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*A if,*

September 30, 2008

Kathryn M. Bailey, P.E.  
Director, Telecommunications Division  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, NH 03301-2429

**RE: Northern New England Telephone Operations LLC d/b/a FairPoint Communications - NNE ("FairPoint"), Compliance with Commission Order Dated February 25, 2008 in Docket No. DT 07-11.**

Dear Ms. Bailey:

Pursuant to Section 7.0 of the Settlement Agreement between the Joint Petitioners and the Commission Staff, dated January 23, 2008, as approved by the Commission's Order dated February 25, 2008, in Docket No. DT 07-011, the attached document is FairPoint Communications Cost Allocation Manual ("CAM"). The FairPoint CAM is an edited and updated version of the Verizon CAM filed with the FCC on December 17, 2007 and effective January 1, 2008.

As the Commission is aware, the Transition Services Agreement has been extended until January 31, 2009. Pursuant to the extension, Verizon will continue to perform the accounting and FCC Part 64 allocations for FairPoint New Hampshire's regulated operations. As such, FairPoint is required to continue to follow the Verizon CAM until Cutover.

Consistent with the Verizon CAM, the FairPoint CAM addresses the cost allocation principles that are being followed. Due to the extension of the TSA, the detailed budget pro forma of charges to and from affiliates for 2008 and the affiliate agreements and arrangements contemplated in the stipulation has not been completed and as such is not included.

If the Commission or Staff has any questions regarding this matter, please contact Kevin O'Quinn or Mike Skrivan. as follows:

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Please acknowledge receipt of this letter and its enclosures by signing or stamping and dating the receipt copy of this letter.

Sincerely,

Kevin M. Shea

cc: Meredith Hatfield  
Amanda Noonan  
File





**FAIRPOINT TELEPHONE COMPANIES**

**PART 64**

**COST ALLOCATION MANUAL**

**DRAFT AS OF  
SEPTEMBER 30,2008**

**FAIRPOINT TELEPHONE COMPANIES**

**PART 64**

**COST ALLOCATION MANUAL**

**CC DOCKET 86-111**

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# FAIRPOINT TELEPHONE COMPANIES

## PART 64

### COST ALLOCATION MANUAL

#### SECTION I: INTRODUCTION

##### OVERVIEW

In compliance with the FCC's Joint Cost Order, CC Docket 86-111, the FairPoint Telephone Companies –Northern New England Telephone Operations LLC and Telephone Operating Company of Vermont LLC have prepared a Cost Allocation Manual based on the attributable cost method of fully distributing costs with an emphasis on cost causation. This Cost Allocation Manual (CAM) provides FairPoint's methodology for separating the costs of regulated telephone service from the costs of nonregulated activities.

In CC Docket No. 86-111 the FCC established two separate but complementary sets of rules: one setting forth a cost allocation process to separate the costs of regulated and nonregulated activities offered by a carrier, and the other governing transactions for goods and services between a carrier and its nonregulated affiliates. The Commission chose to implement and enforce these rules by requiring carriers to file and maintain current cost allocation manuals describing the application of these rules to their particular operations.

This manual establishes the procedures for the identification of investment and expenses associated with nonregulated activities. These procedures follow the FCC rules, and are intended to guard against the subsidy of nonregulated activities by regulated activities and to detail transactions between the FairPoint Telephone Companies and their nonregulated affiliates.

The FairPoint CAM fully complies **with** the Commission's Report and Order, and Order on Reconsideration in CC Docket 86-111, and Report and Order in CC Docket 96 150. Its implementation will ensure for regulatory purposes, the proper apportionment of regulated investment and expense.

## **BACKGROUND**

### Cost Allocation Reuirements

Nonregulated products and services include those that are preemptively deregulated by the Commission, those that have never been subject to regulation, and certain regulated services that are accorded nonregulated accounting treatment pursuant to FCC order. Regulated products and services refer to activities which (a) are subject to the Title II tariff filing requirements; (b) are common carrier products and services tariffed by the state commissions; or (c) are non-tariffed activities offered incidental to FairPoint's regulated tariffed services.

FairPoint maintains a single set of books for both regulated and nonregulated products and services, in accordance with the Uniform System of Accounts, Part 32 of the Commission's Rules and Regulations.

FairPoint uses the attributable cost method of fully distributed cost allocation to apportion total company booked costs between regulated and nonregulated activities. FairPoint's cost allocation methods adhere to the following principles:

- FairPoint directly assigns costs of assets **and/or** resources to regulated and nonregulated wherever feasible. These are costs incurred **exclusively** for providing either regulated or nonregulated services. For example, the salary of a customer service representative dealing exclusively with interexchange carriers for the provision of access services is a cost directly assignable to regulated services.
- When the provision of nonregulated products and services requires the use of underlying regulated facilities, FairPoint will charge the tariff rate for that underlying regulated service. Account 5280, Nonregulated Revenue will be debited, and the credit will be recorded in the appropriate regulated revenue account.
- FairPoint will group the costs that it cannot directly assign to regulated or nonregulated activities into homogeneous cost categories (cost pools) which exhibit common cost characteristics. Common cost pools will be categorized and allocated in accordance with the following hierarchy,:

Directly Attributable – costs of assets **and/or** resources incurred to provide **both regulated** and nonregulated services that FairPoint apportions between such services using direct measures of cost causation. An example of direct attribution to regulated services and nonregulated activities is the End User Billing Study. This study analyzes the number of regulated and nonregulated services billed during the billing cycle to distribute Customer Accounting service and equipment processing expense.

