

SECTION VI

COST APPORTIONMENT PROCDEURES

AT&T Communications
Cost Allocation Manual

COST IDENTIFICATION AND ALLOCATION PROCEDURES

This section of the manual describes the allocation methodologies for the particular regulated and nonregulated services in effect currently. It is anticipated that, as additional nonregulated services are developed, the procedures may be modified if doing so will ensure a more causal or beneficial relationship between the cost pools and the regulated and nonregulated activities. This will be done in accordance with the Bureau Order.

This section of the Manual provides that Central Office Assets ("COE") and Cable and Wire Facilities (C&WF) will be allocated based on the forecasted relative use of the equipment. In accordance with the requirements of the Order on Reconsideration, the phrase "relative use" shall mean the relative regulated and nonregulated usage at the time of highest forecasted nonregulated usage within the three-year measurement period.

As permitted by the February 6, 1987 Order, certain COE and C&WF related costs, such as maintenance, are allocated on the basis of the current relative use of the associated plant. The usage measurement utilized in determining the current relative use shall be the same as the usage measurement specified in the Manual for the associated plant.

Definitions

"Aggregate current use" is the weighted summation of the current use of a group of cost pools where current use is the method of allocation for each cost pool in the group.

"Current use" refers to the actual regulated and nonregulated usage for which measurements are taken within no more than a 3 month period prior to the calendar month in which the processing of the nonregulated subsidiary record occurs.

"Detailed Plant Account Records" shall mean those accounting records which include specific, subsidiary data concerning the balances in those accounts which contain entries which relate to the Telecommunications Plant in Service Accounts. For example, Account 2002-Property Held for Future Telecommunications Use, contains individual entries which would be included in, inter alia, Account 2111-Land, if the property were currently used in the provision of telecommunications services. Detailed Plant Account Records supporting Account 2002 and other similar accounts contain the information necessary to identify these specific entries and to aggregate them into cost pools which correspond to the individual Telecommunications Plant in Service Accounts.

"Equipment category number" is an accounting code that defines a homogeneous grouping of equipment that performs the same basic function.

"Equivalent Circuit miles:" The route miles of revenue producing circuits in service, determined by measuring the length, in terms of miles, of the actual path followed by the transmission medium, as used in Part 36 of the Commission's Rules 47 C.F.R. 36 Appendix - Glossary.

"Equivalent Circuit Terminations" are the physical ends of a fully operative communications path established in the normal circuit layout, as used in Part 36 of the Commission's Rules, 47 C.F.R. 36 Appendix - Glossary.

"Facility assignment record" is a schematic or narrative representation of the configurations of facilities, their components and assignments.

"Field Reporting Codes" are accounting codes associated with plant construction, maintenance and removal that allow such amounts to be associated with the appropriate Part 32 accounts.

"Functional Accounting Codes" are those accounting codes which are used in AT&T's multi-element hierarchical coding structure to identify specific transaction parameters, such as the responsibility for and the function and origin of the transactions.

"Job Function Code" is a functional accounting code which relates primarily to an employee's job assignment and designates the work activities ordinarily performed.

"Message Minutes" is the total of nonconversation time and conversation-minutes (measured in accordance with Part 36 of the Commission's Rules 47 C.F.R. Appendix - Glossary defining conversation minutes as the product of the number of messages and average minutes of conversation per message).

"Milliseconds of use" refers to the relative processor real time (i.e., actual seconds) as used in Part 36 of the Commission's Rules, 47 C.F.R. 36.123(e)(3).

"Organizational expenses" are defined as those expenses booked to a "final" account which can be associated with other "final" expense accounts through AT&T's management information systems. Specifically, in some accounts, which are identified in the detailed account descriptions that follow, AT&T maintains clearing account processes for internal management information purposes. These processes identify the organizations which cause the expenses and thus permit certain of the expenses in those accounts, primarily those incurred by AT&T Communications, Inc., to be associated with the final expense accounts which they support. For example, certain Land and Buildings expenses in Account 6121 can be associated with the External Affairs Organization (Account 6722) or to the Sales organization (Account 6612) based on the functional accounting codes of the employees using the land and buildings causing the expense. Expenses that can be so associated are called organization expenses. Organizational expenses will be allocated to nonregulated activities through identification of the using employees' functional account codes associated with the expense. These functional accounting codes are used to identify the account and cost pool to which the employees' wages and salaries and other expenses are assigned, i.e., the accounts and cost pools which the organizational expenses support, as well as the proportion of support provided to each account and cost pool. The organizational expenses are allocated in the same proportion as the allocation of the expenses in the cost-pools they support.

"Relative use" refers to the proportion of regulated or nonregulated usage at the time of highest forecasted nonregulated usage within the three-year measurement period.

"Organizational Code" is a functional accounting code which uniquely identifies each administrative entity in the corporate structure and also identifies hierarchical position within the structure. An administrative entity is that part of a corporate organization, at any level of the corporate organization, headed by a management supervising position.

"Total wages and salaries" shall mean total employee compensation, i.e., basic wages, overtime and bonuses, included in the expense cost pools assigned to regulated and nonregulated activities.

"Weighted standard work seconds" is a measurement of traffic operating work which is used to express the relative time required to handle the various kinds of calls or work functions and which is weighted to reflect appropriate degrees of waiting to serve time as used in Part 36 of the Commission's Rules 47 C.F.R. Appendix - Glossary.

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COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|-----------------------|---|--|---|----------------------------|--|
| CURRENT ASSETS | | | | | |
| 1220 Inventories | Pole Line Supplies | Detailed Plant Account Records | Aggregate current use of Account 2411 | Indirectly Attributable | This account is comprised of two subaccounts: Material & Supplies (1220.1) and Property Held for Sale or Lease (1220.2) |
| | Cable Supplies | Detailed Plant Account Records | Aggregate current use of Accounts - 2421, 2422, 2423, 2424, & 2425 | Indirectly Attributable | |
| | Aerial Wire | Detailed Plant Account Records | Aggregate current use of Account 2431 | Indirectly Attributable | |
| | Underground Conduit Supplies | Detailed Plant Account Records | Aggregate current use of Account 2441 | Indirectly Attributable | |
| | Motor Vehicles | Detailed Plant Account Records | Aggregate allocation of Account 2112 | Indirectly Attributable | |
| | Central Office | Detailed Plant Account Records | Aggregate current use of Accounts 2210, 2220, & 2230 | Indirectly Attributable | |
| | Tools and Other Work Equipment | Detailed Plant Account Records | Allocation of Account 2116 | Indirectly Attributable | |
| | Furniture and Office Supplies | Detailed Plant Account Records | Aggregate allocation of Accounts 2122 and 2123.1 | Indirectly Attributable | |
| | Official Service or Company use CPE | Detailed Plant Account Records | Allocation of Account 2123.2 | Indirectly Attributable | |
| | Computer Parts and Supplies | Detailed Plant Account Records | Aggregate allocation of Account 2124 | Indirectly Attributable | |

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|--|--|--|---|----------------------------|--|
| 1220 Inventories (Cont'd) | Other Misc. Equipment | Detailed Plant Account Records | Allocation of Account 2001 | Indirectly Attributable | |
| | Property Held for Sale or Lease | Detailed Plant Account Records | Directly assigned to Nonregulated | Directly Assigned | |
| 1439 Deferred Charges | Compensated Absences | Functional Accounting | Total Wages and Salaries | Indirectly Attributable | The amounts in this account are divided into cost pools based on functional accounting codes |
| | Engineering | Functional Accounting | Aggregate allocation of Accounts 2003 and 2004 | Indirectly Attributable | |
| | Telephone Plant Acquired or Sold | Functional Accounting | Aggregate allocation of Accounts 2111 through 2441 | Indirectly Attributable | |
| | Other | Functional Accounting | Allocation based on the General Allocator | Generally Allocatable | |
| PROPERTY, PLANT AND EQUIPMENT | | | | | |
| 2002 Property Held for Future Telecommunica- tions Use | Land | Detailed Plant Account Records | Allocation of Account 2111 | Indirectly Attributable | The amounts included in this account are divided into cost pools based on detailed plant account records |
| | General Purpose Vehicles | Detailed Plant Account Records | Allocation of Related Cost in Account 2112 | Indirectly Attributable | |
| | Plant Specific Vehicles | Detailed Plant Account Records | Allocation of Related Cost in Account 2112 | Indirectly Attributable | |
| | Special Purpose Vehicles | Detailed Plant Account Records | Allocation of Account 2114 | Indirectly Attributable | |

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|-----------------------|---|---|--|----------------------------|----------|
| 2002 (Cont'd) | Garage Work Equipment | Detailed Plant Account Records | Allocation of Account 2115 | Indirectly Attributable | |
| | Other Work Equipment | Detailed Plant Account Records | Allocation of Account 2116 | Indirectly Attributable | |
| | Garages/Ware- houses & Data Centers | Detailed Plant Account Records | Allocation of Related Cost in Account 2121 | Indirectly Attributable | |
| | Housing Operating Equipment | Detailed Plant Account Records | Allocation of Related Cost in Account 2121 | Indirectly Attributable | |
| | Towers | Detailed Plant Account Records | Allocation of Related Cost in Account 2121 | Indirectly Attributable | |
| | Furniture | Detailed Plant Account Records | Allocation of Account 2122 | Indirectly Attributable | |
| | Office Support Equipment | Detailed Plant Account Records | Allocation of Related Cost in Account 2123.1 | Indirectly Attributable | |
| | Company Communications Equipment | Detailed Plant Account Records | Allocation of Related Cost in Account 2123.2 | Indirectly Attributable | |
| | General Administration Information Computers | Detailed Plant Account Records | Allocation of Related Cost in Account 2124 | Indirectly Attributable | |
| | Network Administration Computers | Detailed Plant Account Records | Allocation of Related cost in Account 2124 | Indirectly Attributable | |
| | Analog Elect. Switching | Detailed Plant Account Records | Aggregate current use of Account 2211 | Indirectly Attributable | |

