's telephone operations. The expense recorded to this account is first segregated into interstate and intrastate portions in accordance with separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor in accordance with separations procedures. The intrastate portion is directly assigned to the common cost category.

ACCOUNT 671 OPERATING RENTS: The expenses recorded to this account are the rents for company use of space in buildings, space in conduits, pole line space for attachments, instruments, equipment, and other telephone plant, the rent for which is not provided for elsewhere. The expense recorded to this account are segregated into six cost categories as follows:

CATEGORY 1	LAND AND BUILDINGS RENTS
CATEGORY 2	OUTSIDE PLANT RENTS
CATEGORY 3	CIRCUIT RENTS
CATEGORY 4	EQUIPMENT RENTS
CATEGORY 5	MFJ - RELATED SHARED NETWORK AND NON-NETWORK FACILITIES AND SERVICES
CATEGORY 6	ANTITRUST AND OTHER RENTS

The allocation procedures for the expense assigned to each of the cost categories are delineated below.

CATEGORY 1 LAND AND BUILDING RENTS: The operating rents assigned to this cost category are the operating rent paid or payable for use of space in buildings occupied as a whole or in part by the telephone company, including periods during which central office or other equipment is being installed. This cost category is subaccount 671-01, Land and Building Rents. The costs assigned to this cost category are segregated into eleven subcategories as follows:

CATEGORY 1A	MANUAL SWITCHING EQUIPMENT SPACE
CATEGORY 1B	DIAL SWITCHING EQUIPMENT SPACE
CATEGORY 1C	CIRCUIT EQUIPMENT SPACE
CATEGORY 1D	OPERATORS' QUARTERS
CATEGORY 1E	GENERAL TRAFFIC SUPERVISION SPACE
CATEGORY 1F	COMMERCIAL OFFICE SPACE
CATEGORY 1G	REVENUE ACCOUNTING SPACE
CATEGORY 1H	GARAGES, STOREROOMS, WAREHOUSES, AND POLE YARDS
CATEGORY 1J	SPACE RENTED TO OTHERS
CATEGORY 1I	GENERAL OFFICE SPACE
CATEGORY 1K	ANTENNA SUPPORTING STRUCTURES - LONG LINES BROADBAND

The rent expense assigned to each of these cost categories is allocated to the service categories, customer classes, and private line on the basis of the allocation of the corresponding cost categories of accounts 211 and 212, Land and Buildings.

CATEGORY 2 OUTSIDE PLANT RENTS: The expense assigned to this cost category are payments for the use of outside plant, excluding circuits such as pole line space for attachments, space in conduits, and the use of rights-of-way. This cost category is subaccount 671-02. This rent

expense is allocated to the service categories, customer classes, and private line on the basis of the allocation of the 240 series of accounts.

CATEGORY 3 CIRCUIT RENTS: The expense assigned to this cost category are payments for the use of circuits or channels, including cable, open wire, radio, and carrier facilities. This cost category is subaccount 671-03. This rent expense is allocated to the service categories, customer classes, and private line on the basis of the allocation of circuit equipment, category 8 of account 221.

CATEGORY 4 EQUIPMENT RENTS: The expense assigned to this cost category are payments for the use of equipment and instruments to provide telecommunications services, such as rents for time and weather equipment, power plant equipment, switching and circuit equipment, and other equipment. This cost category is subaccount 671-04. This rent expense is allocated to the service categories, customer classes, and private line on the basis of the allocation of account 221.

CATEGORY 5 MFJ-RELATED SHARED NETWORK AND NON-NETWORK FACILITIES AND SERVICES: The expenses assigned to this cost category are those rental payments chargeable to account 671 which are incurred under the terms of the Modified Final Judgement (MFJ) in connection with AT&T-C and the Bell operating companies sharing the use of network facilities and services. The rental payment amounts involved can be established either via a contract or on a tariff basis for pole attachments. This cost category is subaccount 671-05. The rental payments recorded to this cost category are recorded to seven cost subcategories. The cost categories are as follows:

CATEGORY 5A

SWITCHING EQUIPMENT

CATEGORY 5B

CABLE TRANSMISSION FACILITIES
AND STRUCTURES

CATEGORY 5C	CENTRAL OFFICE CIRCUIT EQUIPMENT AND RADIO TRANSMISSION EQUIPMENT
CATEGORY 5D	OPERATOR SERVICES
CATEGORY 5E	LAND AND BUILDINGS
CATEGORY 5F	OPERATIONS CENTERS AND SUPPORT SYSTEMS
CATEGORY 5G	POWER AND DISTRIBUTING FRAMES

Each of the cost categories is a subaccount of subaccount 671-05. The total of rental payments recorded to each of the above cost categories that are associated with a given contract schedule is recorded entirely in whichever of the following cost categories applies to the direct investment category of the contracted facility. For instance, if the contracted facility is a switching facility normally carried in account 221 and the contract also includes payments for supporting land and buildings, power equipment, and distributing frames, the entire rental amount is recorded to cost category 5a, Switching Equipment. The allocation procedures for each of these cost categories are delineated below.