Indirectly Attributable – costs of assets and/or resources incurred to provide **both regulated** and nonregulated activities that can be apportioned using indirect or surrogate measures of cost causation. For example, the salary of supervisors of product management employees supporting both regulated services and nonregulated activities is an indirectly attributable cost. The distribution of product management employees' time worked on regulated services and nonregulated activities is the indirect measure of cost causation in this case.

Unattributable – costs of assets and/or resources incurred to provide both regulated and nonregulated services, for which no causal relationship exists. FairPoint accumulates and allocates these costs to both regulated and nonregulated services through the use of the general allocator. The salary of the chief executive officer is an example of an unattributable cost. In the case of unattributable marketing costs, a special marketing allocator apportions these costs to both regulated services and nonregulated activities.

- FairPoint allocates certain types of shared network investment between regulated and nonregulated based on the allocation of the relative regulated and nonregulated usage during the calendar year of the upcoming three-year forecast period, in which the percentage of forecasted nonregulated usage is greatest as compared to forecasted regulated usage. If the actual percentage of nonregulated usage exceeds the forecasted nonregulated percent, then regulated investment must be reallocated to nonregulated at "undepreciated baseline cost", plus the time value of money computed at the interstate rate of return in effect for the relevant period.

The application of these assignments and allocation processes yields total company costs segregated into total regulated and total nonregulated costs in a manner that meets the following FCC objectives.

- Maximize direct assignment through functional analysis of each account;
- Define meaningful measures of asset or resource use to attribute a high proportion of the common cost;
- Apportion shared network investment based on projected measurements of use;
- Apportion unattributable costs through a general allocator;
- Provide an audit trail of costs, assuring traceability to Part 32 Accounts; and
- Charge nonregulated activities tariff rates for tariffed services.

### **Affiliate Transaction Requirements**

The provisions included in contracts or service agreements govern the transactions between regulated and nonregulated affiliates. The FairPoint Telephone Companies (FRPTCs) record these transactions on their regulated books consistent with the rules in Section 32.27 of the FCC's Uniform System of Accounts. FairPoint provides in-region long distance services through separate affiliates that are not affiliates under either Section 272 of the Communications Act of 1934, as amended, nor Section 64.1903 of the Commission's rules in accordance with the FCC's Dominant Carrier Regulation Order released on August 31, 2007. Dominant *Carrier* Regulations for In-Region, Interexchange Services, Report and Order,

22 FCC Rcd 16440 (2007). The FRPTCs bill their in-region long distance affiliates for access services in accordance with their published tariffs and publicly filed agreements.

Affiliate transaction rules also apply to transactions between two nonregulated affiliates (such as an internet service provider affiliate and a services affiliate) that results in an asset or service provided to the regulated carriers through secondary transactions.

### **Terms of Transactions**

**Tariff Rate** – The basis for the provision of services or the transfer of assets from a regulated entity to a nonregulated entity if the service or asset is provided under tariffs approved by a federal or state regulatory agency. This definition also includes rates appearing in publicly filed agreements submitted to a state commission pursuant to section 252(e) or statements of generally available terms pursuant to Section 252(f) of the Telecommunications Act of 1996.

**Prevailing Price** – (Market rate) – The price held out, and actually charged, to nonaffiliated entities. When more than 25% of the annual sales of a similar product/service is sold to those entities it is used to value the transfer of assets or the provision of services between a regulated and nonregulated entity. In the case of transactions for non-discriminatory access services provided to long distance affiliates, the FRPTCs may record such transactions at prevailing price regardless of whether the 25% threshold has been satisfied.

**Fully Distributed Costs (FDC)** – Where no tariff rate or prevailing price is applicable, the FRPTCs use FDC as prescribed by Section 64.901 of the FCC's Rules. FDC consists of costs that the FRPTCs can directly and indirectly attribute on a cost causative basis, plus an allocation of common overhead (unattributable) costs. FDC also includes a return on investment component limited by the allowed rate of return on the FRPTCs' regulated interstate operations. Service Company provided products of services are always valued at FDC.

**Service Valuation Rule** – The basis for transferring products or services between regulated and nonregulated entities or accounts. If a tariff or prevailing price is not available, then:

1. Lower of fully distributed cost or estimated fair market value – method used to value products or services provided by a nonregulated affiliate to a FRPTC. If the total annual transaction will be less than \$500,000 it can be recorded at FDC.
2. Higher of fully distributed cost or estimated fair market value – method used to value products or services provided by a FRPTC to a nonregulated affiliate. If the total annual transaction will be less than \$500,000 it can be recorded at FDC.

