

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SEPARATION OF COSTS OF REGULATED) ADMINISTRATIVE
TELEPHONE SERVICE FROM COSTS) CASE NO. 362
OF NONREGULATED ACTIVITIES)

ORDER

In its March 19, 1997 Order in this proceeding the Commission required all local exchange carriers ("LECs") to file a revised cost allocation manual ("CAM") reflecting changes resulting from the Federal Communications Commission ("FCC") order in CC Docket 96-150, which deregulated certain previously tariffed services. To date Cincinnati Bell Telephone Company ("CBT") and Telephone and Data Systems, Inc. ("TDS") have not complied with that Order. Accordingly, the Commission hereby compels CBT and TDS to respond to its March 19, 1997 and April 23, 1997 Orders immediately.

The Commission also ordered the Independent Telephone Group¹ ("ITG") to file a proposed CAM including any comments or changes to its current CAM resulting from its provision of Internet access or any other service not currently regulated by the Commission. The ITG responded that it had reviewed the existing CAM and found that it adequately meets the needs of proper cost allocation in a small company environment.

¹ Ballard Rural Telephone Cooperative Corporation, Inc.; Brandenburg Telephone Company, Inc.; Duo County Telephone Cooperative Corporation, Inc.; Foothills Rural Telephone Cooperative Corporation, Inc.; Harold Telephone Company, Inc.; Highland Telephone Cooperative, Inc.; Logan Telephone Cooperative, Inc.; Mountain Rural Telephone Cooperative Corporation; North Central Telephone Cooperative, Inc.; Peoples Rural Telephone Cooperative Corporation, Inc.; South Central Rural Telephone Cooperative Corporation, Inc.; Thacker-Grigsby Telephone Company, Inc.; and West Kentucky Rural Telephone Cooperative Corporation, Inc.

The Commission generally agrees that the existing CAM fulfills the requirements for cost allocation for small companies. However, as a result of recent FCC initiatives, the Commission believes that some modifications to the ITG's CAM are appropriate. The proposed modifications are attached for the ITG's review and comment.

On April 23, 1997, the Commission ordered all LECs to file revised tariffs removing telemessaging and alarm monitoring services as defined by the FCC in CC Docket 96-150. The Commission has received tariffs from Duo County Telephone Cooperative Corporation, Inc., Logan Telephone Cooperative, Inc. and Brandenburg Telephone Company, Inc., as well as responses from West Kentucky Rural Telephone Cooperative Corporation, Inc. and Thacker-Grigsby Telephone Company, Inc. For all other LECs the Commission amends the April Order to require LECs not providing telemessaging and alarm monitoring services to so advise the Commission.

IT IS THEREFORE ORDERED that:

1. Within 10 days of this Order, CBT and TDS are compelled to file revised copies of their CAMs that reflect the FCC deregulation initiatives or explain why revisions are not required.
2. The ITG shall review the proposed CAM modifications which are attached as Appendix I to this Order and advise the Commission within 30 days of the date of this Order regarding whether it will accept those changes or request an informal conference to discuss the changes with staff.
3. Within 20 days of the date of this Order, all LECs, with the exception of those listed herein which have filed new tariffs or have apprised the Commission that they do not currently offer telemessaging or alarm monitoring services, shall either file revised

tariffs to remove telemessaging and alarm monitoring services from current tariffs or advise the Commission as to why tariffs need not be filed.

Done at Frankfort, Kentucky, this 1st day of July, 1997.

PUBLIC SERVICE COMMISSION

Quida K. Breathitt
Chairman

Ed J. Hines
Vice Chairman

B. G. Helton
Commissioner

ATTEST:

Don Mills
Executive Director

APPENDIX 1

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN ADMINISTRATIVE CASE NO. 362 DATED 7/1/97

**COST ALLOCATION PROCEDURES
INDEPENDENT TELEPHONE GROUP
PSC ADM CASE NO. 362**

Introduction

Cost allocation procedures were developed for the ITG in Administrative Case No. 321 in the late 1980s. Since that time many new nonregulated services have been introduced and some previously regulated services have been deregulated. The modifications to the existing CAM include these recently deregulated items and new services and change the treatment of Interest on Funded Debt and certain other accounts to reduce the amount of analysis required for allocation of these accounts. Because investments in nonregulated ventures have grown over the years, it is appropriate to include a portion of the cost of debt in the nonregulated expenses. Preceding the CAM, is a summary of the proposed changes to the cost allocation procedures. Additionally, to ensure that all LECs using the ITG CAM are applying a consistent methodology, the following procedures should be used when applying the ITG CAM.