CATEGORY 5A SWITCHING EQUIPMENT: The rental payments assigned to this cost category are rental payments associated with the shared use of central office equipment which performs a switching function; that is, equipment whose direct investment is recorded by the owning company in accounts 221.1, 221.3, 221.4, and 221.7. This rental expense is assigned directly to interstate interLATA, interstate intraLATA, interstate corridor, intrastate interLATA, and intrastate intraLATA and local on the basis of allocation factors developed for separations. The rental expense assigned to each of these service categories is allocated to the customer classes on the basis of the allocation of account 221 less cost category 8 for each service category.

CATEGORY 5B CABLE TRANSMISSION FACILITIES AND STRUCTURES: The rental payments assigned to this cost category are rental payments associated with the shared use of outside plant facilities which performs a transmission function. This cost category includes rental payments for cable paths, pole lines, guyed towers, underground conduit, and

network of facilities. This rental expense is assigned directly to interstate interLATA, interstate intraLATA, interstate corridor, intrastate interLATA, and intrastate intraLATA and local on the basis of allocation factors developed for separations. The rental expense assigned to each of these service categories is allocated to the customer classes on the basis of the allocation of the 240 series of accounts for each service category.

CATEGORY 5C CENTRAL OFFICE CIRCUIT EQUIPMENT AND RADIO TRANSMISSION EQUIPMENT: The rental payments assigned to this cost category are all rental payments associated with the shared use of facilities which perform a transmission function and whose direct investment is recorded by the owning company in accounts 221.5 and 221.6. These rental expenses are assigned directly to interstate interLATA, interstate intraLATA, interstate corridor, intrastate interLATA, and intrastate intraLATA and local on the basis of allocation factors developed for separations. The rental expense assigned to each of these service categories is allocated to the customer classes on the basis of the allocation of cost category 8 of account 221 for each service category.

CATEGORY 5D OPERATOR SERVICES: The rental payments assigned to this cost category are all rental payments associated with facilities of the billing company that are connected with the performance of an operator services function for the billing company. These rental expenses are assigned directly to interstate interLATA, interstate intraLATA, interstate corridor, intrastate interLATA, intrastate intraLATA, and local on the basis of allocation factors developed for separations. The rental expense assigned to each of these service categories is allocated to the customer classes on the basis of the relative usage of TSPS equipment for each service category.

CATEGORY 5E LAND AND BUILDINGS: The rental payments assigned to this cost category are all rental payments associated with the shared use of land and buildings; that is, those facilities whose direct investment is recorded by the owning company in accounts 211, Land, and/or 212, buildings, in cases where land and/or building facilities are used directly by the renting company. These rental expenses are assigned directly to interstate interLATA, interstate intraLATA, interstate corridor, intrastate interLATA, and intrastate intraLATA and local on the basis of allocation factors developed for separations. The

rental expense assigned to each of these service categories is allocated to the customer classes on the basis of the combined allocation of account 211 and account 212 for each service category.

CATEGORY 5F OPERATIONS CENTERS AND SUPPORT SYSTEMS: The rental payments assigned to this cost category are all rental payments associated with stand-alone operations centers and/or operations support systems of the billing company which are used in part for the control or support of network facilities of the billed company such as centralized testing facilities, switching control centers, etc. These rental payments are those which relate to direct investment which is recorded by the owning company in accounts 221 and/or 261.3 and which are connected with operations centers and operations support systems of that company. These rental expenses are assigned directly to interstate interLATA, interstate intraLATA, interstate corridor, intrastate interLATA, and intrastate intraLATA and local on the basis of allocation factors developed for separations. The rental expense assigned to each of these service categories is allocated to the customer classes on the basis of the combined allocation of account 221 and account 261.3 for each service category.

CATEGORY 5G POWER AND DISTRIBUTING FRAMES: The rental payments assigned to this cost category are all rental payments associated with the shared use of ancillary central office equipment whose direct investment is recorded by the owning company in account 221 and which is used directly by the billed company as a stand-alone distributing frame or for stand-alone power equipment. These rental expenses are assigned directly to interstate interLATA, interstate intraLATA, interstate corridor, intrastate interLATA, and intrastate intraLATA and local on the basis of allocation factors developed for separations. The rental expense assigned to each of these service categories is allocated to the customer classes on the basis of the allocation of account 221 for each service category.

CATEGORY 6 ANTITRUST AND OTHER RENTS: The expense assigned to this cost category are payments for all antitrust and miscellaneous rents incidental to operations of the company. This cost category consists of subaccounts 671-06 and 671-09 combined. The expense assigned to this cost category is directly assigned to the common cost category.

RECONCILIATION OF THE ALLOCATION OF OPERATING RENTS WITH
SEPARATIONS PROCEDURES

Since the outcome of Separations Procedures is taken as a given, the allocation of Operating Rents specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Operating rents as a whole, cost categories 1 through 6 of account 671 must be aggregated as a total.
2. The allocation of each cost category of operating rents, as specified above, for the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories and customer classes and private line.
3. The dollar amount of operating rents assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of operating rents is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.
6. Proportional factors in terms of relative dollar amounts for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are developed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.
7. The proportional factors developed in step 6 are used to allocate the operating rents for the intrastate jurisdiction.