## **Asset Transfers**

The requirements of Section 32.27 of the FCC's Rules will also govern the FRPTCs' accounting for the cost of transferred assets. In the absence of a tariff rate or a prevailing price, the FRPTC will record:

1. No more than the lower of fair market value or net book value as the value of assets transferred from a nonregulated affiliate to a FRPTC.
2. No less than the higher of fair market value or net book value as the value of assets transferred from a FRPTC to a nonregulated affiliate.

## **Services**

1. Services provided to the FRPTCs:
  - A. The nonregulated affiliate will provide the service at the Federal or State tariff or contract rate publicly filed with a state commission (including unbundled network elements and statements of terms).
  - B. When unaffiliated companies purchase more than 25% of a particular product or service (measured by the amount of annual sales), then the FRPTCs will record the transaction (sold by a nonregulated affiliate) at the prevailing price.
  - C. When unaffiliated companies purchase 25% or less of a particular product or service, and the sale is from a nonregulated affiliate to a FRPTC, then the FRPTCs must record the transaction at no more than the lower of estimated fair market value or FDC. If the total annual transaction will be less than \$500,000 it can be recorded at FDC.
2. Services provided by the FRPTCs:
  - A. The FRPTCs will provide the service at the Federal or State tariff or contract rate publicly filed with a state commission (including unbundled network elements and statements of terms).
  - B. When unaffiliated companies purchase more than 25% of a particular product or service (measured by the amount of annual sales), then the FRPTCs must record the transaction (sold by a FRPTC) at the prevailing price. In the case of transactions for non-discriminatory access services provided to long distance affiliates, the FRPTCs may record such transactions at prevailing price regardless of whether the 25% threshold has been satisfied.

- C. When unaffiliated companies purchase 25% or less of a particular product or service, and the sale is from a FRPTC to a nonregulated affiliate, then the FRPTCs must record the transaction at no less than the higher of estimated fair market value or FDC. If the total annual transaction will be less than \$500,000 it can be recorded at fully distributed costs.

### **FAIRPOINT CAM IMPLEMENTATION**

FairPoint's CAM comprises a comprehensive set of cost apportionment and accounting principles that the FairPoint Telephone Companies apply to apportion costs between regulated services and nonregulated activities. The CAM also identifies the affiliate transactions between the FairPoint Telephone Companies and the other FairPoint affiliates and describes the cost basis and the frequency of the transactions.

The cost apportionment process utilized in the development of this manual involved:

- 1) The identification of services as regulated or nonregulated,
- 2) The analysis of each Part 32 Account,
- 3) The analysis of cost drivers and development of apportionment bases, and
- 4) The actual apportionment of costs.

FairPoint has analyzed and determined whether the costs in each Part 32 Account apply to both regulated services and nonregulated activities, or whether they pertain to a single category. In many cases, the accounts were sufficiently homogeneous that we could apply the same cost causal factors and required no further disaggregation to determine appropriate apportionment bases.

In those cases where the additional disaggregation was warranted, a functional analysis identified unique categories to disaggregate the account based on the service performed or the use of the asset.

For those accounts requiring the additional disaggregation, the level of disaggregation depended on the complexity and materiality of the costs in the account. Through this analysis, Part 32 Accounts were disaggregated at a level which demonstrates the cost causative relationship to the cost category. The functionalized accounts and groupings of various accounting records identified through this process are the "cost pools" referenced throughout this CAM.

FairPoint has identified the underlying cost causal relationships for common cost pools. For each cost pool, FairPoint identified and analyzed the cost drivers, or underlying forces which require the cost expenditure to determine the direct or indirect attribution basis for apportionment between the regulated and nonregulated categories. In the case of shared network investment, we determined the measure of projected use to apportion costs in a manner consistent with FCC requirements. Once potential attribution bases were identified, an analysis determined whether implementation of the attribution basis was feasible. This analysis involved a review of available data sources such as that maintained in the time reporting and functional accounting databases.

This analysis also identified certain cost pools as supportive of other cost pools. In such cases a determination was made to attribute the supporting cost pool to the regulated and nonregulated categories in the same proportion as the primary cost pool. This surrogate measure of cost apportionment reflects indirect attribution based upon an appropriate causal relationship.

Costs which could not be directly or indirectly assigned are considered unattributable. FairPoint allocated unattributable marketing costs by the marketing allocator. The total company expense general allocator (designated by the FCC) apportions the remaining unattributable costs.

Lastly, this CAM addresses the subject of time reporting. Time reporting is a basis of assigning or allocating employee related costs between regulated and nonregulated activities. Employee related costs include salaries and wages, paid overtime, miscellaneous business expenses and payroll related benefits such as social security taxes, pension costs and medical insurance.