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|-----------------------|--|--|--|----------------------------|----------|
| 2002 (Cont'd) | Digital Elect. Switching | Detailed Plant Account Records | Aggregate Current use of Account 2212 | Indirectly Attributable | |
| | Electro - Mechanical Switching | Detailed Plant Account Records | Aggregate Current use of Account 2215 | Indirectly Attributable | |
| | Position Subsystems OSPS | Detailed Plant Account Records | Current use of Related Cost in Account 2220 | Indirectly Attributable | |
| | Manual Switchboards | Detailed Plant Account Records | Current use of Related Cost in Account 2220 | Indirectly Attributable | |
| | Satellite and Earth Station Facilities | Detailed Plant Account Records | Current use of Related Cost in Account 2231 | Indirectly Attributable | |
| | Other Radio Facilities | Detailed Plant Account Records | Current use of Related Cost in Account 2231 | Indirectly Attributable | |
| | Circuit Equipment | Detailed Plant Account Records | Aggregate Current use of Account 2232 | Indirectly Attributable | |
| | Public Telephone Terminal Equipment | Detailed Plant Account Records | Aggregate Current use of Account 2351 | Indirectly Attributable | |
| | Other Terminal Equipment | Detailed Plant Account Records | Aggregate Allocation of Account 2362 | Indirectly Attributable | |
| | Poles | Detailed Plant Account Records | Aggregate current use of Account 2411 | Indirectly Attributable | |
| | Aerial Cable | Detailed Plant Account Records | Aggregate current use of Account 2421 | Indirectly Attributable | |
| | Underground Cable | Detailed Plant Account Records | Aggregate current use of Account 2422 | Indirectly Attributable | |

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|-----------------------|-----------------|--|--|----------------------------|----------|
| 2002 (Cont'd) | Buried Cable | Detailed Plant Account Records | Aggregate current use of Investment in Account 2423 | Indirectly Attributable | |
| | Submarine Cable | Detailed Plant Account Records | Aggregate current use of Investment in Account 2424 | Indirectly Attributable | |
| | Deep Sea Cable | Detailed Plant Account Records | Aggregate current use of Investment in Account 2425 | Indirectly Attributable | |
| | Aerial Wire | Detailed Plant Account Records | Aggregate current use of Investment in Account 2431 | Indirectly Attributable | |
| | Conduit Systems | Detailed Plant Account Records | Aggregate current use of Investment in Account 2441 | Indirectly Attributable | |

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|---|---|--|--|----------------------------|----------|
| 2003 Telecommunica- tions Plant Under Constr. Short Term | Land | Detailed Plant Account Records | Allocation of Account 2111 | Indirectly Attributable | |
| | General Purpose Vehicles | Detailed Plant Account Records | Allocation of Related Cost in Account 2112 | Indirectly Attributable | |
| | Plant Specific Vehicles | Detailed Plant Account Records | Allocation of Related Cost in Account 2112 | Indirectly Attributable | |
| | Special Purpose Vehicles | Detailed Plant Account Records | Allocation of Account 2114 | Indirectly Attributable | |
| | Garage Work Equipment | Detailed Plant Account Records | Allocation of Account 2115 | Indirectly Attributable | |
| | Other Work Equipment | Detailed Plant Account Records | Allocation of Account 2116 | Indirectly Attributable | |
| | Leasehold Improvements | Detailed Plant Account Records | Allocation of Account 2682 | Indirectly Attributable | |
| | Garages Warehouses and Data Centers | Detailed Plant Account Records | Allocation of Related Cost in Account 2121 | Indirectly Attributable | |
| | Housing Operating Equipment | Detailed Plant Accounts Records | Allocation of Related Cost in Account 2121 | Indirectly Attributable | |
| | Towers | Detailed Plant Account Records | Allocation of Related Cost in Account 2121 | Indirectly Attributable | |
| | Furniture | Detailed Plant Account Records | Allocation of Account 2122 | Indirectly Attributable | |

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|-----------------------|--|--|---|----------------------------|----------|
| 2003 (Cont'd) | Office Support Equipment | Detailed Plant Account Records | Allocation of Related Cost in Account 2123 | Indirectly Attributable | |
| | Company Communications Equipment | Detailed Plant Account Records | Allocation of Related Cost in Account 2123 | Indirectly Attributable | |
| | General Administration Information Computers | Detailed Plant Account Records | Allocation of Related Cost in Account 2124 | Indirectly Attributable | |
| | Network Administration Computers | Detailed Plant Account Records | Allocation of Related Cost in Account 2124 | Indirectly Attributable | |
| | Analog Elect. Switching | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2211 | Indirectly Attributable | |
| | Digital Elect. Switching | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2212 | Indirectly Attributable | |
| | Electro Mechanical Switching | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2215 | Indirectly Attributable | |
| | Position Subsystems OSPS | Detailed Plant Account Records | Aggregate relative use of Related Investment in Account 2220 | Indirectly Attributable | |
| | Manual Switchboards | Detailed Plant Account Records | Aggregate relative use of Related Investment in Account 2220 | Indirectly Attributable | |
| | Satellite and Earth Station Facilities - Regulated | Detailed Plant Account Records | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Satellite and Earth Station Facilities - Nonregulated | Detailed Plant Account Records | Directly Assigned to Nonregulated Activities | Directly Assignable | |

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|-----------------------|--|--|---|----------------------------|----------|
| 2003 (Cont'd) | Satellite and Earth Station Facilities | Detailed Plant Account Records | Aggregate relative use of Related Investment in Account 2231 | Indirectly Attributable | |
| | Other Radio Facilities | Detailed Plant Account Records | Aggregate relative use of Related Investment in Account 2231 | Indirectly Attributable | |
| | Circuit Equipment | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2232 | Indirectly Attributable | |
| | Public Telephone Terminal Equip. | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2351 | Indirectly Attributable | |
| | Other Terminal Equipment | Detailed Plant Account Records | Allocation of Account 2362 | Indirectly Attributable | |
| | Poles | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2411 | Indirectly Attributable | |
| | Aerial Cable | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2421 | Indirectly Attributable | |
| | Underground Cable | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2422 | Indirectly Attributable | |
| | Buried cable | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2423 | Indirectly Attributable | |
| | Submarine Cable | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2424 | Indirectly Attributable | |
| | Deep Sea Cable | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2425 | Indirectly Attributable | |
| | Aerial Wire | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2431 | Indirectly Attributable | |
| | Conduit Systems | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2441 | Indirectly Attributable | |

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|--|---|--|--|----------------------------|----------|
| 2004 Telecommunica- tions Plant Under Constr. Long Term | Land | Detailed Plant Account Records | Allocation of Account 2111 | Indirectly Attributable | |
| | General Purpose Vehicles | Detailed Plant Account Records | Allocation of Account 2112 | Indirectly Attributable | |
| | Plant Specific Vehicles | Detailed Plant Account Records | Allocation of Account 2112 | Indirectly Attributable | |
| | Special Purpose Vehicles | Detailed Plant Account Records | Allocation of Account 2114 | Indirectly Attributable | |
| | Garage Work Equipment | Detailed Plant Account Records | Allocation of Account 2115 | Indirectly Attributable | |
| | Other Work Equipment | Detailed Plant Account Records | Allocation of Account 2116 | Indirectly Attributable | |
| | Garages Warehouses and Data Centers | Detailed Plant Account Records | Allocation of Related Cost in Account 2121 | Indirectly Attributable | |
| | Housing Operating Equipment | Detailed Plant Account Records | Allocation of Related Cost in Account 2121 | Indirectly Attributable | |
| | Towers | Detailed Plant Account Records | Allocation of Related Cost in Account 2121 | Indirectly Attributable | |
| | Furniture | Detailed Plant Account Records | Allocation of Account 2122 | Indirectly Attributable | |

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|-----------------------|--|--|---|----------------------------|----------|
| 2004 (Cont'd) | Office Support Equipment | Detailed Plant Account Records | Allocation of Related Cost in Account 2123 | Indirectly Attributable | |
| | Company Communications Equipment | Detailed Plant Account Records | Allocation of Related Cost in Account 2123 | Indirectly Attributable | |
| | General Administration Information Computers | Detailed Plant Account Records | Allocation of Related Cost in Account 2124 | Indirectly Attributable | |
| | Network Administration Computers | Detailed Plant Account Records | Allocation of Related Cost in Account 2124 | Indirectly Attributable | |
| | Analog Elect. Switching | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2211 | Indirectly Attributable | |
| | Digital Elect. Switching | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2212 | Indirectly Attributable | |
| | Electro Mechanical Switching | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2215 | Indirectly Attributable | |
| | Position Subsystems OSPS | Detailed Plant Account Records | Aggregate relative use of Related Investment in Account 2220 | Indirectly Attributable | |
| | Manual Switchboards | Detailed Plant Account Records | Aggregate relative use of Related Investment in Account 2220 | Indirectly Attributable | |
| | Satellite and Earth Station Facilities - Regulated | Detailed Plant Account Records | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Satellite and Earth Station Facilities - Nonregulated | Detailed Plant Account Records | Directly Assigned to Nonregulated Activities | Directly Assignable | |

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| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|-----------------------|--|--|---|----------------------------|----------|
| 2004 (Cont'd) | Satellite and Earth Station Facilities | Detailed Plant Account Records | Aggregate relative use of Related Investment in Account 2231 | Indirectly Attributable | |
| | Other Radio Facilities | Detailed Plant Account Records | Aggregate relative use of Related Investment in Account 2231 | Indirectly Attributable | |
| | Circuit Equipment | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2232 | Indirectly Attributable | |
| | Public Telephone Terminal Equip. | Detailed Plant Account Records | Aggregate relative use of Investment in Account 2351 | Indirectly Attributable | |
| | Other Terminal Equipment | Detailed Plant Account Records | Allocation of Account 2362 | Indirectly Attributable | |
| | Poles | Detailed Plant Account Records | Aggregate current use of Investment in Account 2411 | Indirectly Attributable | |
| | Aerial Cable | Detailed Plant Account Records | Aggregate current use of Investment in Account 2421 | Indirectly Attributable | |
| | Underground Cable | Detailed Plant Account Records | Aggregate current use of Investment in Account 2422 | Indirectly Attributable | |
| | Buried cable | Detailed Plant Account Records | Aggregate current use of Investment in Account 2423 | Indirectly Attributable | |
| | Submarine Cable | Detailed Plant Account Records | Aggregate current use of Investment in Account 2424 | Indirectly Attributable | |
| | Deep Sea Cable | Detailed Plant Account Records | Aggregate current use of Investment in Account 2425 | Indirectly Attributable | |
| | Aerial Wire | Detailed Plant Account Records | Aggregate current use of Investment in Account 2431 | Indirectly Attributable | |
| | Conduit Systems | Detailed Plant Account Records | Aggregate current use of Investment in Account 2441 | Indirectly Attributable | |
| | Leasehold Improvements | Detailed Plant Account Records | Allocation of Account 2682 | Indirectly Attributable | |