ACCOUNT 672 RELIEF AND PENSIONS: The expenses recorded to this account are the costs of pensions or other benefits paid to active and retired employees, their representatives or beneficiaries, the salaries and expenses incurred in conducting relief, benefit, and general medical departments, and payments to or on behalf of employees on account of injuries or accidental death when such payments come within the scope of the company's

general provision of employees' benefits. The costs recorded to this account are first segregated into interstate and intrastate portions in accordance with separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA and interstate corridor for the telephone company in accordance with the costs as determined by separations procedures. The intrastate portion is allocated to the service categories, customer classes, and private line on the basis of the allocation of all wages and salaries.

ACCOUNT 673 TELEPHONE FRANCHISE REQUIREMENTS: The expenses recorded to this account are the costs not provided for in account 202, of all services, plant, material and supplies, and similar items including standard rates for telephone services, furnished to municipalities or other governmental authorities in compliance with franchises, ordinances, or similar requirements and for which no reimbursements or payment is received by the company. The expenses recorded to this account are first segregated into interstate and intrastate portion in accordance with separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is assigned directly to the common cost category.

ACCOUNT 674 GENERAL SERVICES AND LICENSES: The expenses recorded to this account are the amounts paid for services received under a contract for the furnishing of general accounting, engineering, financial, legal, patent, and other general services. The expenses recorded to this account are first segregated into interstate and intrastate portion in accordance with separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is directly assigned to the common cost category.

ACCOUNT 675 OTHER EXPENSES: The expenses recorded to this account are all operating expenses not properly chargeable to other accounts. The costs recorded to this account are segregated into two cost categories. Category 1 are Other Operating Expenses not properly recorded to other accounts. Category 2 is Ordinary Repairs and Rearrangement and Changes Expense for official station equipment.

CATEGORY 1 OTHER OPERATING EXPENSES: The costs assigned to this cost category are allocated to the common cost category.

CATEGORY 2 ORDINARY REPAIRS AND REARRANGEMENT AND CHANGES EXPENSE FOR OFFICIAL STATION EQUIPMENT: The ordinary repairs expense assigned to this category is allocated to the service categories and customer classes in proportion to the allocation of the cost of station equipment recorded in account 262.

RECONCILIATION OF ACCOUNT 675 ALLOCATION WITH SEPARATIONS

Since the outcome of Separations Procedures is taken as a given, the allocation of account 675 specified above must be reconciled with Separations Procedures. The reconciliation procedures are done as follows:

1. Account 675 as a whole, cost categories 1 and 2, are aggregated as a total.
2. The allocation of each category of account 675 as specified above to the service categories, customer classes, and private line is aggregated. This aggregation yields a dollar amount allocated to each of the service categories, customer classes, and private line.
3. The dollar amount of account 675 assigned to the interstate jurisdiction by Separations is assigned to the appropriate service categories in accordance with Separations Procedures.
4. The remaining portion of account 675 is designated as the intrastate jurisdictional costs.
5. The dollar amounts for each customer class and private line as determined in step 2 above for the intrastate jurisdiction are identified.

6. Proportional factors in terms of relative dollars for each customer class and private line by intrastate interLATA, intrastate intraLATA, local service, and operator services by intrastate service categories are computed by dividing the costs developed in step 5 by the total costs for the intrastate jurisdiction identified in step 4.

7. The proportional factors developed in step 6 are used to allocate account 675 for the intrastate jurisdictional costs that were computed in step 4 above.

ACCOUNT 676 TELEPHONE FRANCHISE REQUIREMENTS - CREDIT:

The credits recorded to this account are the amounts charged to account 673 for which there is no direct money outlay such as standard rates for telephone service furnished without charge to municipalities in accordance with franchise requirements. The credits charged to this account are first segregated into interstate and intrastate portion in accordance with separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is assigned directly to the common cost category.

ACCOUNT 677 EXPENSES CHARGED CONSTRUCTION - CREDIT: This account is credited and the appropriate construction accounts charged with amounts, not provided for elsewhere, representing the portion of operating expenses applicable to construction work and the general administration expense and relief and pension costs chargeable as a cost to construction. These credits are first segregated into interstate and intrastate portion in accordance with separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is assigned directly to the common cost category.

XIII. THE ALLOCATION OF COMMON COSTS

Costs recorded to several accounts were assigned directly to the common cost category. These expenses were assigned to common because insufficient guidance for allocating these indirect, fixed-overhead costs is given by the traceability, variability, and capacity-required criteria. That is, there is no reasonably clear long-term causal relationships between these costs and the revenue producing activities undertaken by the telephone company. As noted in chapter 1 and in NRRI report, Cost-of-Service Methods for Intrastate Jurisdictional Telephone Services: A Peak-Responsibility Method (84-13), the beneficiality criterion is the criterion of last resort for allocating such costs. It is:

Beneficiality: A service is said to benefit from a cost if that cost is necessary to render that service.

The key phrase in this criterion is "necessary to." The benefit is usually not direct, but is often of an indirect nature. These costs are incurred because they are necessary to support current activities or to maintain the continuity of the organization. The difficulty of applying this criterion is ascertaining a common characteristic of end-product activities that can be measured and used. Accepted practices and principles of cost accounting are useful even though the choices made depend heavily on the informed judgement.