**FAIRPOINT TELEPHONE  
COMPANIES PART 64  
COST ALLOCATION MANUAL**

**SECTION II: DESCRIPTION OF NONREGULATED ACTIVITIES**

This section includes descriptions of each of the nonregulated activities undertaken by the FairPoint Telephone companies. An index showing where to find the description for each of these activities is immediately below. Appendix A following the descriptions details the accounts impacted by these activities. Appendix B shows the activities actually provided by each of the FairPoint operating telephone companies. Section VI of this manual contains a detailed listing of all cost pools by account.

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## **A. CUSTOMER PREMISES EQUIPMENT**

### **A1 Digital Network Channel Terminating Equipment (DNCTE)**

FairPoint will offer, through sale or lease, both new and embedded Digital Network Channel Terminating Equipment (DNCTE). Embedded DNCTE is Customer Premises Equipment obtained by FairPoint prior to January 1, 1984. New DNCTE is customer premise equipment obtained since January 1, 1984. DNCTE consists of Channel Service Units and Digital Service Units that are used with Digital Data Service and High-Capacity Digital Data Service.

### **A2 CPE Planning**

CPE planning includes planning and development activities for the future offering of customer premises equipment by the FairPoint telephone companies. Planning includes all activities undertaken from the evaluation of the CPE as a potential offering through market trials and the planning required to provide the offering. The CPE will be in support of new or existing FairPoint network and nonregulated services

### **A3 CPE Provisioning**

CPE provisioning includes the sale, lease, installation, removal, maintenance, monitoring, and repair of customer premises equipment. The CPE supports new or existing FairPoint network and nonregulated services.

### **A4 CO-LAN Extended Interface Unit**

CO-LAN provides connections and access to multiple computer data bases and user equipment such as hosts, data terminals, PC's, file storage devices and printers. The "enhanced" CO-LAN feature provides asynchronous to X.25 protocol conversion via an Extended Interface Unit (EIU). The Extended Interface Unit is a multiplexer, which is placed on the customer's premises and is connected by transmission facilities to the Central Office-Local Area Network (CO-LAN) data switch in the serving central office.

### **A5 Direct Customer Access Service**

Direct Customer Access Service (DCAS) gives customers access to a Gateway that enables them to interact electronically with a number of Operations Support Systems (OSSs). Terminal access allows customers to use their own personal computer to gain access to the Gateway via a dial-up or dedicated line connection. The use of the gateway and the operations support systems is a regulated activity. The graphical user interface installed on the customer's PC, Secure-Ids, right to use fees for the communications software, installation and testing of the software at the customer's location and customer training on the use of the interface are classified as nonregulated CPE.

## **B. ENHANCED SERVICES**

### **B1 Enhanced Services Planning**

Enhanced services planning refers to the evaluation of proposed services to be offered over common carrier facilities which employ computer processing applications that 1) act on the format, content, code, protocol or similar aspects of the customer's transmitted information (protocol processing services), 2) provide the customer with additional, different, or restructured information, or 3) involve customer interaction with stored information. All activities from the initial evaluation of the product or service prior to the implementation and delivery of the product or service, fall into the planning category. The evaluation process includes any technical or marketing trials.

### **B2 Protocol Processing Service**

Nonregulated protocol processing includes conversions between data formats, such as frame relay frames and ATM cells, where the form of the underlying subscriber information is not changed, but the packet size or header information are altered within the network. Protocol processing also includes Protocol Conversation Service that changes the form of a subscribers' information within the network to permit communication between disparate terminals or networks. All investment and expenses associated with protocol processing services are separate from the investment and expenses associated with the data transport and routing elements of the service.

### **B3 Customer Dialed Account Recordina (CDAR)**

Customer Dialed Account Recording (CDAR) is a feature of Centrex Station Message Detail Recording (SMDR) that permits the addition of a number of digits to the SMDR record of any call. CDAR permits the addition of a customer-controlled number to the MDR magnetic tape detail record for the customer's internal cost allocation of call records. The CDAR number does not affect the charging of the call but is used by the customer for identification or internal allocation of the customer's services.

### **B4 Messaaina Services**

Messaging services are a family of services that allow users to address, dispatch, temporarily store, and retrieve information from a store and forward system. The messaging services include such features as Telephone Answering, Voice Mail, Call Delivery, Customized Announcement and Facsimile Store and Forward services.

Telephone Answering Service and Call Answering Service provide automated telephone answering for a subscriber when the line is busy or if there is no answer within a prescribed number of rings. The service permits the calling party to leave a recorded message, and the subscriber is provided a message waiting indicator and message retrieval capabilities.

Voice Mail Service provides subscribers with 24-hour telephone answering and message storage, priority message delivery, delivery to a group list, call transfer to an attendant, remote message notification and automatic response to messages from mailbox subscribers. Call Delivery Service allows a subscriber to dial a call delivery number and record a message for delivery to the recipient at a time designated by the originator. Notification services allow a subscriber to record a message that will be delivered to a preset list of recipients when a trigger event occurs, such as the originating subscriber dialing an emergency services number.