Procedures

1. At month end after entries are made to book all expenses and payroll, perform all spreads to clearing accounts.
2. Calculate General Allocator based on 12 months to date expenses, including the current month.
3. Apply General Allocator percentage to the common accounts' balance for the current month.

4. Calculate the percentage of nonregulated revenues and regulated revenues to total revenues for allocation of uncollectible revenue to nonregulated.
5. Calculate the percentage of nonregulated net plant and regulated net plant to total net plant for allocation of Other Operating Taxes and Interest on Funded Debt.
6. Post entries from steps 3, 4, and 5.

Modifications

The following modifications to the existing ITG CAM are to simplify procedures and capture expenses that are attributable to nonregulated operations.

1. Account 6351.000, Paystation Expense

The apportionment basis should be changed to Directly Assignable to Nonregulated and the account should be removed from the Directly Assignable Regulated Expenses and entered into the Directly Assignable Nonregulated Expenses in the general allocator formula.

2. Account 6512.000, Provisioning Expense

This account should be subject to the general allocator to avoid unnecessary analysis.

3. Accounts 6611.000, Product Management Expense; 6612.000, Sales Expense; and 6613.000, Product Advertising Expense

The work performed by employees included in these accounts can be for both regulated and nonregulated products. However, since time is generally recorded to these accounts in half-hour increments, the time expended on nonregulated products and

services may not be properly captured. Therefore, to capture a portion of these expenses as nonregulated, the general allocator should be used.

Also it is also possible to commingle products and services in advertisements. Direct assignment to regulated or nonregulated operations for mixed advertisements creates an unnecessary burden on a company's staff by requiring detailed examination of non-labor expenditures in these accounts; therefore, allocating all advertisement based on the general allocator will eliminate the necessity for such an examination. These accounts should also be removed from the general allocator formula because they will no longer be directly assigned.

4. Account 6623.400, Paystation Collection

The apportionment basis should be changed to Directly Assignable to Nonregulated and the account should be removed from the Directly Assignable Regulated Expenses and entered into the Directly Assignable Nonregulated Expenses in the general allocator formula.

5. Account 6728.200, Accidents and Damages

This account should be subject to the general allocator to avoid unnecessary analysis.

6. Account 7220.000, Federal Income Taxes

The general allocator formula shown in Exhibit B should reflect those Federal Income Taxes directly assignable to nonregulated activities.

7. Account 7230.000, State and Local Income Taxes

This account should be added to the CAM and its treatment should be consistent with Account 7220.000, Federal Income Taxes.

8. Account 7240.000, Other Operating Taxes

Other Operating Taxes should be allocated based on net plant, and removed from the general allocator formula.

9. Account 7510.000, Interest on Funded Debt

This account shall be allocated to regulated and nonregulated activities based on net plant and should be removed from the general allocator formula.

CAM Description

Cost allocation procedures described herein are designed to allocate costs between the regulated and nonregulated activities of the company. Upon implementation, these procedures will ensure that the costs and risks associated with nonregulated activities will not be unduly imposed on the regulated ratepayer.

Costs will be directly assigned to either regulated or nonregulated accounts whenever possible. For example, direct labor will be assigned to either regulated or nonregulated accounts through time reporting procedures in 1/2 hour increments. Expenditures relating to nonregulated activities such as CPE, inside wiring, paging, paystation activities, telemessaging and alarm monitoring service, the provision of Internet service, and any other currently tariffed service which becomes nonregulated in the future will be directly assigned to the nonregulated expense accounts. Costs that cannot be directly assigned and are deemed to be common costs will be allocated to regulated and nonregulated activities based on direct and indirect measures of cost causation. These

common costs will be apportioned to regulated and nonregulated accounts based on one of the following:

- Direct Plant Labor Hours
- Total Labor Dollars
- Revenues
- Net Plant
- General Allocator Based On Directly Assignable Expenses.

Whenever possible, the basis used in allocating common cost will have a direct relationship to the cost (e.g., direct labor hours in allocating nonproductive time such as vacation, sick leave, etc.).

The attached Exhibit A provides an analysis by USOA Part 32 accounts detailing the methodologies for distributing costs to regulated and nonregulated activities either by direct assignment or allocation basis. This list of accounts is not intended to be all-inclusive since each LEC company utilizes specific subaccounts. However, the distribution of cost for these subaccounts should be consistent with the accounts as shown.