Since there is not one correct method of allocating common costs the following allocation factors are proposed:

1. TELEPHONE PLANT IN SERVICE ACCOUNT 100.1
2. RELATIVE SUBSCRIBER LINE USAGE (SLU)
3. SUBSCRIBER LOOP COST CATEGORY KCS OF 240 SERIES

Cost analyst implementing this costing method are welcome to fashion other allocation factors for common costs. However, each proposal should be compared to those suggested above to assess the impact of alternative allocation factors.

Costs assigned to the common category were either assigned directly or indirectly. Indirect assignments to common cost occur by allocating costs based on direct or indirect assignments to common. Costs recorded and/or assigned to the following accounts and cost categories were assigned directly to the common category:

ACCOUNT 642	COST CATEGORY 1
ACCOUNT 661	
ACCOUNT 662-02	COST CATEGORY 4
ACCOUNT 663	
ACCOUNT 664	
ACCOUNT 665	
ACCOUNT 668	
ACCOUNT 669	
ACCOUNT 675	
ACCOUNT 674	
ACCOUNT 675	COST CATEGORY 1
ACCOUNT 676	
ACCOUNT 677	

Portions or all of some accounts and cost categories are indirectly assigned to the common cost category as the result of a cost being allocated on the basis of one of the above accounts or on the basis of an account that is allocated by one of the above accounts. Accounts indirectly assigned to the common cost category are:

ACCOUNT 211 AND 212	PORTION OF COST CATEGORY 9
ACCOUNT 261	COST CATEGORIES 1, 2, 3K, 4, 5
ACCOUNT 264.01	COST CATEGORY 3
ACCOUNT 264.02	
ACCOUNT 264.08	
ACCOUNT 608	PORTIONS OF THIS ACCOUNT
ACCOUNT 609	PORTIONS OF THIS ACCOUNT
ACCOUNT 613	PORTIONS OF COST CATEGORY 1
ACCOUNT 614	PORTIONS OF THIS ACCOUNT
ACCOUNT 606	PORTIONS OF THIS ACCOUNT
ACCOUNT 611	PORTIONS OF THIS ACCOUNT
ACCOUNT 612	PORTIONS OF THIS ACCOUNT
ACCOUNT 640	PORTIONS OF COST CATEGORIES 1, 2, 3, AND 5
ACCOUNT 650	PORTIONS OF COST CATEGORIES 1 AND 3
ACCOUNT 662-03	PORTIONS OF THIS ACCOUNT

Certain other accounts could be designated as common costs. Prime examples are account 201, Organization, account 202, Franchises, and account 203, Patent Rights. These accounts rather than being assigned to the common category were allocated as option 1 above, Plant in Service. One could assess the impact of this assumption by assigning these accounts to the common category and evaluating the effect of allocations by options 2 and 3.

XIII. OPERATING REVENUE ACCOUNTSTHE 500 SERIES OF ACCOUNTS

The revenues recorded in accounts 500 through 530, inclusive, should reflect the amounts of money which the company becomes lawfully entitled to receive, less uncollectible revenues, from the furnishing of telephone and other services. The revenue accounts are:

ACCOUNT 500	SUBSCRIBER STATION REVENUES
ACCOUNT 501	PUBLIC TELEPHONE REVENUES
ACCOUNT 503	SERVICE STATIONS
ACCOUNT 504	LOCAL PRIVATE LINE SERVICES
ACCOUNT 506	OTHER LOCAL SERVICE REVENUES
ACCOUNT 508	INTERSTATE ACCESS REVENUES
ACCOUNT 509	INTRASTATE ACCESS REVENUES
ACCOUNT 510	MESSAGE TOLLS
ACCOUNT 511	WIDE AREA TOLL SERVICE
ACCOUNT 512	TOLL PRIVATE LINE SERVICE
ACCOUNT 516	OTHER TOLL SERVICE REVENUES
ACCOUNT 523	DIRECTORY ADVERTISING AND SALES
ACCOUNT 525	REVENUES FROM GENERAL SERVICES AND LICENSES
ACCOUNT 526	OTHER OPERATING REVENUES
ACCOUNT 527	INTERSTATE BILLING AND COLLECTION REVENUES
ACCOUNT 528	INTRASTATE BILLING AND COLLECTION REVENUES
ACCOUNT 530	UNCOLLECTIBLE OPERATING REVENUES

The allocation procedures for each of these revenue accounts are delineated below.

ACCOUNT 500 SUBSCRIBERS' STATION REVENUES: The charges recorded to this account are for local service revenues from business and residence subscribers' service and from semipublic service, including revenues from main stations, private branch exchange systems, order turrets, and other subscribers' stations, whether the charge is based upon a flat rate or a measured rate. It contains local service revenues from millage charges and auxiliary equipment in connection with such subscriber service. It also contains revenues from directory listings for such subscribers' service requirements such as listings of extra names and alternate call numbers in the alphabetical sections of directories.