Customized Announcement Service (CAS) is a computer based audiotext service that enable subscribers to create, store, access and retrieve customized announcements. Subscribers and end users will access and interact with CAS through use of a Touch-Tone telephone. Access to CAS will be via tariffed services and enhanced functions will be separate from regulated telephone network equipment

Fax Messaging Service allows customers to store, receive, and send facsimile messages. This feature provides such functions as facsimile storage for busy facsimile machines, facsimile notification via voice mail, pager or E-mail, facsimile retrieval from any facsimile machine chosen by the customer, facsimile delivery over the internet, facsimile retrieval by E-mail, and facsimile broadcasts to large numbers of recipients. Customers can also store documents permanently so that they can be accessed by anyone with a fax machine at any time.

#### **B5 Internet Protocol Telephony Gateway Access Service**

Internet Protocol (IP) Telephony Gateway Access Service provides call origination and call termination of Internet Protocol traffic to the public switched telephone network. This service converts customer traffic between IP and voice grade telephony signals. An IP Telephony Gateway site will be located in each LATA where the service is provided. Each gateway will be connected to an IP backbone Point of Presence (POP) within the LATA and to a local FairPoint central office using tariffed facilities. The IP backbone POP will be owned by an unaffiliated company.

#### **B6 Enhanced Directory Assistance Service**

Enhanced Directory Assistance Service (EDAS) provides directory assistance callers with information beyond directory number listing information. This information may include movie listings and locations, restaurant reviews and locations, weather and traffic advisories, driving directions, searches by item category or proximity to the caller and other information not available through traditional directory services. EDAS may be provided to other carriers for use by their customers and directly to FairPoint end user customers. FairPoint will provide EDAS with the same operator systems facilities and personnel used to provide local and **nonlocal** directory assistance services. These costs will be apportioned between regulated and nonregulated operations on call volumes. The additional costs for vendor provided non-listing information will be directly assigned to nonregulated operations. FairPoint transport facilities used for EDAS will be charged to nonregulated activities at tariff rates.

## **C. INTELLECTUAL PROPERTY**

FairPoint offers a variety of developmental and support activities in order for customers to use software or related intellectual properties licensed by FairPoint more effectively. These activities are provided within the restrictions of the Modified Final Judgment and other applicable legal authorities. License and support activities are negotiated with customers on a case by case basis in order to match the customer's needs.

### **C1 License Support Activities - Regulated in Origin**

Licensing of software or other intellectual property developed for a regulated application is recorded by FairPoint as an incidental activity. The associated support activities are classified and accounted for as non-regulated activities. License support activities include installing, enhancing, customizing, maintaining and providing other support services as requested by customers. These value-added services can augment a customer's internal staff or provide staff support to those without the internal expertise.

### **C2 License Support Activities - Nonregulated in Origin**

FairPoint also licenses and provides support to software and related intellectual properties that were developed as non-regulated products or services. All revenues and expenditures arising from both the licensing and support activities associated with these intellectual properties will be classified and accounted for as nonregulated.

## **D. PREMISES WIRE SERVICES**

Premises wire services are FairPoint products and services that are located on the customer's side of the demarcation point (i.e., where the network interface is placed).

### **D1 Installation and Maintenance of Inside Wire**

FairPoint provides business and residence customers with installation, additions, rearrangements and changes and removal of premises wire and telephone jacks on either a time and materials basis or a special pricing arrangement based on a fixed price or cost plus bid. FairPoint also provides repair service for premise wire and telephone jacks on a time and materials basis.

### **D2 Inside Wire Maintenance Plans**

FairPoint provides business and residence customers with optional inside wire maintenance plans that include the repair of premises wire and jacks. FairPoint also provides enhanced inside wire maintenance contracts that include the repair of premise wire and jacks and the identification of defective customer equipment. These plans may also include the provision of a loaner or replacement set or the coordination of visits with a customer premises equipment vendor.

## **E. MISCELLANEOUS SERVICES**

### **E1 Equipment Reclamation Services**

Equipment reclamation services encompass the renovation and brokerage of obsolete and/or surplus equipment and materials for third parties. It may also include the purchase and resale of such items.

### **E2 Paging Service**

The FairPoint Telephone Companies will resell paging services. The resold service includes a pager and usage of an unaffiliated vendor's paging service network. The FairPoint Telephone Companies will purchase paging service network usage from the vendor and will purchase pagers from affiliates or nonaffiliated vendors for resale. The operating telephone companies will provide network services to the unaffiliated paging service vendor at tariff rates.

### **E3 Brand Licensing Activities**

FairPoint may, at its option, license the FairPoint brand name for use by unaffiliated companies and companies in which FairPoint may have a minority ownership interest. These companies typically provide products and services of interest to FairPoint's customers, either under the FairPoint brand name or co-branded with their own brand names. FairPoint may provide marketing support services and referrals from FairPoint sales channels to these licensees.