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|--|---|--|--|----------------------------|----------|
| 2005 Telecommunica- tions Plant Adj. | Telecommunica- tions Plant Adjustment | Account Definition | Individual Analysis of Transactions | Directly Assignable | |
| GENERAL SUPPORT ASSETS | | | | | |
| 2111 Land | Land | Account Definition | Aggregate Allocation of Account 2121 | Indirectly Attributable | |
| 2112 Motor Vehicles | General Purpose Vehicles | Functional Accounting Codes | Allocation of Wages and Salaries of the employees using the vehicles | Indirectly Attributable | |
| | Plant Specific Vehicles | Functional Accounting Codes | Allocation of Wages and Salaries in Accounts 6211 through 6441 | Indirectly Attributable | |
| 2113 Aircraft | Aircraft | Account Definition | Allocation of Wages and Salaries of the employees using the aircraft | Indirectly Attributable | |
| 2114 Special Purpose Vehicles | Special Purpose Vehicles | Account Definition | Aggregate Allocation of Accounts 2411 through 2441 | Indirectly Attributable | |
| 2115 Garage Work Equipment | Garage Work Equipment | Account Definition | Aggregate Allocation of Accounts 2112, 2114, 2116 | Indirectly Attributable | |
| 2116 Other Work Equipment | Other Work Equipment | Account Definition | Aggregate Allocation of Accounts 2211 through 2441 | Indirectly Attributable | |
| 2121 Buildings | Garages and Warehouses | Functional Accounting Codes | Aggregate Allocation of the Investment in Accounts 2112, 2114 through 2116 | Indirectly Attributable | |
| | Data Centers | Functional Accounting Codes | Aggregate Allocation of the Investment in Account 2124 | Indirectly Attributable | |
| | Housing Operating Equipment | Functional Accounting Codes | Aggregate current use of the Investment in Accounts 2210, 2220 and 2230 | Indirectly Attributable | |

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|--------------------------------------|---|--|--|----------------------------|----------|
| 2121 Buildings (Cont'd) | Towers | Functional Accounting Codes | Allocation based on current use of equipment in Account 2231 | Indirectly Attributable | |
| | Building space Rented to others - Nonreg | Analysis of Building Space Rented | Directly Assigned to Nonregulated | Directly Assignable | |
| 2122 Furniture | Furniture | Account Definition | Allocation based on total Wages and Salaries | Indirectly Attributable | |
| 2123 Office Equipment | Office Support Equipment - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Office Support Equipment - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Office Support Equipment | Functional Accounting Codes | Aggregate Allocation of Wages and Salaries in Accounts 6534, 6535, 6611 through 6728 | Indirectly Attributable | (2123.1) |
| | Company Communications Equipment | Functional Accounting Codes | Allocation in the same proportion as the allocation of total Wages and Salaries | Indirectly Attributable | (2123.2) |
| 2124 General Purpose Computers | General Purpose Computers - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | General Purpose Computers - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | General Administration Information Computers | Functional Accounting Codes | Allocated based on administrative Wages and Salaries | Indirectly Attributable | |

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|--|--|--|--|----------------------------|--|
| 2124 General Purpose Computers (Cont'd) | Network Administration Computers | Functional Accounting Codes | Aggregate current use of Investment in Accounts 2210 and 2230 | Indirectly Attributable | This cost pool is comprised of computer equipment assoc. with the administration of the network, etc. |
| OPERATING PLANT | | | | | |
| 2211 Analog Elect. Switching | Analog Electronic Switching - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Analog Electronic Switching - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Analog Electronic Switching - Common | Functional Accounting Codes | Allocated based on the ratio of nonregulated forecasted message minutes to total forecasted message minutes | Indirectly Attributable | |
| 2212 Digital Elect. Switching | Digital Electronic Switching - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Digital Electronic Switching - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Digital Electronic Switching - OSPS Processing - Common | Functional Accounting Codes | Allocated based on the ratio of forecasted nonregulated milliseconds of use to total forecasted milliseconds of use | Indirectly Attributable | |
| | Digital Electronic Switching - Stored Program Control - Common | Functional Accounting Codes | Allocated based on the ratio of forecasted nonregulated milliseconds of use to total forecasted milliseconds of use | Indirectly Attributable | |
| | Digital Electronic Switching - Common | Functional Accounting Codes | Allocated based on the ratio of nonregulated forecasted message minutes to total forecasted message minutes | Indirectly Attributable | |

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| USDA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|---|---|--|--|----------------------------|----------|
| 2215 Electro- Mechanical Switching | Electro- Mechanical Switching - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Electro- Mechanical Switching - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Electro- Mechanical Switching - Common | Functional Accounting Codes | Allocated based on the ratio of nonregulated forecasted message minutes to total forecasted message minutes | Indirectly Attributable | |
| 2220 Operator Systems | Position Subsystems OSPS | Equipment Category numbers | Allocated based on the ratio of forecasted use of the equipment based on weighted standard work seconds | Indirectly Attributable | |
| | Manual Switchboards | Equipment Category numbers | Directly Assigned to Regulated Activities | Directly Assignable | |
| 2231 Radio Systems | Radio Systems - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Radio Systems - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Satellite and Earth Station Facilities | Functional Accounting Codes | Allocated based on the ratio of forecasted nonregulated satellite circuits to total forecasted satellite circuits | Indirectly Attributable | (2231.1) |

AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|---|--|--|---|----------------------------|----------|
| 2231 (Cont'd) | Other Radio Facilities | Functional Accounting Codes | Allocated based on the ratio of forecasted nonregulated equivalent circuit miles to total forecasted equivalent circuit miles | Indirectly Attributable | (2231.2) |
| 2232 Circuit Equipment | Circuit Equipment - Regulated | Equipment Category Numbers | Directly assigned to Regulated Activities | Directly Assignable | |
| | Circuit Equipment - Nonregulated | Equipment Category Numbers | Directly assigned to Nonregulated Activities | Directly Assignable | |
| | Terminal Equipment - Common | Equipment Category Numbers | Allocated based on the ratio of forecasted nonregulated equivalent circuit terminations to total forecasted equivalent circuit terminations | Indirectly Attributable | |
| | Line Haul Equipment - Common | Equipment Category Numbers | Allocated based on the ratio of forecasted nonregulated equivalent circuit miles to total forecasted equivalent circuit miles | Indirectly Attributable | |
| 2311 Station Apparatus | N/A | NOT AUTHORIZED FOR USE | | | |
| 2321 Customer Premise Wiring | N/A | NOT AUTHORIZED FOR USE | | | |
| 2341 Large Private Branch Exchanges | N/A | NOT AUTHORIZED FOR USE | | | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|---|--|--|--|----------------------------|----------|
| 2351 Public Telephone Terminal Equip. | Public Tele. Terminal Eqpt. - Regulated | Equipment Category Numbers | Directly assigned to Regulated | Directly Assignable | |
| | Public Tele. Terminal Eqpt. - Nonregulated | Equipment Category Numbers | Directly assigned to Nonregulated | Directly Assignable | |
| | Public Tele. Terminal Eqpt. - Common | Equipment Category Numbers | Allocated based on the ratio of forecasted nonregulated milliseconds of use to total forecasted milliseconds of use | Indirectly Attributable | |
| 2362 Other Terminal Equipment | Other Terminal Equipment - Regulated | Equipment Category Numbers | Directly assigned to Regulated | Directly Assignable | |
| | Other Terminal Equipment - Nonregulated | Equipment Category Numbers | Directly assigned to Nonregulated | Directly Assignable | |
| | Other Terminal Equipment - Common | Equipment Category Numbers | Allocated on current use of Terminal Equipment - Common in Account 2232 | Indirectly Attributable | |
| 2411 Poles | Poles - Regulated | Facility Assignment Records | Directly assigned to Regulated | Directly Assignable | |
| | Poles - Nonregulated | Facility Assignment Records | Directly assigned to Nonregulated | Directly Assignable | |
| | Poles - Common | Facility Assignment Records | Allocated based on the ratio of forecasted nonregulated equivalent circuit miles to total forecasted equivalent circuit miles | Indirectly Attributable | |
| 2421 Aerial Cable | Aerial Cable - Regulated | Facility Assignment Records | Directly assigned to Regulated | Directly Assignable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|------------------------------|--|--|--|----------------------------|----------|
| | Aerial Cable - Nonregulated | Facility Assignment Records | Directly assigned to Nonregulated | Directly Assignable | |
| | Aerial Cable - Common | Facility Assignment Records | Allocated based on the ratio of forecasted nonregulated equivalent circuit miles to total forecasted equivalent circuit miles | Indirectly Attributable | |
| 2422 Underground Cable | Underground Cable - Regulated | Facility Assignment Records | Directly assigned to Regulated | Directly Assignable | |
| | Underground Cable - Nonregulated | Facility Assignment Records | Directly assigned to Nonregulated | Directly Assignable | |
| | Underground Cable - Common | Facility Assignment Records | Allocated based on the ratio of forecasted nonregulated equivalent circuit miles to total forecasted equivalent circuit miles | Indirectly Attributable | |
| 2423 Buried Cable | Buried Cable - Regulated | Facility Assignment Records | Directly assigned to Regulated | Directly Assignable | |
| | Buried Cable - Nonregulated | Facility Assignment Records | Directly assigned to Nonregulated | Directly Assignable | |
| | Buried Cable - Common | Facility Assignment Records | Allocated based on the ratio of forecasted nonregulated equivalent circuit miles to total forecasted equivalent circuit miles | Indirectly Attributable | |
| 2424 Submarine Cable | Submarine Cable Regulated | Facility Assignment Records | Directly assigned to Regulated | Directly Assignable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|----------------------------------|--|--|----------------------------|----------|
| | Submarine Cable Nonregulated | Facility Assignment Records | Directly assigned to Nonregulated | Directly Assignable | |
| | Submarine Cable Common | Facility Assignment Records | Allocated based on the ratio of forecasted nonregulated equivalent circuit miles to total forecasted equivalent circuit miles | Indirectly Attributable | |
| 2425 Deep Sea Cable | Deep Sea Cable - Regulated | Facility Assignment Records | Directly assigned to Regulated | Directly Assignable | |
| | Deep Sea Cable - Nonregulated | Facility Assignment Records | Directly assigned to Nonregulated | Directly Assignable | |
| | Deep Sea Cable - Common | Facility Assignment Records | Allocated based on the ratio of forecasted nonregulated international circuits to total forecasted international circuits | Indirectly Attributable | |
| 2426 Intrabuilding Network Cable | N/A | NOT AUTHORIZED FOR USE | | | |
| 2431 Aerial Wire | Aerial Wire - Regulated | Facility Assignment Records | Directly assigned to Regulated | Directly Assignable | |
| | Aerial Wire - Nonregulated | Facility Assignment Records | Directly assigned to Nonregulated | Directly Assignable | |
| | Aerial Wire - Common | Facility Assignment Records | Allocated based on the ratio of forecasted nonregulated equivalent circuit miles to total forecasted equivalent circuit miles | Indirectly Attributable | |
| 2441 Conduit Systems | Conduit Systems - Regulated | Facility Assignment Records | Directly assigned to Regulated | Directly Assignable | |