The revenues recorded to the account are segregated into three broad subaccounts as follows:

ACCOUNT 500-01	TELEPHONE EXCHANGE SERVICES
ACCOUNT 500-02	MOBILE TELEPHONE SERVICES
ACCOUNT 500-03	OTHER EXCHANGE SERVICES

ACCOUNT 500-01 TELEPHONE EXCHANGE SERVICES: The revenues recorded in this account are revenues from telephone exchange service furnished under a business, residential, and a semi-public class-of-service designation; revenues from information delivery services (IDS), except IDS data base services, provided to vendors of information services and to callers to such services, such as announcement delivery services; revenues from public private coin services; and revenues from local message charges invoiced to other companies or state areas for billing and from unidentified /unbillable local message charges. All revenues recorded to this account are directly assigned to the local service category and assigned to the appropriate customer classes on the basis of the revenues received from each customer class.

ACCOUNT 500-02 MOBILE TELEPHONE SERVICE: The revenues recorded to this account are revenues for subscribers' station revenues for Mobile Telephone Service as identified by the class-of-service designation; revenues derived from the general mobile radio telephone system that is connected to the general telephone switching network of the serving telephone exchange; service and equipment charges to customers whose automobiles are

provided with telephone company mobile units; local message revenues derived from messages between customers' regular telephones within the local mobile service area and mobile units within the range or one for the land station serving such service area; and revenues from personal signalling service, exchange mobile telephone dispatching and signalling services. The revenues recorded in this account are assigned directly to the local service category and directly assigned to the mobile telephone service customer class.

ACCOUNT 500-03 OTHER EXCHANGE SERVICES: The revenues recorded to this subaccount are for revenues not provided for in other subaccounts of account 500. These revenues include the revenues from specialized exchange services. The revenues recorded to this account are assigned directly to the local service category and assigned to the customer classes on the basis of the revenues received from each customer class.

ACCOUNT 501 PUBLIC TELEPHONE REVENUES: The revenues recorded to this account are all local service revenues from public telephone service, including interzone and calls to mobile stations in the local area. The revenues recorded to this account are assigned directly to local service for the public telephone customer class.

ACCOUNT 503 SERVICE STATIONS: The revenues recorded to this account are the local service revenues from stations the lines or equipment of which are provided wholly or in part by others and to which the company furnishes local service, switching service, or both; the revenues from rental of instruments and auxiliary equipment furnished service station customers, and the revenues from additional listings of service station customers in alphabetical directories. A service station is a loop strung to a remote location but not entirely to the customer's premises. The revenues recorded to this account are assigned directly to the local service category and assigned to the customer classes on the basis of the revenues received from each customer class.

ACCOUNT 504 LOCAL PRIVATE LINE SERVICES: The revenues recorded to this account are the local service revenues from local private line services and facilities furnished on an exclusive basis, either continuously or during stated periods, between points in the same local service area; the local service revenues, including suburban

mileage charges from private line services and facilities furnished between points in the same local service area under contracts providing exclusive service, either continuously or during a stated period, not requiring central office switching operations; and amounts of separate non-recurring charges for installation, outside moves, inside moves, and changes in instruments. The revenues recorded to this account are assigned directly to private line services.

ACCOUNT 506 OTHER LOCAL SERVICE REVENUES: The revenues recorded to the account are the intrastate gross revenues derived from customer billings for directory assistance provided to residential, business, and other customer classes; for customer name, address, and zip code information provided to business, residence, and exchange carrier customer classes; for list services; busy verification, interruption and other services. The revenues recorded to this account are assigned directly to the local service category and allocated to the customer classes on the basis of the revenues received from each customer class.

ACCOUNT 508 INTERSTATE ACCESS REVENUES: The revenues recorded to this account are segregated into three major subaccounts as follows:

- ACCOUNT 508.1 END USER REVENUES
- ACCOUNT 508.2 CARRIER'S CARRIER FACILITIES REVENUES
- ACCOUNT 508.3 SPECIAL ACCESS REVENUES

A description of each of these accounts and the allocations procedures for each are delineated below.

ACCOUNT 508.1 END USER REVENUES: The revenues recorded to this account are the Interstate End User Revenues derived from the charge to the local subscriber for the use of the End User Common Line to make and receive interexchange telephone messages and other charges authorized in the Access Services tariff that are billed to end users. The revenues recorded to this account are assigned directly to interstate interLATA for other carrier access and interstate intraLATA for other carrier access on the basis of the revenues received from each

service category and assigned to the customer classes on the basis of the revenues received from each customer class.

ACCOUNT 508.2 CARRIER'S CARRIER FACILITIES REVENUES: The revenues recorded to this account are the Interstate Carrier's Carrier revenues derived from charges to interexchange carriers for interconnecting exchange facilities from the point of interface at the interexchange carrier's terminal location to end office serving the interexchange carrier's customer, the interexchange carrier's portion of the interface (common line) for the interexchange carriers message telephone and WATS service, the special line facilities from the end office to the end user's network interface for the interexchange carrier's private line service, the revenues for information services (directory assistance) provided to the interexchange carrier's customers and intercept services, provisioning of access service billing information, and other charges relating to access exchange facilities and service. The revenues recorded to this account are assigned directly to interstate interLATA for other carrier access and interstate intraLATA for other carrier access and assigned to the Feature Groups on the basis of the revenues received from each Feature Group.