### **E4 Billing and Collection Services**

FairPoint will perform Billing and Collection services under contract for third parties. This nonregulated activity does not include billing and collection services provided to interexchange carriers, which were detariffed in accordance with CC Docket 85-88, released January 29, 1986. These services may include the gathering and processing of billing data, bill production and mailing, payment processing, collections and inquiry.

## **F. INTERLATA INFORMATION SERVICES**

This section includes services classified by the Federal Communications Commission as interLATA information services that the FCC has permitted the operating telephone companies to provide with nonregulated accounting treatment rather than through a separate subsidiary.

## F1 E911 InterLATA Information Service

This service includes the transmission of telephone number and name and address information across LATA boundaries. The network components are interLATA data circuits, Automatic Line Identification (ALI) database systems and database management systems for the Enhanced 911 Service (E911). Equipment located at a Public Safety Answering Point transmits a subscriber's telephone number via an interLATA data circuit to an ALI database system. The ALI database matches the subscriber's telephone number to a name and address and returns this information over an interLATA data circuit to the PSAP. Database management systems verify and update the information in the ALI databases. The E911 interLATA Information Service will purchase the required interLATA data links and link ports between the PSAPs and the ALI database locations at tariff rates.

FairPoint will also provide Emergency Service Listings (ESL), to qualified "Emergency Service Providers"(ESP) governmental agencies, per Federal Law requirement. ESL will be sold to current E-911 customers who qualify. FairPoint will provide the Information to Licensee via a compact disk and electronic transfer, based upon the terms of the contract in the requested states. Contracts are either a one-time snapshot, or 3 years in duration, with daily or weekly updates. ESL will be priced to cover costs. ESL is unique in that no Network element is involved in the sale, and thus can be sold without being attached to an existing phone number.

## F2 Customer Name and Address Service

Customer Name and Address service is a reverse directory search feature that allows a caller to request a listed subscriber name and/or address after providing the directory assistance operator a complete telephone number.

## **G. CONSULTING AND MANAGEMENT SERVICE**

### G1 National Payphone Account Management

FairPoint provides managerial and consulting services with respect to all aspects of the provision of local public telephone services and facilities on a premise owners' business premises. FairPoint also serves as the premise owner's single point of contact with all providers of local and intraLATA toll telephone service and facilities. FairPoint negotiates and executes on behalf of the premise owner all future local provider contracts, and all terminations, amendments or renewals of existing local provider contracts. In addition, FairPoint provides the premise owner with informational assistance for long distance telephone service provided by interLATA carriers to public telephones on the premise owners' premises. FairPoint collects commissions payable by local providers and long distance carriers and remits all commissions received to the premise owner.

## **G2 Consultina Services**

Consulting services include providing professional or expert advice to external customers. Examples include consultation on proprietary intellectual properties, customer network planning and integration, development and delivery of customer training programs, etc.

Consulting services also includes activities to plan and develop new nonregulated services for the FairPoint companies. Planning and development includes all activities undertaken from the evaluation of a product or service as a potentially viable product offering through the development of a comprehensive plan for the implementation and delivery of the product or service. The evaluation includes any technical or marketing trials performed prior to offering the service.

## **G3 Maintenance, Support and Provisionina of Privatelv Owned Telecommunications Networks**

FairPoint will provide administration, maintenance, support and provisioning services to customers who desire to build their own telecommunications networks. Administration services include operating a customer's network on their behalf. Maintenance includes serving as a single point of contact for all maintenance activities on the network.

Support includes consultation regarding site location for base stations, acquisition services for Non-FairPoint owned property, radio frequency planning and network switching and transport design. Provisioning includes acting as a general contractor to direct the construction of customer owned telecommunications networks.

## **G4 Call Center Manaaement and Administration Service**

FairPoint will provide Call Center Management and Administration (CCMA) Service using a customer proprietary platform. FairPoint will select and provide the real estate site, furniture, office equipment, administrative systems, force management system and all call center personnel. The customer will own, install and maintain the operator system, operator positions, uninterruptible power supply and all associated switching and network facilities. A CCMA center will manage call completion type calls for the customer.

## **G5 Sharina of ILEC Operating, Installation and Maintenance Functions**

FairPoint will provide certain shared services associated with Operating, Installation and Maintenance functions to its separate affiliates, and any other requesting nonaffiliate. The ILEC work force will be used to perform functions on behalf of its affiliates, and may include field force personnel, back office error fallout and back office repair functions.

Services included in these functions are the performance of maintenance and installation functions on Long Distance switching, transport and data equipment at a point of presence or hub in franchise and near out of office franchise. Additionally FairPoint technicians may provide manual investigation of voice troubles referred to long distance from the local exchange company trouble centers, and provide support to complete preliminary analysis and routing of trouble to the appropriate organization.

FairPoint will adhere to all appropriate affiliate transaction pricing and nondiscrimination rules when providing the above-mentioned services.