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**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|-----------------------------------|--|--|--|----------------------------|----------|
| | Conduit Systems - Nonregulated | Facility Assignment Records | Directly assigned to Nonregulated | Directly Assignable | |
| | Conduit Systems - Common | Facility Assignment Records | Allocated based on the ratio of forecasted nonregulated equivalent circuit miles to total forecasted equivalent circuit miles | Indirectly Attributable | |
| AMORTIZABLE ASSETS | | | | | |
| 2681 Capital Leases | Buildings | Functional Accounting Codes | Aggregate allocation of Investment in Account 2121 | Indirectly Attributable | |
| | Computer and Telecommunica- tions Equip. | Functional Accounting Codes | Aggregate allocation of Accounts 2124 and 2123 | Indirectly Attributable | |
| | Transportation Equipment | Functional Accounting Codes | Aggregate allocation of Accounts 2112 and 2114 | Indirectly Attributable | |
| | Small Tools, Furniture and Fixtures | Functional Accounting Codes | Aggregate allocation of Accounts 2115, 2116 and 2122 | Indirectly Attributable | |
| 2682 Leasehold Improvements | Account | Account Definition | Aggregate allocation of Accounts 6121, and 6563 | Indirectly Attributable | |
| 2690 Intangibles | Intangibles - Regulated | Functional Accounting Codes | Directly Assigned to Regulated | Directly Assignable | |
| | Intangibles - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated | Directly Assignable | |
| | Intangibles - Common | Functional Accounting Codes | Aggregate allocation of Investment in Accounts 2111 through 2441 | Indirectly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|---|--|--|----------------------------|----------|
| DEPRECIATION AND AMORTIZATION | | | | | |
| 3100 Depreciation and Amortization | General Purpose Vehicles | Detailed Plant Account Records | Allocation of Account 2112 | Indirectly Attributable | |
| | Plant Specific Vehicles | Detailed Plant Account Records | Allocation of Account 2112 | Indirectly Attributable | |
| | Special Purpose Vehicles | Detailed Plant Account Records | Allocation of Account 2114 | Indirectly Attributable | |
| | Garage Work Equipment | Detailed Plant Account Records | Allocation of Account 2115 | Indirectly Attributable | |
| | Other Work Equipment | Detailed Plant Account Records | Allocation of Account 2116 | Indirectly Attributable | |
| | Garages Warehouses and Data Centers | Detailed Plant Account Records | Allocation of Related Cost in Account 2121 | Indirectly Attributable | |
| | Housing Operating Equipment | Detailed Plant Account Records | Allocation of Related Cost in Account 2121 | Indirectly Attributable | |
| | Towers | Detailed Plant Account Records | Allocation of Related Cost in Account 2121 | Indirectly Attributable | |
| | Furniture | Detailed Plant Account Records | Allocation of Account 2122 | Indirectly Attributable | |
| | Office Support Equipment | Detailed Plant Account Records | Allocation of Related Cost in Account 2123 | Indirectly Attributable | |
| | Company Communications Equipment | Detailed Plant Account Records | Allocation of Related Cost in Account 2123 | Indirectly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|-----------------------|---|--|--|----------------------------|----------|
| 3100 (Cont'd) | General Administration Information Computers | Detailed Plant Account Records | Allocation of Account 2124 | Indirectly Attributable | |
| | Network Administration Computers | Detailed Plant Account Records | Allocation of Account 2124 | Indirectly Attributable | |
| | Analog Elect. Switching | Detailed Plant Account Records | Allocation of Investment in Account 2211 | Indirectly Attributable | |
| | Digital Elect. Switching | Detailed Plant Account Records | Allocation of Investment in Account 2212 | Indirectly Attributable | |
| | Electro Mechanical Switching | Detailed Plant Account Records | Allocation of Investment in Account 2215 | Indirectly Attributable | |
| | Position Subsystems OSPS | Detailed Plant Account Records | Allocation of Related Investment Account 2220 | Indirectly Attributable | |
| | Manual Switchboards | Detailed Plant Account Records | Allocation of Related Investment Account 2220 | Indirectly Attributable | |
| | Satellite and Earth Station Facilities | Detailed Plant Account Records | Allocation of Related Investment Account 2231 | Indirectly Attributable | |
| | Other Radio Facilities | Detailed Plant Account Records | Allocation of Related Investment Account 2231 | Indirectly Attributable | |
| | Circuit Equipment | Detailed Plant Account Records | Allocation of Investment in Account 2232 | Indirectly Attributable | |
| | Public Tele. Terminal Equip. | Detailed Plant Account Records | Allocation of Investment in Account 2351 | Indirectly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|---|--|--|--|----------------------------|----------|
| 3100 (Cont'd) | Other Terminal Equipment | Detailed Plant Account Records | Allocation of Account 2362 | Indirectly Attributable | |
| | Poles | Detailed Plant Account Records | Allocation of Investment in Account 2411 | Indirectly Attributable | |
| | Aerial Cable | Detailed Plant Account Records | Allocation of Investment in Account 2421 | Indirectly Attributable | |
| | Underground Cable | Detailed Plant Account Records | Allocation of Investment in Account 2422 | Indirectly Attributable | |
| | Buried Cable | Detailed Plant Account Records | Allocation of Investment in Account 2423 | Indirectly Attributable | |
| | Submarine Cable | Detailed Plant Account Records | Allocation of Investment in Account 2424 | Indirectly Attributable | |
| | Deep Sea Cable | Detailed Plant Account Records | Allocation of Investment in Account 2425 | Indirectly Attributable | |
| | Aerial Wire | Detailed Plant Account Records | Allocation of Investment in Account 2431 | Indirectly Attributable | |
| | Conduit Systems | Detailed Plant Account Records | Allocation of Investment in Account 2441 | Indirectly Attributable | |
| | Accumulated Depreciation - Other | Detailed Plant Account Records | Same proportion as the aggregate allocation of the other costs in this account | Indirectly Attributable | |
| 3200 Accumulated Depreciation - Held for Future Telecommunica- tions Use | Account | Account Definition | Aggregate allocation of the Depreciable Investment in Account 2002 | Indirectly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|--|--|--|----------------------------|----------|
| 3410 Accumulated Amortization - Capitalized Leases | Buildings | Functional Accounting Codes | Related Cost in Account 2681 | Indirectly Attributable | |
| | Computer and Telecom. Equipment | Functional Accounting Codes | Related Cost in Account 2681 | Indirectly Attributable | |
| | Transportation Equipment | Functional Accounting Codes | Related Cost in Account 2681 | Indirectly Attributable | |
| | Small Tools, Furniture and Fixtures | Functional Accounting Codes | Related Cost in Account 2681 | Indirectly Attributable | |
| 3420 Accum. Amort.- Leasehold Improvements | Account | Account Definition | Allocation of Account 2682 | Indirectly Attributable | |
| 3500 Accumulated Amortization - Intangible | Accumulated Amortization - Intangible - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Accum.Amort. - Intangible - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Accum.Amort. - Intangible - Common | Functional Accounting Codes | Allocation of Account 2690 | Indirectly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|-----------------------------|--|---|----------------------------|----------|
| 3600 Accumulated Amortization - Other | Account | Account Definition | Allocation of Account 2005 | Indirectly Attributable | |
| CURRENT LIABILITIES | | | | | |
| 4040 Customer's Deposits | Account | Account Definition | Directly assigned to Regulated Activities | Directly Assignable | |
| 4100 Net Current Deferred Operating Income Taxes | Property - Related Taxes | Functional Accounting Codes | Allocation of Investment in Account 2001, excluding 2690 | Indirectly Attributable | |
| | Vacation Accrual | Functional Accounting Codes | Allocation of total Wages and Salaries | Indirectly Attributable | |
| | Other Operating Taxes | Functional Accounting Codes | Based on the General Allocator | Generally Allocatable | |
| 4120 Other Accrued Liabilities | Compensated Absences | Functional Accounting Codes | Allocation of total Wages and Salaries | Indirectly Attributable | |
| | Other Payroll- Related | Functional Accounting Codes | Allocation of total Wages and Salaries | Indirectly Attributable | |
| | Other | Functional Accounting Codes | Based on the General Allocator | Generally Allocatable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|-----------------------------|--|---|----------------------------|----------|
| OTHER LIABILITIES AND DEFERRED CREDITS | | | | | |
| 4340 Net Noncurrent Deferred Operating Income Taxes | Property - Related Taxes | Functional Accounting Codes | Allocation of Investment in Account 2001, excluding 2690 | Indirectly Attributable | |
| | Vacation Accrual | Functional Accounting Codes | Allocation of total Wages and Salaries | Indirectly Attributable | |
| | Other Operating Taxes | Functional Accounting Codes | Based on the General Allocator | Generally Allocatable | |
| 4360 Other Deferred Credits | Account | Account Definition | Based on the General Allocator | Generally Allocatable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|-----------|--|--|--------------------|----------|
| REVENUES | | | | | |
| 5001 Basic Area Revenue | N/A | NOT AUTHORIZED FOR USE | | | |
| 5002 Optional Extended Area Revenue | N/A | NOT AUTHORIZED FOR USE | | | |
| 5003 Cellular Mobile Revenue | N/A | NOT AUTHORIZED FOR USE | | | |
| 5004 Other Mobile Services Revenue | N/A | NOT AUTHORIZED FOR USE | | | |
| 5010 Public Telephone Revenue | N/A | NOT AUTHORIZED FOR USE | | | |
| 5040 Local Private Line Revenue | N/A | NOT AUTHORIZED FOR USE | | | |
| 5050 Customer Premises Revenue | N/A | NOT AUTHORIZED FOR USE | | | |
| 5060 Other Local Exchange Revenue | N/A | NOT AUTHORIZED FOR USE | | | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|---|-----------|--|--|--------------------|----------|
| 5069 Other Local Exchange Revenue Settlements | N/A | NOT AUTHORIZED FOR USE | | | |
| 5081 End User Revenue | N/A | NOT AUTHORIZED FOR USE | | | |
| 5082 Switched Access Revenue | N/A | NOT AUTHORIZED FOR USE | | | |
| 5083 Special Access Revenue | N/A | NOT AUTHORIZED FOR USE | | | |
| 5084 State Access Revenue | N/A | NOT AUTHORIZED FOR USE | | | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|---|-----------|--|--|------------------------|----------|
| 5100 Long Distance Message Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5111 Long Distance Inward-Only Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5112 Long Distance Outward-Only Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5120 Long Distance Private Network Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5121 Subvoice Grade Long Distance Private Network Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5122 Voice Grade Long Distance Private Network Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5123 Audio Program Long Distance Private Network Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|---|-----------|--|--|------------------------|----------|
| 5124 Video Program Grade Long Distance Private Network Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5125 Digital Trans- mission Long Distance Private Network Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5126 Long Distance Private Network Switching Rev. | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5128 Other Long Distance | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5129 Other Long Distance Private Network Revenue Settlements | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5160 Other Long Distance Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5169 Other Long Distance Revenue Settlements | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|-----------|--|--|------------------------|----------|
| 5230 Directory Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5240 Rent Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5250 Corporate Operations Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5261 Special Billing Arrangements Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5262 Customer Operations Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5263 Plant Operations Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5264 Other Incidental Regulated Revenue | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |
| 5269 Other Revenue Settlements | Account | Account Definition | Directly Assigned to Regulated | Directly Assignable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|-----------|--|---|----------------------------|----------|
| 5270 Carrier Billing and Collection | N/A | NOT AUTHORIZED FOR USE | | | |
| 5280 Non Regulated Revenue | Account | Account Definition | Directly Assigned to Nonregulated | Directly Assignable | |
| 5301 Uncollectible Revenue Telecom- munications | Account | Account Definition | Allocated on relative Revenue (Accounts 5100 through 5269) | Indirectly Attributable | |
| 5302 Uncollectible Revenue - Other | Account | Account Definition | Allocated on relative Revenue (Accounts 5264 through 5280) | Indirectly Attributable | |