ACCOUNT 508.3 SPECIAL ACCESS REVENUES: The revenues recorded to this account are the Interstate Special Access Revenues derived from charges assessed upon users that subscribe to private line or WATS services except the open-end termination in a telephone company switch of an FX line including CCSA and CCSA-equivalent ONALs, any termination of an analog channel that is used for radio or television program transmission, any termination of a line that is used for Telex service, any termination of a line that by nature of its operating characteristics could not make use of common lines, and any termination of a line that is subject to usage charges. The revenues recorded to this account are assigned directly to interstate interLATA access for other carriers and to interstate intraLATA access for other carriers and assigned to WATS and private line on the basis of the revenues received from each.

ACCOUNT 509 INTRASTATE ACCESS REVENUES: The revenues recorded to this account are segregated into three major subaccounts as follows:

ACCOUNT 509.02 END USER REVENUES

ACCOUNT 509.04 CARRIER'S CARRIER FACILITIES
REVENUES

ACCOUNT 509.06 SPECIAL ACCESS REVENUES

Each of the accounts is described below and the allocation procedures for each are delineated below.

ACCOUNT 509.02 END USER REVENUES: The revenues recorded to this account are the Intrastate End User Revenues derived from the charge to the local subscriber for the use of the End User Common Line to make and receive interexchange telephone messages and other charges authorized in the Access Services tariff that are billed to end users. The revenues recorded to this account are assigned to intrastate interLATA for other carrier access and intrastate intraLATA for other carrier access on the basis on the revenues received for each service category and assigned to the customer classes on the basis of the revenues received from each customer class.

ACCOUNT 509.04 CARRIER'S CARRIER FACILITIES REVENUES: The revenues recorded to this account are the Intrastate Carrier's Carrier revenues derived from charges to interexchange carriers for interconnecting exchange facilities from the point of interface at the interexchange carrier's terminal location to end office serving the interexchange carrier's customer, the interexchange carrier's portion of the interface (common line) for the interexchange carriers message telephone and WATS service, the special line facilities from the end office to the end user's network interface for the interexchange carrier's private line service, the revenues for information services (directory assistance) provided to the interexchange carrier's customers and intercept services, provisioning of access service billing information, and other charges relating to access exchange facilities and service. The revenues recorded to this account are segregated between interLATA carrier's carrier revenues and intraLATA carrier's carrier revenues. The interLATA carrier's carrier revenues are assigned directly to intrastate interLATA for other carrier access intrastate intraLATA for other carrier access and assigned to the Feature Groups on the basis of the revenues received from each Feature Group.

ACCOUNT 509.06 SPECIAL ACCESS REVENUES: The revenues recorded to this account are the Intrastate Special Access Revenues derived from charges assessed upon users that subscribe to private line or WATS services except the open-end termination in a telephone company switch of an FX line including CCSA and CCSA-equivalent ONALs, any termination of an analog channel that is used for radio or television program transmission, any termination of a line that is used for Telex service, any termination of a line that by nature of its operating characteristics could not make use of common lines, and any termination of a line that is subject to usage charges. The revenues recorded to this account are assigned directly to intrastate interLATA access for other carriers and to intrastate intraLATA access for other carriers and assigned to WATS and private line on the basis of the revenues received from each.

ACCOUNT 510 MESSAGE TOLLS: The revenues recorded to this account are the interstate and intrastate revenues from all toll service furnished on a message charge basis, including separately tariffed operator assistance charges that relate to completing, establishing, or billing a customer toll message; revenues from service furnished on a message charge basis from WATS access lines; revenues from toll calls made from exchange or toll stations to transmit data over the switched voice network; revenues from radio link charges; and revenues from toll terminals. The revenues recorded to this account are directly assigned to interstate intraLATA and intrastate intraLATA service categories in accordance with the revenues collected for each service category and assigned directly to the customer classes on the basis of the revenues received from each class.

ACCOUNT 511 WIDE AREA TOLL SERVICE: The revenues recorded to this account are the revenue from the provision of intrastate Wide Area Toll Service (WATS), both inward and outward WATS. The revenues recorded to this account are assigned to intrastate WATS for the telephone company.

ACCOUNT 512 TOLL PRIVATE LINE SERVICE: The revenues recorded to this account are toll service revenues from toll private line services and facilities (including local loops and related facilities and equipment furnished in connection with toll private line services) furnished on an exclusive basis, either continuously or during stated

periods between points in different local service areas, including (a) revenues from services involving only the use of the company's own lines, and (b) amounts representing divisions of toll private line service revenues when such service involves the use of lines of other companies and toll private line service revenues from services and facilities furnished for such purposes as telephone, teletypewriter, program transmission, telephotograph, data transmission, and remote control. The revenues recorded to this account are assigned directly to interstate private line and intrastate private line in accordance with the revenues received from each of the toll private line services.

ACCOUNT 516 OTHER TOLL SERVICE REVENUES: The revenues recorded to this account are the intrastate toll directory assistance revenues and the intrastate Bell - Independent company settlements. The revenues recorded to this account are assigned to the customer classes and service categories in accordance with the revenues received from each customer class and service category.