The attached Exhibit B provides a detailed calculation for determining the general allocator.

COST ALLOCATION PROCEDURES - INDEPENDENT TELEPHONE GROUP
PSC CASE NO. 362

ACCOUNT NUMBER	DESCRIPTION	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
5301.000	UNCOLLECTIBLE REVENUE - TELECOMMUNICATIONS	REVENUES	DIRECT RELATIONSHIP TO PERCENTAGE OF REGULATED AND NONREGULATED REVENUES
6112.000	MOTOR VEHICLE EXPENSE - CLEARING	DIRECT (PLANT) LABOR HOURS	FOLLOWS DIRECT RELATIONSHIP OF DIRECT LABOR HOURS INCURRED FOR MONTH
6112.050	VEHICLE EXPENSE-NONSPECIFIC PLANT	DIRECTLY ASSIGNABLE TO REGULATED	AMOUNTS CHARGED FROM VEHICLE CLEARING ACCOUNT TO REGULATED PLANT NONSPECIFIC. EXPENSE BASED ON DIRECT LABOR HOURS
6112.100	VEHICLE EXPENSE-EXECUTIVE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6116.000	OTHER WORK EQUIPMENT EXPENSE- CLEARING	DIRECT (PLANT) LABOR HOURS	DIRECT RELATIONSHIP TO PERCENTAGE OF DIRECT LABOR HOUR'S INCURRED FOR MONTH
6116.050	WORK EQUIPMENT EXPENSE - NON-SPECIFIC PLANT	DIRECTLY ASSIGNABLE TO REGULATED	AMOUNTS CHARGED FROM WORK EQUIPMENT CLEARING ACCOUNT TO REGULATED PLANT NONSPECIFIC. EXPENSE BASED ON DIRECT LABOR HOURS.
6121.000	LAND AND BUILDING EXPENSE (NON-HEADQUARTERS)	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT IN REGULATED ACCOUNTS.
6121.100	BUILDING EXPENSE-HEADQUARTERS	GENERAL ALLOCATOR	REPAIRS, JANITORIAL SUPPLIES, UTILITIES, ETC. FOR HEADQUARTERS BUILDING IS SUBACCOUNTED TO FACILITATE ALLOCATION.
6122.000	FURNITURE & ARTWORK EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6123.000	OFFICE EQUIPMENT EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6124.000	GENERAL PURPOSE COMPUTER EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6211.000	ANALOG ELECTRONIC EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6212.000	DIGITAL COE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6212.100	REPAIR OF SPECIAL CIRCUIT	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6215.000	ELECTRO-MECHANICAL EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT

ACCOUNT NUMBER	DESCRIPTION	REGULATED/NONREGULATED APPOINTMENT BASIS	COMMENTS
6220.000	OPERATORS SYSTEM EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6231.000	RADIO SYSTEMS EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6232.100	DIGITAL CARRIER TOLL EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6232.110	DIGITAL CARRIER EAS EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6232.120	DIGITAL CARRIER SUBSCRIBER EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6232.200	ANALOG CARRIER SUBSCRIBER EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6351.000	PAYSTATION EXPENSE	DIRECTLY ASSIGNABLE TO NONREGULATED	DETARIFFED SERVICE
6411.000	POLE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6411.100	POLE EXPENSE-JOINT USE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6411.200	POLE EXPENSE-RIGHT OF WAY	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6421.000	AERIAL CABLE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6421.100	STATION CONNECTION - OUTSIDE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6422.000	UNDERGROUND CABLE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6423.000	BURIED CABLE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6424.000	SUBMARINE CABLE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6431.000	AERIAL WIRE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT

<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>REGULATED/NONREGULATED APPORTIONMENT BASIS</u>	<u>COMMENTS</u>
6441.000	CONDUIT SYSTEM EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6512.000	PROVISIONING EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6531.000	POWER EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	MAINTAINING TRANSMISSION POWER FOR TARIFF (REGULATED) SERVICES
6532.000	NETWORK ADMINISTRATION EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	EXPENSES FOR PROVIDING AND MAINTAINING TARIFFED (REGULATED) SERVICES
6533.100	TESTING EXPENSE - LOCAL	DIRECTLY ASSIGNABLE TO REGULATED	EXPENSES FOR PROVIDING AND MAINTAINING TARIFFED (REGULATED) SERVICES
6533.200	TESTING EXPENSE - TOLL	DIRECTLY ASSIGNABLE TO REGULATED	EXPENSES FOR PROVIDING AND MAINTAINING TARIFFED (REGULATED) SERVICES
6533.300	TESTING EXPENSE - EAS	DIRECTLY ASSIGNABLE TO REGULATED	EXPENSES FOR PROVIDING AND MAINTAINING TARIFFED (REGULATED) SERVICES
6534.000	PLANT ADMINISTRATION EXPENSE - CLEARING	DIRECT (PLANT) LABOR HOURS	DIRECT RELATIONSHIP TO PERCENTAGE OF DIRECT LABOR HOURS INCURRED FOR MONTH
6534.100	PLANT ADMINISTRATION EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	AMOUNTS CHARGED FROM CLEARING ACCOUNT TO REGULATED PLANT NONSPECIFIC EXPENSE ACCOUNTS BASED ON DIRECT LABOR HOURS
6535.000	ENGINEERING EXPENSE - CLEARING	DIRECTLY ASSIGNABLE TO REGULATED WITH CREDITS FOR AMOUNTS TRANSFERRED TO CONSTRUCTION ACCOUNTS BASED ON REGULATED DIRECT LABOR HOURS	EXPENSE FOR PROVIDING AND MAINTAINING TARIFFED (REGULATED) SERVICES
6535.100	ENGINEERING EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	AMOUNTS CHARGED FROM ENGINEERING CLEARING ACCOUNT TO REGULATED PLANT NONSPECIFIC EXPENSE ACCOUNTS BASED ON REGULATED DIRECT LABOR HOURS
6540.000	ACCESS EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	EXPENSES FOR PROVIDING AND MAINTAINING TARIFFED (REGULATED) SERVICES.

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ACCOUNT NUMBER	DESCRIPTION	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6561.000	DEPRECIATION EXPENSE-REGULATED PLANT IN SERVICE	REGULATED PLANT DEPRECIATION EXPENSE DIRECTLY ASSIGNABLE TO REGULATED, NONREGULATED PLANT DEPRECIATION EXPENSE DIRECTLY ASSIGNED TO NONREGULATED	FOLLOWS INVESTMENT
		COMMON DEPRECIATION EXPENSE ALLOCATED BY GENERAL ALLOCATOR AS FOLLOWS: FURNITURE DEP. EXPENSE - OTHER OFFICE EQ. DEP. EXP. - GENERAL PURPOSE COMPUTER DEPRECIATION EXPENSE - HEADQUARTERS (BUSINESS OFFICE) DEP. EXPENSE -	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6561.025	DEPRECIATION EXPENSE-VEHICLE CLEARING	DIRECT (PLANT) LABOR HOURS	DIRECT RELATIONSHIP TO PERCENTAGE OF DIRECT LABOR HOURS INCURRED FOR THE MONTH
6561.026	DEPRECIATION EXPENSE-VEHICLE	DIRECTLY ASSIGNABLE TO REGULATED	AMOUNTS CHARGED FROM CLEARING ACCOUNT TO REGULATED PLANT NON-SPECIFIC EXPENSE ACCOUNTS BASED ON DIRECT LABOR HOURS
6561.030	DEPRECIATION EXPENSE - EXTRA-ORDINARY RETIREMENT	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6565.200	AMORTIZATION EXPENSE - EMBEDDED INSIDE WIRING	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6565.300	AMORTIZATION EXPENSE - 1ST YEAR INSIDE WIRING	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6565.400	AMORTIZATION EXPENSE - 2ND YEAR INSIDE WIRING	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6565.500	AMORTIZATION EXPENSE - 3RD YEAR INSIDE WIRING	DIRECTLY ASSIGNABLE TO REGULATED	FOLLOWS INVESTMENT
6611.000	PRODUCT MANAGEMENT EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6612.000	SALES EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6613.000	PRODUCT ADVERTISING EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES

COST ALLOCATION PROCEDURES - INDEPENDENT TELEPHONE GROUP
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<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>REGULATED/NONREGULATED APPORTIONMENT BASIS</u>	<u>COMMENTS</u>
6621.100	OPERATOR SERVICES	DIRECTLY ASSIGNABLE TO REGULATED	TARIFFED SERVICE
6622.100	NUMBER SERVICES	DIRECTLY ASSIGNABLE TO REGULATED	TARIFFED SERVICE
6623.000	CUSTOMER SERVICES	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6623.100	COLLECTION EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6623.200	CUSTOMER SERVICES-SUPPLIES	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6623.300	CABS BILLING EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	TARIFFED SERVICE
6623.400	PAYSTATION COLLECTION	DIRECTLY ASSIGNABLE TO NONREGULATED	DETARIFFED SERVICE
6711.000	EXECUTIVE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6711.500	DIRECTOR EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6711.600	MEETING EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6711.700	ANNUAL MEETING EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6712.000	PLANNING EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6721.000	ACCOUNTING & FINANCIAL	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6721.100	ANNUAL AUDIT EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6721.200	NECA ADMINISTRATIVE EXPENSE	DIRECTLY ASSIGNABLE TO REGULATED	TARIFFED SERVICE
6722.000	EXTERNAL RELATIONS	DIRECTLY ASSIGNABLE TO REGULATED	EXPENSES INCURRED IN PROVIDING TARIFF SERVICES

COST ALLOCATION PROCEDURES - INDEPENDENT TELEPHONE GROUP
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<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>REGULATED/NONREGULATED APPORTIONMENT BASIS</u>	<u>COMMENTS</u>
6722.100	REGULATORY AFFAIRS	DIRECTLY ASSIGNABLE TO REGULATED	EXPENSES INCURRED IN PROVIDING TARIFF SERVICES
6723.000	HUMAN RESOURCES	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6723.100	INTERNAL MEETING EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6724.000	INFORMATION MANAGEMENT	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6725.000	LEGAL	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6726.000	PROCUREMENT	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6728.000	OTHER GENERAL & ADMINISTRATIVE EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6728.010	GENERAL & ADMIN. EXPENSE- A/R ADJUSTMENT	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6728.100	INSURANCE EXPENSE	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6728.200	ACCIDENT & DAMAGES	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6728.300	ASSOCIATION DUES	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
6728.600	GENERAL PUBLICATIONS	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES
7220.000	FEDERAL INCOME TAX	DIRECTLY ASSIGNABLE TO REGULATED AND NONREGULATED	CHARGE DIRECTLY AS IF SEPARATE RETURNS WERE FILED
7230.000	STATE AND LOCAL INCOME TAX	DIRECTLY ASSIGNABLE TO REGULATED AND NONREGULATED	CHARGE DIRECTLY AS IF SEPARATE RETURNS WERE FILED
7240.000	OPERATING OTHER TAXES	NET PLANT	PROPERTY TAXES ALLOCATED BASED ON PERCENTAGE OF REGULATED AND NONREGULATED NET PLANT TO TOTAL NET PLANT
7370.000	SPECIAL CHARGES CONTRIBUTIONS	GENERAL ALLOCATOR	GENERAL ALLOCATION BASED ON DIRECTLY ASSIGNABLE EXPENSES

COST ALLOCATION PROCEDURES - INDEPENDENT TELEPHONE GROUP
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<u>ACCOUNT NUMBER</u>	<u>DESCRIPTION</u>	<u>REGULATED/NONREGULATED APPORTIONMENT BASIS</u>	<u>COMMENTS</u>
7510.000	INTEREST ON FUNDED DEBT	NET PLANT	REA INTEREST ON FUNDED DEBT FOR REGULATED AND NONREGULATED ACTIVITIES.
7540.000	OTHER INTEREST DEDUCTIONS	DIRECTLY ASSIGNABLE TO REGULATED	INTEREST ON SECURITY DEPOSIT FOR REGULATED SERVICES
7620.000	EXTRAORDINARY INCOME CHARGES	DIRECTLY ASSIGNABLE TO REGULATED OR NONREGULATED	NATURE OF EXTRAORDINARY CHARGE WILL DETERMINE HOW IT IS ASSIGNED
7990.240- 7990.550	NONREGULATED EXPENSE ACCOUNTS	DIRECTLY ASSIGNABLE TO NONREGULATED	EXPENSES ASSOCIATED WITH NONREGULATED ACTIVITIES
9010.000	PLANT CLEARING-NONPRODUCTIVE	DIRECT (PLANT) LABOR HOURS	DIRECT RELATIONSHIP TO PERCENTAGE OF DIRECT LABOR HOURS INCURRED FOR MONTH
9020.000	CLEARING - PAYROLL BENEFITS	TOTAL LABOR DOLLARS	ALLOCATED BASED ON RELATIONSHIP TO PAYROLL DOLLARS DIRECTLY ASSIGNED TO REGULATED AND NONREGULATED

EXHIBIT B
GENERAL ALLOCATOR CALCULATION
PSC CASE NO. 362

$$\text{General Allocator} = \frac{\text{Total Nonregulated Directly Assignable Expenses}}{\text{Total Regulated Directly Assignable Expenses} + \text{Total Nonregulated Directly Assignable Expenses}}$$