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COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|--|--|--|----------------------------|----------|
| PLANT SPECIFIC OPERATIONS EXP. - NETWORK SUPPORT | | | | | |
| 6112 Motor Vehicle Expense | Organizational Motor Vehicle Expense | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Other Common Motor Vehicle Expense | Functional Accounting Codes | Allocation of total Wages and Salaries | Indirectly Attributable | |
| 6113 Aircraft Expense | Organizational Aircraft Expense | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Other Common Aircraft Expense | Functional Accounting Codes | Allocation of total Wages and Salaries | Indirectly Attributable | |
| 6114 Special Purpose Vehicles Expense | Account | Account Definition | Allocation of Account 2114 | Indirectly Attributable | |
| 6115 Garage Work Equipment Expense | Account | Account Definition | Allocation of Account 2115 | Indirectly Attributable | |
| 6116 Other Work Equipment Expense | Account | Account Definition | Allocation of Account 2116 | Indirectly Attributable | |

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COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|---|--|--|----------------------------|----------|
| PLANT SPECIFIC OPERATIONS EXP. - GENERAL SUPPORT | | | | | |
| 6121 Land & Building Expense | Land & Building Expense - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Land & Building Expense - Non- Regulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Organizational Land & Building Expense | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Operating Rents Central Office Building Space | Functional Accounting Codes | Allocation based on current use of Plant Equipment located in the rented space | Indirectly Attributable | |
| | Operating Rents Administrative Office Space | Functional Accounting Codes | Allocation based on Wages and Salaries included in Accounts 6534, 6535 and 6611 through 6728 | Indirectly Attributable | |
| | Other - House Services | Functional Accounting Codes | Allocation based on aggregate current use of Investment in Accounts 2111 and 2121 | Indirectly Attributable | |
| 6122 Furniture and Artwork Expense | Organizational Furniture and Artwork Expense | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Other Common Furniture and Artwork Expense | Functional Accounting Codes | Allocation of Account 2122 | Indirectly Attributable | |
| 6123 Office Equipment Expense | Organizational Office Equipment Expense | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |

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COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|---|--|--|---|----------------------------|----------|
| 6123 (Cont'd) | Other Common Office Equip. Expense | Functional Accounting Codes | Allocation of Account 2123 | Indirectly Attributable | |
| 6124 General Purpose Computer Expense | General Purpose Computer Expense - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | General Purpose Computer Expense - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Organizational General Purpose Computer Expense | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Corporate Operations Computers | Functional Accounting Codes | Aggregate allocation of Accounts 6711 through 6728 | Indirectly Attributable | |
| | Customer Operations Computers | Functional Accounting Codes | Aggregate allocation of Accounts 6611 through 6623 | Indirectly Attributable | |
| | Network Administration Computers | Functional Accounting Codes | Allocation of Related Cost in Account 2124 | Indirectly Attributable | |
| | General Purpose Computer Expense - Other | Functional Accounting Codes | Aggregate allocation of other expenses in this account | Indirectly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|--|--|--|----------------------------|----------|
| PLANT SPECIFIC OPERATIONS EXP. | | | | | |
| 6211 Analog Electronic Expense | Account | Account Definition | Aggregate current use of Investment in Account 2211 | Indirectly Attributable | |
| 6212 Digital Electronic Expense | Digital Electronic Expense - Regulated | Positive Time Reporting | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Digital Electronic Expense - Nonregulated | Positive Time Reporting | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Digital Electronic Expense - Common | Positive Time Reporting | Aggregate current use of Related Investment in Account 2212 | Indirectly Attributable | |
| 6215 Electro-Mechani- cal Expense | Account | Account Definition | Aggregate current use of Related Investment in Account 2215 | Indirectly Attributable | |
| 6220 Operator Systems Expense | Position Subsystem | Functional Accounting Codes | Aggregate current use of Related Investment in Account 2220 | Indirectly Attributable | |
| | Manual Switchboards | Functional Accounting Codes | Aggregate current use of Related Investment in Account 2220 | Indirectly Attributable | |
| 6231 Radio Facilities Expense | Radio Facilities Expense - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|--|--|--|----------------------------|----------|
| 6231 (Cont'd) | Radio Facilities Expense - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Satellite and Earth Station Facilities | Functional Accounting Codes | Aggregate current use of Related Investment in Account 2231 | Indirectly Attributable | |
| | Other Radio Facilities | Functional Accounting Codes | Aggregate current use of Related Investment in Account 2231 | Indirectly Attributable | |
| 6232 Circuit Equipment Expense | Account | Account Definition | Aggregate current use of Investment in Account 2232 | Indirectly Attributable | |
| 6311 Station Apparatus Expense | N/A | NOT AUTHORIZED FOR USE | | | |
| 6341 Large Private Branch Exchange Expense | N/A | NOT AUTHORIZED FOR USE | | | |
| 6351 Public Telephone Terminal Equipment Expense | Account | Account Definition | Aggregate current use of related investment in Account 2351 | Indirectly Attributable | |
| 6362 Other Terminal Equipment Expense | Account | Account Definition | Aggregate of Cost in Account 2362 | Indirectly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|---|---|--|--|----------------------------|----------|
| 6411 Poles Expense | Account | Account Definition | Aggregate current use of Investment in Account 2411 | Indirectly Attributable | |
| 6421 Aerial Cable Expense | Account | Account Definition | Aggregate current use of Investment in Account 2421 | Indirectly Attributable | |
| 6422 Underground Cable Expense | Account | Account Definition | Aggregate current use of Investment in Account 2422 | Indirectly Attributable | |
| 6423 Buried Cable Expense | Buried Cable Expense - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Buried Cable Expense - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Buried Cable Expense - Common | Functional Accounting Codes | Aggregate current use of Investment in Account 2423 | Indirectly Attributable | |
| 6424 Submarine Cable Expense | Account | Account Definition | Aggregate current use of Investment in Account 2424 | Indirectly Attributable | |
| 6425 Deep Sea Cable Expense | Account | Account Definition | Aggregate current use of Investment in Account 2425 | Indirectly Attributable | |
| 6426 Intrabuilding Network Cable Expense | N/A | NOT AUTHORIZED FOR USE | | | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|---|---|--|---|----------------------------|----------|
| 6431 Aerial Wire Expense | Account | Account Definition | Aggregate current use of Investment in Account 2431 | Indirectly Attributable | |
| 6441 Conduit Systems Expense | Account | Account Definition | Aggregate current use of Investment in Account 2441 | Indirectly Attributable | |
| PLANT NONSPECIFIC OPERATIONS EXP. | | | | | |
| 6511 Property Held for Future Telecommunica- tions Use Exp. | Account | Account Definition | Aggregate allocation of Investment in Account 2002 | Indirectly Attributable | |
| 6512 Provisioning Expense | Provisioning Expense - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Provisioning Expense - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Organizational Provisioning Expense | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Provisioning Expense - Other Common | Functional Accounting Codes | Based on the General Allocator | Generally Allocatable | |
| 6531 Power Expense | Account | Account Definition | Aggregate current use of Investment in Accounts 2210, 2220, and 2230 | Indirectly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|---|--|--|---|----------------------------|----------|
| 6532 Network Administration Expense | Network Administration Expense - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Network Administration Expense - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Network Administration Expense - Common | Functional Accounting Codes | Aggregate current use of Investment in Accounts 2210, 2220, 2230 and 2410 | Indirectly Attributable | |
| 6533 Testing Expense | Testing Expense - Regulated | Positive Time Reporting | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Testing Expense - Nonregulated | Positive Time Reporting | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Network Testing Expense | Positive Time Reporting | Aggregate current use of Related Investment Accounts 2230 and 2410 | Indirectly Attributable | |
| 6534 Plant Operations Administration Expense | Plant Operations Administration Expense - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Plant Operations Administration Expense - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--------------------------------|--|--|---|----------------------------|----------|
| 6534 (Cont'd) | Organizational Motor Vehicle Administrative Expense | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Land and Buildings | Functional Accounting Codes | Same proportion as allocation of Wages and Salaries in Account 6121 | Indirectly Attributable | |
| | Network Plant | Functional Accounting Codes | Allocation of Wages and Salaries in Accounts 6211 through 6232, 6411 through 6441, and 6531 through 6533 | Indirectly Attributable | |
| | Joint Technical/ Operations Support | Functional Accounting Codes | Based on Service Manager time reporting | Indirectly Attributable | |
| 6535 Engineering Expense | Engineering Expense - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Engineering Expense - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Organizational Building Engineering Expense | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Facility Engineering | Functional Accounting Codes | Allocation of Wages and Salaries in accounts 6211 through 6215, 6231, 6232, 6411 through 6441, and 6531 through 6533 | Indirectly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|------------------------|---------------------------------------|--|--|----------------------------|----------|
| 6535 (Cont'd) | Land and Buildings | Functional Accounting Codes | Allocation of Wages and Salaries in Account 6121 | Indirectly Attributable | |
| | Operator Services | Functional Accounting Codes | Allocation of Wages and Salaries in Account 6220 | Indirectly Attributable | |
| | Joint Network/Other Engineering | Functional Accounting Codes | Use of Job function code/exception time reporting | Indirectly Attributable | |
| 6540 Access Expense | Account | Account Definition | Directly assigned to Regulated Activities | Directly Assignable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|---|--|--|----------------------------|----------|
| 6561 Depreciation Expense - Telecommunica- tions Plant in Service | General Purpose Vehicles | Detailed Plant Account Records | Allocation of Related Cost in Account 2112 | Indirectly Attributable | |
| | Plant Sepcific Vehicles | Detailed Plant Account Records | Allocation of Related Cost in Account 2112 | Indirectly Attributable | |
| | Special Purpose Vehicles | Detailed Plant Account Records | Allocation of Account 2114 | Indirectly Attributable | |
| | Garage Work Equipment | Detailed Plant Account Records | Allocation of Account 2115 | Indirectly Attributable | |
| | Other Work Equipment | Detailed Plant Account Records | Allocation of Account 2116 | Indirectly Attributable | |
| | Garages/Ware- houses & Data Centers | Detailed Plant Account Records | Allocation of Related Cost in Account 2121 | Indirectly Attributable | |
| | Housing Operating Equipment | Detailed Plant Account Records | Allocation of Related Cost in Account 2121 | Indirectly Attributable | |
| | Towers | Detailed Plant Account Records | Allocation of Related Cost in Account 2121 | Indirectly Attributable | |
| | Furniture | Detailed Plant Account Records | Allocation of Account 2122 | Indirectly Attributable | |
| | Office Support Equipment | Detailed Plant Account Records | Allocation of Related Cost in Account 2123 | Indirectly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|-----------------------|---|--|--|----------------------------|----------|
| 6561 (Cont'd) | Company Communications Equipment | Detailed Plant Account Records | Allocation of Related Cost in Account 2123 | Indirectly Attributable | |
| | General Administration Information Computers | Detailed Plant Account Records | Allocation of Related Cost in Account 2124 | Indirectly Attributable | |
| | Network Administration Computers | Detailed Plant Account Records | Allocation of Related Cost in Account 2124 | Indirectly Attributable | |
| | Analog Electronic Switching | Detailed Plant Account Records | Allocation of Investment in Account 2211 | Indirectly Attributable | |
| | Digital Electronic Switching | Detailed Plant Account Records | Allocation of Investment in Account 2212 | Indirectly Attributable | |
| | Electro-Mech- anical Switching | Detailed Plant Account Records | Allocation of Investment in Account 2215 | Indirectly Attributable | |
| | Position Subsystems OSPS | Detailed Plant Account Records | Allocation of Related Cost in Account 2220 | Indirectly Attributable | |
| | Manual Switchboards | Detailed Plant Account Records | Allocation of Related Cost in Account 2220 | Indirectly Attributable | |
| | Satellite & Earth Station Facilities | Detailed Plant Account Records | Allocation of Related Cost in Account 2231 | Indirectly Attributable | |
| | Other Radio Facilities | Detailed Plant Account Records | Allocation of Related Cost in Account 2231 | Indirectly Attributable | |