## **H. PAYPHONE SERVICES**

### **H1 Pay Telephone Service**

Pay telephone service includes the provision of public and semi-public pay telephones, the provision of inmate telephone service in correctional facilities, and access to the switched voice telephone network. The pay telephone set is nonregulated. The local loop and access to the local switched network are regulated tariffed services, as are central office based features needed to provide pay telephone service.

## **I. INCIDENTAL INTERLATA SERVICES**

### **II Gateway Access Service**

Gateway Access Service enables the delivery of SS7 common channel signaling information to, and receipt of this signaling information from, common carriers at any location within the area where FairPoint provides telephone exchange services or exchange access. Gateway Access Service provides interLATA transport to any telecommunications carrier or SS7 access hub provider between company identified Gateway Access Signaling Transfer Point (STP) locations. Gateway Access Service also provides connections through local STP locations to subtending end offices located across a LATA boundary from the serving STP locations. Gateway Access Service also provides off-network signaling in which non-FairPoint signaling information transmits the FairPoint SS7 network and terminates at a non-FairPoint end point. Gateway Access Service will purchase the required data links and link ports at tariff rates.

### **I2 National Directory Assistance Service**

FairPoint provides International and National Directory Assistance (NDA) service to its local service customers and to other carriers, via a traditional call-in, or in an electronic web-based format. This service provides customers with nonlocal telephone listings for anywhere in the United States, Canada and Puerto Rico. Customers will be asked to provide name, city and state of the listing requested. To obtain IDNNDA service, customers will either dial the telephone number(s) specified by FairPoint or, in the case of service provided to other carriers, the number provided by that carrier to their customers. IDNNDA calls will use the same operator systems facilities and personnel as local directory assistance service. The telephone listings provided by FairPoint will be obtained from FairPoint facilities that are used for local directory assistance and those that are used for nonlocal listings. FairPoint will impute the regulated revenue and nonregulated cost for the use of its listings using the same rates, terms and conditions under which it provides such listings to others. In addition, IDNNDA service will impute tariff rate charges for the use of FairPoint OTC transport facilities.

### I3 Call Management Signaling Service

Call Management Signaling Service provides a customer with a suite of capabilities to access signaling for individual calls and manages the disposition of those calls on both a pre-arranged and real time basis. Call Management Signaling Service includes the following specific features described below. The Real Time Call Disposition feature provides the customer with the capability to allow its end user to manage the disposition of incoming calls, including identifying incoming callers, answering calls, and responding to callers with situational messages. The customer will be required to send call disposition requests to the Telephone Company's interface server within 18 seconds of receipt of terminating detail signaling to facilitate real-time forwarding. Call Management Signaling Service will be provided where technical capability exists on individual end user lines that originate from Telephone Company end offices equipped with Advance Intelligent Network (AIN) triggering capability.

## **J. BROADBAND FACILITY SERVICE**

### J1 Video and Data Broadband Services

The Fiber to the Premise (FTTP) video service shall consist of both traditional broadcast video programming and interactive video programming. The broadcast video component shall consist of a mixture of analog-modulated video channels and digitally encoded video channels. The digitally encoded channels shall be access-controlled via an industry standard conditional access method. The service will be organized into multiple tiers of service. The base tier will be analog channels, and higher tiers shall be delivered over digitally encoded channels, eventually evolving to IP-based services.

## **GENERAL**

Tariffed services used in support of nonregulated activities will be charged to nonregulated activities at the tariff rates. Direct costs will be identified using accounting records. Costs that cannot be fully segregated at the point of entry will be attributed on the basis of cost causative factors. Costs that can be neither directly assigned nor attributed on a cost causative basis will be allocated using the marketing allocator or general allocator as appropriate.

The following pages detail the Part 32 accounts impacted by each of the FairPoint telephone companies' nonregulated activities. The cost apportionment tables contained in Section VI of this manual identify the specific methodology used to apportion each account required to be included in the manual.



PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)														
	A1	A2	A3	A4	A5	B1	B2	B3	B4	B5	B6	C1	C2	D1	D2
2411 Poles															
2421 Aerial Cable															
2422 Underground Cable															
2423 Buried Cable															
2426 Intrabuilding Network Cable															
2441 Conduit Systems															
2681 Capital Leases	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2682 Leasehold Improvements	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2690 Intangibles	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Depreciation and Amortization Accounts															
3100 Accumulated Depreciation	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
3200 Accum. Depreciation Held for Future Use	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
3410 Accum. Amortization - Capital Leases	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
3420 Accum. Amortization - Leasehold Improvmts	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Current Liability Accounts															
4040 Customer Deposits	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
4100 Net Curr. Def. Operating Income Taxes	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
4300 Other Long Term Liab & Def Credits	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
4340 Net Noncurr. Def. Operating Income Taxes	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)														
	A1	A2	A3	A4	A5	B1	B2	B3	B4	B5	B6	C1	C2	D1	D2
Revenue Accounts															
5230 Directory Revenue															
5280 Nonregulated Operating Revenue	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
5300 Uncollectible Revenue	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Operating Expense Accounts															
6112 Motor Vehicle Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6113 Aircraft Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6114 Tools and Other Work Equipment Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6121 Land and Buildings Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6122 Furniture & Artworks Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6123 Office Equipment Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6124 General Purpose Computer Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6211 Non Digital Switching Expense								X							
6212 Digital Electronic Expense						X	X	X	X	X					
6220 Operator Systems Expense											X				
6231 Radio Systems Expense															
6232 Circuit Equipment Expense							X								
6311 Station Apparatus Expense			X												
6341 Large PBX Expense			X												
6351 Public Telephone Term. Equip. Expense			X												
6362 Other Terminal Equipment Expense	X	X	X	X	X									X	X