ACCOUNT 523 DIRECTORY ADVERTISING AND SALES: The revenues recorded to the account are revenues from advertising in directories and from the sale or furnishing of new directories either of the company's own issue or directories purchased from others and includes all revenues from bold-face listings, marginal displays, inserts, covers, and other advertisements in white page sections of directories. When yellow page directories are not produced by a separate subsidiary of the telephone company, this account will include all revenues from the yellow page sections. The revenues recorded to this account are segregated between white page revenues and yellow page revenues. The white page revenues are assigned directly to directory profit center - directory sales. The yellow page revenues are assigned directly to directory profit center - classified directory.

ACCOUNT 525 REVENUES FROM GENERAL SERVICES AND LICENSES: The revenues recorded to this account are the amounts accruing for services rendered other companies under a license agreement, general service contract, or other arrangement providing for the furnishing of general accounting, engineering, financial, legal, patent, and other general services.

ACCOUNT 526 OTHER OPERATING REVENUES: The revenues recorded to this account are all miscellaneous operating revenues not provided for elsewhere such as amounts charged for private branch exchange operating services performed by operators regularly employed by the telephone company; flat amounts (not division of revenues or reimbursements of costs) charged other telephone companies for operating services on toll lines of such companies terminating in the switchboard of the accounting company; revenues from advertising other than in directories; unclaimed refunds or overcharges on telephone service; and profits realized from custom work performed for others incident to the company's telephone operations. The revenues charged to this account are assigned directly to private line, the service categories, and the customer classes in accordance with the revenues received from each.

ACCOUNT 527 INTERSTATE BILLING AND COLLECTION REVENUES: The revenues recorded to this account are revenues for performing the interstate billing and collection functions for interexchange carriers. The revenues recorded to this account are assigned directly to the interstate interLATA service category for other carrier access.

ACCOUNT 528 INTRASTATE BILLING AND COLLECTION REVENUES: The revenues recorded to this account are revenues for performing the intrastate billing and collection functions for interexchange carriers. The revenues recorded to this account are assigned directly to the intrastate interLATA service category for other carrier access.

ACCOUNT 530 UNCOLLECTIBLE OPERATING REVENUES - DEBIT: The revenues recorded to this account are the amounts credited to the operating revenue account which have proved impracticable of collection. The uncollectible revenues recorded to this account are assigned to private line, the service categories, and the customer classes in accordance with the uncollectible revenues associated with each.

XIV. TAX ACCOUNTSACCOUNTS 304 THROUGH 309

These expense accounts contain the taxes and tax deferrals incurred by and accruing to the company as a result of its telephone operations. The relevant accounts are:

ACCOUNT 304	INVESTMENT CREDITS - NET
ACCOUNT 306	FEDERAL INCOME TAXES - OPERATING
ACCOUNT 307	OTHER OPERATING TAXES
ACCOUNT 308.1	OPERATING FEDERAL INCOME TAXES - DEFERRED - ACCELERATED TAX DEPRECIATION
ACCOUNT 308.2	OPERATING FEDERAL INCOME TAXES DEFERRED - OTHER
ACCOUNT 309	INCOME CREDITS AND CHARGES RESULTING FROM PRIOR DEFERRALS OF FEDERAL INCOME TAXES

The allocation procedures for each of these income accounts are delineated below.

ACCOUNT 304 INVESTMENT CREDITS - NET: The investment credits recorded to this account are charges for investment credits realized under the Internal Revenue Code if the company elects to follow the plan of accounting which calls for realized investment credits to be taken into income in proportionate amounts determined with reference to the average useful life of the property with respect to which the credits were allowed. This account is also credited with the amortization of each year's investment credits included in account 174, Other Deferred Credits. Such amortization is determined with reference to the average useful life of the property with respect to which the investment credits were allowed. The investment credits recorded to this account are first segregated into an interstate and intrastate amounts in accordance with separations procedures. The interstate portion is allocated to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor for the telephone company in

accordance with the costs as determined by separations procedures. The intrastate portion is allocated to private line, the service categories, and customer classes on the basis of the allocation of account 100.1, Telephone Plant in Service.

ACCOUNT 306 FEDERAL INCOME TAXES - OPERATING: The tax expense recorded to this account is the amount of Federal income taxes relating to telephone operations for the current year. The tax expense is first segregated into an interstate and intrastate portion in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate interLATA, and interstate corridor in accordance with separations procedures. The intrastate portion is allocated to private line, the service categories, and customer classes in proportion to the relative amount of Federal taxable income for private line, the service categories, and customer classes.

ACCOUNT 307 OTHER OPERATING TAXES: The tax expense recorded to this account are all taxes, other than Federal income taxes, relating to telephone operations. Taxes includible in this account are property taxes, gross receipts taxes, franchise taxes, capital stock taxes, Social Security taxes, unemployment taxes, and state and local income taxes. The taxes recorded to this account are segregated into five subaccounts as follows:

- ACCOUNT 307.01 PROPERTY TAXES
- ACCOUNT 307.02 STATE AND LOCAL INCOME TAXES
- ACCOUNT 307.03 GROSS RECEIPTS TAXES
- ACCOUNT 307.04 CAPITAL STOCK TAXES
- ACCOUNT 307.05 SOCIAL SECURITY TAXES
- ACCOUNT 307.06 OTHER TAXES

The allocation procedures for each of these tax subaccounts are delineated below.