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**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|-----------------------|--|--|--|----------------------------|----------|
| 6561 (Cont'd) | Circuit Equipment | Detailed Plant Account Records | Allocation of Investment in Account 2232 | Indirectly Attributable | |
| | Public Telephone Terminal Equipment | Detailed Plant Account Records | Allocation of Investment in Account 2351 | Indirectly Attributable | |
| | Other Terminal Equipment | Detailed Plant Account Records | Allocation of Account 2362 | Indirectly Attributable | |
| | Poles | Detailed Plant Account Records | Allocation of Investment in Account 2411 | Indirectly Attributable | |
| | Aerial Cable | Detailed Plant Account Records | Allocation of Investment in Account 2421 | Indirectly Attributable | |
| | Underground Cable | Detailed Plant Account Records | Allocation of Investment in Account 2422 | Indirectly Attributable | |
| | Buried Cable | Detailed Plant Account Records | Allocation of Investment in Account 2423 | Indirectly Attributable | |
| | Submarine Cable | Detailed Plant Account Records | Allocation of Investment in Account 2424 | Indirectly Attributable | |
| | Deep Sea Cable | Detailed Plant Account Records | Allocation of Investment in Account 2425 | Indirectly Attributable | |
| | Aerial Wire | Detailed Plant Account Records | Allocation of Investment in Account 2431 | Indirectly Attributable | |
| | Conduit Systems | Detailed Plant Account Records | Allocation of Investment in Account 2441 | Indirectly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|---|--|--|--|----------------------------|----------|
| 6562 Depreciation Expense - Property Held for Future Telecommunica- tions Use | Account | Account Definition | Allocation of Account 2002 | Indirectly Attributable | |
| 6563 Amortization Expense - Tangible | Capital Leases - Buildings | Functional Accounting Codes | Allocation of Related Cost in Account 2681 | Indirectly Attributable | |
| | Capital Leases - Computers and Telecommunica- tions Equip. | Functional Accounting Codes | Allocation of Related Cost in Account 2681 | Indirectly Attributable | |
| | Capital Leases - Transportation Equipment | Functional Accounting Codes | Allocation of Related Cost in Account 2681 | Indirectly Attributable | |
| | Capital Leases - Small Tools, Furniture and Fixtures | Functional Accounting Codes | Allocation of Related Cost in Account 2681 | Indirectly Attributable | |
| | Leasehold Improvements | Functional Accounting Codes | Allocation of Related Cost in Account 2682 | Indirectly Attributable | |
| 6564 Amortization Exp. - Intangible | Account | Account Definition | Allocation of Account 2690 | Indirectly Attributable | |
| 6565 Amortization Expense - Other | Account | Account Definition | Allocation of Account 2005 | Indirectly Attributable | |

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COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|--|--|--|----------------------------|---|
| CUSTOMER OPERATIONS EXP. - MARKETING | | | | | |
| 6611 Product Management | Organizational Product Management | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Product Management - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Product Management - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Product Management - Common | Functional Accounting Codes | Allocated based on special study performed at 6 month intervals | Indirectly Attributable | This study queries specifically for the percent of time devoted to nonregulated services. Nonregulated time provided is based on a positive attestation. The time is used to extrapolate total wages and salaries for nonregulated services. |
| | Product Management - Residual | Functional Accounting Codes | Allocated base on the Marketing Allocator | Generally Allocatable | |
| 6612 Sales | Sales Expense - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Sales Expense - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Directly Attributable Sales Expense - Complex Sales | Functional Accounting Codes | Allocated based on Time Reported Hours | Directly Attributable | |
| | Relationship Management | Functional Accounting Codes | Allocated based on Time Reported Hours | Directly Attributable | |
| | Directly Attributable Sales Expense - Other Sales | Functional Accounting Codes | Allocated based on work sampling study | Directly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--------------------------------|---|--|---|----------------------------|---|
| 6612 (Cont'd) | Directly Attributable Sales Supervisory Expense | Functional Accounting Codes | Allocated based on Time Reported Hours | Directly Attributable | |
| | Indirectly Attributable Sales Supervisory Expense | Functional Accounting Codes | Allocated based on same proportion as the Directly assigned & attrib- utable expenses of the sales functions that are supervised | Indirectly Attributable | |
| | Sales Support Expense | Functional Accounting Codes | Allocated based on same proportion as the Directly assigned & attrib- utable expenses of the functions that are supported | Indirectly Attributable | |
| | Sales Expense - Residual | Functional Accounting Codes | Allocated based on the Marketing Allocator | Generally Allocatable | |
| 6613 Product Advertising | Organizational Product Advertising | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Product Advertising - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Product Advertising - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Directly Attributable Product Advertising | Functional Accounting Codes | Allocated in proportion to the relative effectiveness of the advertising in promoting regulated and nonregulaed products and services | Indirectly Attributable | For advertising campaigns costing over \$500,000, focus group's impressions are obtained and the results are used to derive an appropriate nonregulatd allocation factor. |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|---|---|--|--|----------------------------|---|
| 6613 (Cont'd) | Indirectly - Attributable Product Ad. | Functional Accounting Codes | Allocated based on a time based special study performed at least semi-annually | Indirectly Attributable | For advertising campaigns costing less than \$500,000, a nonregulated factor is developed based on employee time spent to support each segment of the campaign. |
| | Product Advertising - Residual | Functional Accounting Codes | Allocated based on the Marketing Allocator | Generally Allocatable | |
| CUSTOMER OPERATIONS EXP. - SERVICES | | | | | |
| 6621 Call Completion Services | Account | Account Definition | Directly Assigned to Regulated Activities | Directly Assignable | |
| 6622 Number Services | Account | Account Definition | Directly Assigned to Regulated Activities | Directly Assignable | |
| 6623 Customer Services | Customer Services Expense - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Customer Services Expense - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Organizational Customer Services | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Customer Operations Expense | Functional Accounting Codes | Allocated based on work sampling study involving actual observation of the employees performing functions | Indirectly Attributable | |
| | Credit and Collection Expense | Functional Accounting Codes | Allocated based on work sampling study results of employees performing credit and collection functions | Indirectly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|-----------------------|--|--|---|----------------------------|----------|
| 6623 (Cont'd) | Customer Operations Supervisory Expense | Functional Accounting Codes | Allocated based on Time Reported Hours | Directly Attributable | |
| | Indirectly Attributable Customer Operations Supervisory Expense | Functional Accounting Codes | Allocated in the same proportion as the directly assigned and attributable expense of the customer operations functions that are supervised | Indirectly Attributable | |
| | Customer Operations Support Expense | Functional Accounting Codes | Allocated in the same proportion as the directly assigned and attributable expense of the functions that are supported | Indirectly Attributable | |
| | Directly Attributable Customer Accounting Expense | Functional Accounting Codes | Allocated based on a quarterly examination of the functions performed by the billing operations organization to determine the percentage of support to each service category | Directly Attributable | |
| | Indirectly Attributable Customer Accounting Expense | Functional Accounting Codes | Allocation in the same proportions as the directly assigned and attributable expenses of customer services activities | Indirectly Attributable | |
| | Customer Operations Expense - Residual | Functional Accounting Codes | Allocated based on the Marketing Allocator | Generally Allocatable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|-----------------------------------|---|--|--|----------------------------|----------|
| CORPORATE OPERATIONS EXP. | | | | | |
| 6711 Executive | Organizational Executive | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Executive - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Executive - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Executive - Common | Functional Accounting Codes | Allocated based on the General Allocator | Generally Allocatable | |
| 6712 Planning | Organizational Planning | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Planning - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Planning - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Planning - Common | Functional Accounting Codes | Allocated based on the General Allocator | Generally Allocatable | |
| 6721 Accounting and Finance | Organizational Accounting and Finance | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Accounting and Finance - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Accounting and Finance - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