<u>A/C #</u>	<u>Description</u>
7990.240	Nonreg. - Maintenance Expense
7990.305	Nonreg. - PBX Repair
7990.380	Nonreg. - Key System Repair
7990.500	Nonreg. - Pager Supply Expense
7990.510	Nonreg. - Inside Wire Repair
7990.520	Nonreg. - Single Line Station Installation & Removal
7990.525	Nonreg. - Key System Installation & Removal
7990.530	Nonreg. - Single Line Station Repair
7990.535	Nonreg. - Paging Equipment Expense
7990.540	Nonreg. - Depreciation Expense
7990.545	Nonreg. - Depreciation Expense - Vehicle
7990.550	Nonreg. - Property Taxes Expense
6351.000	Nonreg. - Paystation Expense
6623.400	Nonreg. - Paystation Collection
7220.100	Nonreg. - Federal Income Taxes
7230.100	Nonreg. - State and Local Income Taxes
	Nonreg. - *** ¹

Total Nonregulated Directly Assignable Expense

¹ ***Any other expense associated with service currently deregulated i.e. telemessaging of alarm monitoring service or services deregulated in the future.

EXHIBIT B
GENERAL ALLOCATOR CALCULATION
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<u>A/C #</u>	<u>Description</u>
6112.050	Vehicle Expense-Nonspecific Plant
6116.050	Work Eq. Expense-Nonspecific Plant
6121.000	Land & Building Expense
6211.000	Analog Electronic Expense
6212.000	Digital COE Expense
6212.100	Repair of Special Circuit
6215.000	Electro-mechanical Expense
6220.000	Operators System Expense
6231.000	Radio Systems Expense
6232.100	Digital Carrier Toll Expense
6232.110	Digital Carrier EAS Expense
6232.120	Digital Carrier Subscriber Expense
6232.200	Analog Carrier Subscriber Expense
6411.000	Pole Expense
6411.100	Pole Expense-Joint Use
6411.200	Pole Expense-Right of Way
6421.000	Aerial Cable Expense
6421.100	Station Connection-Outside
6422.000	Underground Cable Expense
6423.000	Buried Cable Expense
6424.000	Submarine Cable Expense
6431.000	Aerial Wire Expense
6441.000	Conduit System Expense
6531.000	Power Expense
6532.000	Network Administration Expense
6533.100	Testing Expense - Local
6533.200	Testing Expense - Toll
6533.300	Testing Expense - EAS
6534.100	Plant Administration Expense
6535.100	Engineering Expense
6540.000	Access Expense
6561.000	Dep. Exp.-Reg. Plant In Service
6561.026	Dep. Exp.-Vehicle
6561.030	Dep. Exp.-Extraordinary Retirement
6565.200	Amortiz. Exp.-Emb. Inside Wiring
6565.300	Amortiz. Exp.-1st Year Inside
6565.400	Amortiz. Exp.-2nd Year Inside
6565.500	Amortiz. Exp.-3rd Year Inside
6621.100	Operator Services
6622.100	Number Services
6623.300	CABS Billing Expense
6721.200	NECA Administrative Expense
6722.000	External Relations
6722.100	Regulatory Affairs
7220.000	Federal Income Taxes
7230.000	State and Local Income Taxes
7540.000	Other Interest Deductions
7620.000	Extraordinary Income Charges
7990.240	Nonreg. - Maintenance Expense
7990.305	Nonreg. - PBX Repair
7990.380	Nonreg. - Key System Repair
7990.500	Nonreg. - Pager Supply Expense
7990.510	Nonreg. - Inside Wire Repair
7990.520	Nonreg. - Single Line Station Installation & Removal
7990.525	Nonreg. - Key System Installation & Removal
7990.530	Nonreg. - Single Line Station Repair
7990.535	Nonreg. - Paging Equipment Expense
7990.540	Nonreg. - Depreciation Expense
7990.545	Nonreg. - Dep. Expense - Vehicle
7990.550	Nonreg. - Property Taxes Expense
6351.000	Nonreg. - Paystation Expense
6623.400	Nonreg. - Paystation Collection Expense
	Nonreg. - *** ²
<u>Total</u>	Regulated Directly Assignable Expenses + Nonregulated Directly Assignable Expenses

² ***Any other expense associated with service currently deregulated i.e. telemessaging of alarm monitoring service or services deregulated in the future.