ACCOUNT 307.01 PROPERTY TAXES: The taxes charged to this subaccount are the taxes on real estate or personal property owned by the company, excluding state-wide statutes affecting the company's property in common with the property others. Taxes included in this subaccount are taxes levied for the support of state, county, city, or other governments, or public schools; for special road districts under a special ad valorem levy for county road and bridge funds; for improvement districts; for ad valorem taxes assessed by municipalities, school districts, etc. with respect to the company's franchise; and for drainage, irrigation, levee, sanitary, bridge, and similar taxes, when assessed on a benefit basis for restricted areas less than a state, which areas usually do not coincide with regular tax districts. The taxes recorded to this subaccount are first segregated into interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is allocated to private line, the service categories, and customer classes on the basis of the allocation of account 100.1, Plant In Service.

ACCOUNT 307.02 STATE AND LOCAL INCOME TAXES: The taxes recorded to this subaccount are the taxes assessed by municipalities and state authorities on the basis on operating net income. The taxes recorded to the subaccount are first segregated into interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is allocated to private line, the service categories, and the customer classes on the basis of the relative amount of operating net income for private line, and each of the remaining service categories and customer classes.

ACCOUNT 307.03 GROSS RECEIPTS TAXES: The taxes recorded to this subaccount are taxes levied upon gross receipts, gross revenues, and gross income and include public utility commission assessments based on revenues or

receipts; special taxes assessed by municipalities on bases not covered by account 766-22, Current Taxes Paid - City Income Taxes, that are levied on the basis of number of poles, feet of conduit, telephones, or customers for instance; and fixed amounts of license or occupation taxes which are paid to municipalities. The costs recorded to this subaccount are first segregated into interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is allocated to private line, the service categories, and the customer classes on the basis of the allocation of the 500 series of revenue accounts.

ACCOUNT 307.04 CAPITAL STOCK TAXES: The taxes recorded to this subaccount are taxes levied upon the value or number of shares of outstanding capital stock, upon invested capital, upon rate of dividends paid, etc. and includes all state franchise taxes regardless of the basis of computation of the tax. The taxes recorded to this subaccount are first segregated into interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is allocated to private line, the service categories, and customer classes on the basis of the allocation of account 100.1, Plant In Service.

ACCOUNT 307.05 SOCIAL SECURITY TAXES: The taxes record to this subaccount are taxes levied to pay retirement benefits, unemployment benefits, sickness and accident benefits, etc. The taxes recorded to this subaccount are first segregated into interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is allocated to private line, the

service categories, and the customer classes in portion to the allocation of all wages and salaries.

ACCOUNT 307.06 OTHER TAXES: The taxes recorded to this subaccount are amounts of monthly accruals for all taxes includible in account 307 which are not provided for under other subaccounts. The taxes recorded to this subaccount are first segregated into interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is allocated to private line, the service categories, and the customer classes on the basis of the allocation of subaccounts 307.01 through 307.05, combined.

ACCOUNT 308.1 OPERATING FEDERAL INCOME TAXES DEFERRED - ACCELERATED TAX DEPRECIATION: The taxes recorded to this account are charges for the deferral of federal income tax resulting from the tax timing differences created by the use of depreciable lives and/or depreciation methods for income tax purposes which differ from those used for accounting purposes in determining depreciation expense applicable to telephone plant in service. Charges to this account are accompanied by credits to the appropriate corresponding subaccount of account 176.1-01, Accumulated Deferred Income Taxes - Accelerated Tax Depreciation - Federal Income Taxes - Operating. The tax deferrals recorded to this subaccount are first segregated into interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is allocated to private line, the service categories, and the customer classes on the basis of the allocation of account 100.1, Plant In Service.

ACCOUNT 308.2 OPERATING FEDERAL INCOME TAXES DEFERRED - OTHER: The taxes recorded to this subaccount are charges or credits for the amount of operating federal income tax differential applicable to the current period occasioned by other tax timing differences. The tax recorded to this

account is first segregated into interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is allocated to private line, the service categories, and the customer classes on the basis of the allocation of account 100.1, Plant In Service.

ACCOUNT 309 INCOME CREDITS AND CHARGES RESULTING FROM PRIOR DEFERRALS OF FEDERAL INCOME TAXES: The deferrals recorded to this account reflect the reversal during the current period of Federal income taxes deferred during a prior period in account 308.1 or 308.2. The deferrals recorded to this account are first segregated into interstate and intrastate portions in accordance with the costs as determined by separations procedures. The interstate portion is assigned to interstate private line and interstate interLATA for other carrier access and interstate private line, interstate intraLATA, and interstate corridor for the telephone company in accordance with separations procedures. The intrastate portion is allocated to private line, the service categories, and the customer classes on the basis of the allocation of account 100.1, Plant In Service.