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|-------------------------------|---|--|--|----------------------------|----------|
| 6721 (Cont'd) | Accounting and Finance - Common | Functional Accounting Codes | Allocated based on the General Allocator | Generally Allocatable | |
| 6722 External Relations | Organizational External Relations | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | External Relations - Regulatory Support and Government Relations - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | External Relations - Regulatory Support and Government Relations - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | External Relations - Regulatory Support and Government Relations - Common | Functional Accounting Codes | Allocated based on the General Allocator | Generally Allocatable | |
| | External Relations - Corporate Adv. and PR | Functional Accounting Codes | Allocated based on the Marketing Allocator | Generally Allocatable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|-----------------------------------|---|--|--|----------------------------|----------|
| 6723 Human Resources | Organizational Human Resources | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Human Resources - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Human Resources - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Human Resources - Common | Functional Accounting Codes | Allocation of Total Wages and Salaries | Indirectly Attributable | |
| 6724 Information Management | Information Management - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Information Management - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Organizational Information Management | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Information Management - Common | Functional Accounting Codes | Allocation of Total Wages and Salaries | Indirectly Attributable | |
| 6725 Legal | Organizational Legal | Functional Accounting Codes | Organizational Expense allocation process | Indirectly Attributable | |
| | Legal - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Legal - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |

AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|--|--|---|----------------------------|----------|
| 6725 (Cont'd) | Legal - Overheads | Functional Accounting Codes | Aggregate allocation of previously allocated Legal expenses | Indirectly Attributable | |
| | Legal - Common | Functional Accounting Codes | Allocated based on the General Allocator | Generally Allocatable | |
| 6726 Procurement | Organizational Procurement | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Other Common Procurement | Functional Accounting Codes | Allocation based on the General Allocator | Generally Allocatable | |
| 6727 Research and Development | Organizational Research and Development | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Research and Development - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Research and Development - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Fundamental and Other Research and Development | Functional Accounting Codes | Allocation based on the General Allocator | Generally Allocatable | |
| 6728 Other General and Administrative | Organizational Other General & Administrative | Functional Accounting Codes | Organizational expense allocation process | Indirectly Attributable | |
| | Organizational Employee Benefit Payments | Functional Accounting Codes | Allocated based on relevant head count for the type of benefit | Indirectly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|---|--|--|----------------------------|----------|
| 6728 (Cont'd) | Other Gen. and Administrative - Regulated | Functional Accounting Codes | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Other Gen. and Administrative - Nonregulated | Functional Accounting Codes | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| | Organizational Employee Benefits Payments | Functional Accounting Codes | Relevant head count for the type of benefit | Indirectly Attributable | |
| | Employee Related Benefit Payments | Functional Accounting Codes | Allocated in the same proportion as the allocation of Total Wages and Salaries | Indirectly Attributable | |
| | Other General and Administrative | Functional Accounting Codes | Allocation based on the General Allocator | Generally Allocatable | |
| 6790 Provision for Uncollectible Notes Receivable | Provision for Uncollectible Notes Receivable - Regulated | Specific transaction analysis | Directly assigned to Regulated Activities | Directly Assignable | |
| | Provision for Uncollectible Notes Receivable - Nonregulated | Specific transaction analysis | Directly assigned to Nonregulated Activities | Directly Assignable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|--|--|--|----------------------------|----------|
| OTHER OPERATIONS INCOME AND EXP. | | | | | |
| 7110 Income From Custom Work | Income from Custom Work - Regulated | Individual transaction analysis | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Income from Custom Work - Nonregulated | Individual transaction analysis | Directly Assigned to Nonregulated Activities | Directly Assignable | |
| 7140 Gains and Losses From Foreign Exchanges | Account | Account Definition | Directly Assigned to Regulated Activities | Directly Assignable | |
| 7150 Gains and Losses From Disposition of Land and Art- work | Account | Account Definition | Aggregate allocation of Investment (Accounts 2111 and 2122) | Indirectly Attributable | |
| 7160 Other Operating Gains and Losses | Other Operating Gains and Losses - Regulated | Individual transaction analysis | Directly Assigned to Regulated Activities | Directly Assignable | |
| | Other Operating Gains and Losses - Nonregulated | Individual transaction analysis | Directly Assigned to Nonregulated Activities | Directly Assignable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|-------------------------------------|--|--|----------------------------|----------|
| 7210 Operating Investment Tax Credits - Net | Land | Detailed Plant Account Records | Allocation of the related Investment (Account 2111) | Indirectly Attributable | |
| | Motor Vehicles | Detailed Plant Account Records | Allocation of the related Investment (Account 2112) | Indirectly Attributable | |
| | Special Purpose Vehicles | Detailed Plant Account Records | Allocation of the related Investment (Account 2114) | Indirectly Attributable | |
| | Garage Work Equipment | Detailed Plant Account Records | Allocation of the related Investment (Account 2115) | Indirectly Attributable | |
| | Other Work Equipment | Detailed Plant Account Records | Allocation of the related Investment (Account 2116) | Indirectly Attributable | |
| | Buildings | Detailed Plant Account Records | Allocation of the related Investment (Account 2121) | Indirectly Attributable | |
| | Furniture | Detailed Plant Account Records | Allocation of the related Investment (Account 2122) | Indirectly Attributable | |
| | Office Equipment | Detailed Plant Account Records | Allocation of the related Investment (Account 2123) | Indirectly Attributable | |
| | General Purpose Computers | Detailed Plant Account Records | Allocation of the related Investment (Account 2124) | Indirectly Attributable | |
| | Analog Elect. Switching | Detailed Plant Account Records | Allocation of the related Investment (Account 2211) | Indirectly Attributable | |
| | Digital Elect. Switching | Detailed Plant Account Records | Allocation of the related Investment (Account 2212) | Indirectly Attributable | |
| | Electro- Mechanical Switching | Detailed Plant Account Records | Allocation of the related Investment (Account 2215) | Indirectly Attributable | |

AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|-----------------------|--|--|--|----------------------------|----------|
| 7210 (Cont'd) | Operator Systems | Detailed Plant Account Records | Allocation of the related Investment (Account 2220) | Indirectly Attributable | |
| | Radio Systems | Detailed Plant Account Records | Allocation of the related Investment (Account 2231) | Indirectly Attributable | |
| | Circuit Equipment | Detailed Plant Account Records | Allocation of the related Investment (Account 2232) | Indirectly Attributable | |
| | Public Telephone Terminal Equip. | Detailed Plant Account Records | Allocation of the related Investment (Account 2351) | Directly Assignable | |
| | Other Terminal Equipment | Detailed Plant Account Records | Allocation of the related Investment (Account 2362) | Indirectly Attributable | |
| | Poles | Detailed Plant Account Records | Allocation of the related Investment (Account 2411) | Indirectly Attributable | |
| | Aerial Cable | Detailed Plant Account Records | Allocation of the related Investment (Account 2421) | Indirectly Attributable | |
| | Underground Cable | Detailed Plant Account Records | Allocation of the related Investment (Account 2422) | Indirectly Attributable | |
| | Buried Cable | Detailed Plant Account Records | Allocation of the related Investment (Account 2423) | Indirectly Attributable | |
| | Submarine Cable | Detailed Plant Account Records | Allocation of the related Investment (Account 2424) | Indirectly Attributable | |
| | Deep Sea Cable | Detailed Plant Account Records | Allocation of the related Investment (Account 2425) | Indirectly Attributable | |
| | Aerial Wire | Detailed Plant Account Records | Allocation of the related Investment (Account 2431) | Indirectly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|-----------------------------------|--|--|----------------------------|----------|
| 7210 (Cont'd) | Conduit Systems | Detailed Plant Account Records | Allocation of the related Investment (Account 2441) | Indirectly Attributable | |
| 7220 Operating Federal Income Taxes | Account | Account Definition | Allocation based on operating book income before taxes less interest expense | Indirectly Attributable | |
| 7230 Operating State and Local Income Taxes | Account | Account Definition | Allocation based on operating book income before taxes less interest expense | Indirectly Attributable | |
| 7240 Operating Other Taxes | Gross Receipts Taxes | Functional Accounting Codes | Allocated in the same proportion as the gross operating revenues subject to tax are assigned | Indirectly Attributable | |
| | Property Taxes and Other Taxes | Functional Accounting Codes | Aggregate Allocation of Investment (Account 2001) | Indirectly Attributable | |
| 7250 Provision for Deferred Operating Income Taxes - Net | Account | Account Definition | Allocation based on operating book income before taxes less interest expense | Indirectly Attributable | |
| 7340 Allowance for Funds Used During Construction | Account | Account Definition | Aggregate Allocation of Investment (Account 2004) | Indirectly Attributable | |
| 7370 Special Charges | Abandoned Projects | Functional Accounting Codes | Allocation based on the plant under construction prior to abandonment | Indirectly Attributable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|--|-----------------------------|--|--|----------------------------|----------|
| 7370 (Cont'd) | Charitable Contributions | Functional Accounting Codes | Allocation based on the General Allocator | Generally Allocatable | |
| | Other | Functional Accounting Codes | Allocation based on the General Allocator | Generally Allocatable | |
| INTEREST AND RELATED ITEMS | | | | | |
| 7510 Interest on Funded Debt | Account | Account Definition | Aggregate allocation of Investment (Accounts 2111 through 2441) | Indirectly Attributable | |
| 7520 Interest Expense Capital Leases | Account | Account Definition | Aggregate allocation of Investment (Account 2681) | Indirectly Attributable | |
| 7530 Amortization of Debt Issuance | Account | Account Definition | Aggregate allocation of Investment (Accounts 2111 through 2441) | Indirectly Attributable | |
| 7540 Other Interest Deductions | Account | Account Definition | Allocation based on the General Allocator | Generally Allocatable | |

**AT&T COMMUNICATIONS
COST APPORTIONMENT TABLE**

| USOA PART 32 ACCT. | COST POOL | BASIS FOR APPORTIONMENT TO COST POOLS | BASIS FOR APPORTIONMENT TO REGULATED/NONREGULATED | COST DEFINITION | COMMENTS |
|---|-----------|--|--|--------------------------|----------|
| EXTRAORDINARY ITEMS | | | | | |
| 7610 Extraordinary Income Credits | Account | Account Definition | Individual Transaction Analysis | Directly Attributable | |
| 7620 Extraordinary Income Charges | Account | Account Definition | Individual Transaction Analysis | Directly Attributable | |
| 7630 Current Income Tax Effect on Extraordinary Items - Net | Account | Account Definition | Individual Transaction Analysis | Directly Attributable | |
| 7640 Provision for Deferred Income Tax Effect of Extraordinary Items - Net | Account | Account Definition | Individual Transaction Analysis | Directly Attributable | |

SECTION VII
TIME REPORTING PROCEDURES



TIME REPORTING PROCEDURES

Time reporting provides a means of assigning employee-related costs to appropriate accounts and, by extension, to regulated and nonregulated lines of business. Employee-related costs include wages and salaries, paid overtime, leaves, absences and vacations, social security and tax withholdings and medical insurance payments.

All employees use: Positive, sampling or assigned function code/exception time reporting to report their time to specific activities.

Positive time reporting accounts for time both chronologically and as it is applied to specific activities. It is used by plant occupational employees, field reporting engineers and service managers. These employees are engaged in tasks which are typically of short duration, vary frequently in the course of a reporting period, and cannot be accurately predicted in advance of actual work performed.

Sampling time reporting is a technique applied to sales employees with specific functions but who service both regulated and nonregulated accounts. This is an internal management process designed to support business decisions. Time collected from this process is not used directly by the accounting processes.

Assigned function code/exception time reporting is used by employees whose work functions are stable and predictable. Through the use of these codes their expense can be driven directly to accounts and identified as supporting regulated or nonregulated activities.

Differences in the conceptual framework, accounting procedures and general application of the resultant information, have led to the development of separate time reporting mechanisms for plant occupational employees, reporting engineers, and sales employees. The specific time reporting procedures used by each group of employees are discussed below.

Positive Time Reporting

Plant occupational employees report one hundred percent of their time to the nearest fifteen minute increments on a daily basis. These daily time reports are accumulated, verified and approved by supervisory personnel and mechanically input to time reporting systems for subsequent processing through payroll and accounting systems.

Data checks within time reporting processes mechanically verify the accuracy and any errors in the time report data thus identified are transmitted to the originator for correction and resubmitted to the time reporting process.

Engineers who work on network transmission facilities (outside plant) and central office equipment report one hundred percent of their time to the nearest fifteen minute increments. They submit time reports on a daily basis for review and approval no later than the Monday following the week for which time is reported. Subsequent procedures for handling reporting engineers' time reports are the same as those described above for plant occupational employees.

The reported time of both plant occupational employees and work reporting engineers falls into one of three categories: classified productive time, unclassified productive time, and nonproductive time. Classified productive time is that actually spent working on specific activities. It is directly reportable to specific activities/accounts via field reporting codes and work order numbers. Unclassified productive time is that devoted to general, company-sponsored activities such as attending training sessions or meetings, participating in bond drives, reading manuals and practices, or attending safety meetings. Nonproductive time is that reported to vacations, absences, sick leave, union activities, or other excused time.

The costs incurred by plant occupational employees and reporting engineers and their direct supervision and clerical support are initially booked to clearing accounts within the AT&T Communications accounting system. At book closing, the accounting system accumulates total reported hours for plant occupational employees and reporting engineers by each of the categories cited above. The costs associated with these categories are determined by disaggregating the total of costs booked to the clearing accounts in the same proportion as the reported hours. The total cost of the productive time of plant occupational employees and reporting engineers is added to the total cost of the productive time of these employees' direct supervision and clerical support. The sum is divided by the total reported productive hours to determine a total cost per productive hour. This total cost per hour is used to distribute total productive costs from the clearing accounts to the appropriate final accounts in the same proportion as activity/account specific total reported hours. Costs associated with unclassified productive time are costs recorded in Account 6534, Plant Operations Administrative Expense and Account 6535, Engineering Expense. Costs associated with nonproductive time follow the distribution of classified productive costs. The resultant account balances are directly assigned or allocated to regulated and nonregulated activities according to the methods described in Section VI.

Service managers who are responsible for interacting with AT&T's national account customers to establish installation and maintenance plans to meet customer needs, report one hundred percent of their time in thirty minute increments.

These time reporting service employees are required to submit weekly time reports in which time is reported, in thirty minute increments, to two broad categories: classified time and unclassified time. Classified time is further reported to either regulated or nonregulated as appropriate. Unclassified time comprises both productive time devoted to administrative or other nonspecified activities and unproductive time, i.e., paid absences. Time reports are submitted to supervisors for detailed review and approval in the following week for which time is reported. The approved time reports are forwarded to a coordinator for subsequent verification and input to the service managers' time reporting system. Data checks within the system additionally verify the acceptability and accuracy of the data submitted. Any errors in the time report data thus identified are investigated for correction and manually resubmitted to the time reporting process.

The total hours are accumulated by product/service category across reporting direct service managers. The resultant totals are used to develop factors by which wage and salary related costs are allocated to regulated and nonregulated activities. The unclassified time is assigned in the same proportion as the assignment of the reported classified time. These employees' costs are a portion of the Plant Operations Administration Expense (Account 6534) described in Section VI.

Sampling Time Reporting

Periodic interviews are conducted for sales employees who support both regulated and nonregulated products and services. Sales employees, who perform telemarketing, account inquiry, service order processing and credit & collection are subject to work sampling studies. Work sampling study involves actual observation of the employees as they are performing various functions. The work sampling study will be performed no less often than semi-annually. The work sampling study is conducted by trained work samplers who monitor and measure the work functions of the employees performing service order processing and account inquiry activities. A sample of employees is randomly selected. The sample will be of sufficient size, as determined by standard statistical techniques, to be representative of all the employees performing these functions. The work samplers observe the employees in the sample as they work to determine the functions and/or service categories on which they are working and to classify the time spent as regulated or nonregulated.

The observations are made continuously until sufficient observations are obtained to establish statistical reliability, but in no event will the study period be for less than one full week. After being checked for statistical validity, the data from the observations will be used to calculate a ratio of regulated/nonregulated to total time which will be used to allocate the costs in the pool between regulated and nonregulated operations. Sales employees, who are responsible for developing and maintaining complex customer accounts, may sell both regulated and nonregulated products and services. Complex sales employees and the sales and customer operations supervisory employees participate in a quarterly interview conducted by a trained interviewer. These survey results provide the mechanism by which their sales expense will be allocated to the appropriate product/service offerings.

The sampling plan developed for this purpose reflects the appropriate concern that the detailed time reports obtained through the sample be an accurate reflection of sales force activity as a whole. Each quarter, a statistically valid sample of management sales employees is randomly selected and interviewed. New affected sales employees are included in the pool from which the next quarter's participants are chosen.

The time reporting sales employees will report time in increments of thirty minutes or less, to classified, i.e., product/service specific time, and unclassified time. Classified time is reported to appropriate product/service categories. Unclassified time comprises both productive time devoted to administrative or non-product/service specific sales activities and unproductive time, i.e., paid absences.

Time reports are signed by the employee and the interviewer and submitted to a data entry center. Data checks additionally verify the acceptability and accuracy of the data submittals. Any identified errors in the time report data are investigated for correction and resolved.

The total hours are accumulated by product/service category across reporting sales employees. The resultant totals are used to develop factors by which expenses of all sales employees are associated with specific product/service lines. Costs associated with unclassified time are assigned to the product/service category in the same proportion as the assignment of reported classified time as described above.

Enhanced services and other nonregulated services will receive special treatment during the interview process. To ensure that sales time is classified properly to these services, the interviewer will be required to review the current listing of AT&T-C Nonregulated Activities with the employees.

Job Function Codes/Exception Time Reporting

All other management and nonmanagement employees time report only on an exception basis. These employees have stable and predictable work assignments which endure over multiple reporting periods. Thus, they can be assigned organizational codes and one or more job function codes that describe their work assignments and responsibilities to the accounting systems. The work assignments and responsibilities for each organizational code/job function code combination are associated with regulated or nonregulated operations based on a determination of the regulatory status of the products or services that the work assignments and responsibilities support. Responsibility codes and job function codes are updated as an employee's permanent work assignment changes or as reorganizations affect current work assignments.

These employees report their total productive time and nonproductive time, e.g., vacations, sick leaves or other paid absences, to departmental payroll coordinators on a weekly basis. They also report, in increments of one hour, exception time, i.e., any time spent on activities which are not within the employee's normal areas of responsibility. Departmental coordinators accumulate the data for input to the accounting/payroll systems. They also validate the data by assuring that all exception/nonproductive time is correctly reported and the nonproductive time, e.g., vacations, does not exceed the maximum allowed per employee. Subsequent edits within these processes verify the acceptability of this data. The data checks are of two types - format checks and logic checks. Format check assure that the payroll information submitted is complete, in machine readable format and is keyed correctly to the appropriate fields. Logic checks verify the acceptability of the data by checking for such errors as inappropriate combinations of codes, outmoded or deleted codes, or invalid field data ranges. All errors are identified and the appropriate corrective action is taken.

Employee-related costs are assigned to the appropriate Part 32 accounts/cost pools on the basis of assigned and exception job function codes. All nonproductive time is assigned in the same proportion as costs associated with employee-related productive time.

Time Report Training Responsibilities, Audits and Controls

All personnel responsible for compiling time reporting data are required to complete time reporting training. This training emphasizes the importance of accurate time reporting at the level of detail required to identify fully the employees' regulated and nonregulated time. Positive time reporting employees are held responsible for recording one hundred percent of their work time as each activity is completed.

Plant occupational employees inputting to AT&T's mechanical time reporting systems submit a time report each day. Reporting engineers submit weekly time reports no later than the Monday following the week reported. Sales employees' time studies are submitted as completed. These employees are responsible for maintaining accurate and legible records of work time. Sales employees are additionally charged with maintaining records of work time, or related documentation, e.g., calendar pages, to support internal audits. Exception time reporting employees submit a time report each week which records the exception time activities, if any, they were engaged in.

The supervisors of time reporting personnel have methods and procedures available to properly complete time reports. They are responsible for establishing procedures within their organizations for the timely completion and submittal of time reports. They are also required to review and validate each employee's time report for legibility and for reasonableness and completeness of the time reported, based on their personal knowledge of the employee's activities, prior to submission to time reporting systems. Upon approving a time report for submission, the supervisor becomes responsible for its content.

The company has also established field coordinators for each time reporting organization. The field coordinators must complete time reporting training themselves and are responsible for the initial and ongoing training for the time reporting personnel within their designated organizations. The field coordinators maintain current payroll information on each employee for whom they are responsible. They give advice and assistance to the supervisors in establishing the procedures for timely completion and submittal of time reports and ensure that the time reports are properly logged, filed, and forwarded to the designated input center. The field coordinators conduct periodic reviews of each step of the time reporting process in the offices for which they are responsible and are required to notify upper management of any unresolved problems.

In addition to review by supervisors and field coordinators, the time reporting processes and results are subject to periodic audit. If any of these reviews and audits determine that there are inaccuracies or inadequacies in the time reporting process, a program of corrective actions is developed, and the supervisors and field coordinators are held responsible for ensuring that the program is implemented. Records relating to time reporting employees' activities, including notes kept by employees and their managers, memoranda relating to job time and assignment logs, where relevant to the job function being performed, will, in accordance with the Order on Reconsideration, be retained for a period of one year after the close of the fiscal year to which the records relate.

Time reporting employees and their supervisors are responsible for the accuracy of time reports. They are bound by the company's code of conduct, which requires that all records and reports be prepared with care and honesty. All employees sign an acknowledgment that they understand the provisions of the code and understand that violation may result in disciplinary action up to and including dismissal.