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)														
	A1	A2	A3	A4	A5	B1	B2	B3	B4	B5	B6	C1	C2	D1	D2
6411 Pole Expense															
6421 Aerial Cable Expense															
6422 Underground Cable Expense															
6426 Intrabuilding Cable Expense															
6441 Conduit Systems Expense															
6511 Prop. Held for Future Use Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6512 Provisioning Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6531 Power Expense						X	X	X	X	X	X				
6532 Network Administration Expense	X	X	X	X	X	X	X	X	X	X	X			X	X
6533 Testing Expense	X	X	X	X	X	X	X	X	X	X	X			X	X
6534 Plant Operations Admin Expense	X	X	X	X	X	X	X	X	X	X	X				
6535 Engineering Expense	X	X	X	X	X	X	X	X	X	X	X			X	X
6561 Depreciation Expense TPIS	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6562 Depreciation Expense TPHFTU	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6563 Amortization Expense - Tangible	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6564 Amortization Expense - Intangible	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6565 Amortization Expense - Other	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6611 Product Management & Sales	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6613 Advertising Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6621 Call Completion Services Expense															
6622 Number Service Expense											X				
6623 Customer Service Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)															
	A1	A2	A3	A4	A5	B1	B2	B3	B4	B5	B6	C1	C2	D1	D2	
6720 General & Administrative Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
6790 Provision for Uncoll. Notes Receivable	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Other Income Accounts																
7100 Other Operating Inc Gains & Losses	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
7210 Operating Investment Tax Credits	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
7220 Operating Federal Income Tax	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
7230 Operating State & Local Income Tax	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
7240 Operating Other Taxes	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
7250 Prov. For Def. Operating Income Taxes	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
7300 Nonoperating Income & Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
7500 Interest and Related Items	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
7600 Extraordinary Items	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
7990 Nonregulated Net Income																

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)															
	E1	E2	E3	E4	F1	F2	G1	G2	G3	G4	G5	H1	I1	I2	I3	J1
Asset Accounts																
1220 Inventories	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
1410 Other Noncurrent Assets	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Plant Accounts																
2002 Property Held for Future Telecom Use	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2003 Telecom Plant Under Construction	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2005 Telecom Plant Adjustment	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2111 Land	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2112 Motor Vehicles	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2113 Aircraft	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2114 Tools & Other Work Equipment	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2121 Buildings	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2122 Furniture	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2123 Office Equipment	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2124 General Purpose Computer Equipment	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
2211 Non Digital Switching Equipment																
2212 Digital Electronic Switching Equipment																
2220 Operator Systems							X							X		
2231 Radio Systems									X							X
2232 Circuit Equipment									X							X
2311 Station Apparatus																X
2351 Public Telephone Terminal Equipment												X				
2362 Other Terminal Equipment																X



PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)															
	E1	E2	E3	E4	F1	F2	G1	G2	G3	G4	G5	H1	I1	J2	I3	J1
Revenue Accounts																
5230 Directory Revenue																
5280 Nonregulated Operating Revenue	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
5300 Uncollectible Revenue	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Operating Expense Accounts																
6112 Motor Vehicle Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
6113 Aircraft Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
6114 Tools and Other Work Equipment Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
6121 Land and Buildings Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
6122 Furniture & Artworks Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
6123 Office Equipment Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
6124 General Purpose Computer Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
6211 Non Digital Switching Expense																
6212 Digital Electronic Expense									X		X					
6220 Operator Systems Expense						X							X			
6231 Radio Systems Expense									X							X
6232 Circuit Equipment Expense									X		X					X
6311 Station Apparatus Expense									X							X
6341 Large PBX Expense									X							X
6351 Public Telephone Term. Equip. Expense												X				
6362 Other Terminal Equipment Expense									X		X					X

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)															
	E1	E2	E3	E4	F1	F2	G1	G2	G3	G4	G5	H1	I1	I2	I3	J1
6411 Pole Expense									X							X
6421 Aerial Cable Expense									X							X
6422 Underground Cable Expense									X							X
6426 Intra-building Cable Expense																X
6441 Conduit Systems Expense									X			X				X
6511 Prop. Held for Future Use Expense	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X
6512 Provisioning Expense	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X
6531 Power Expense						X			X					X		X
6532 Network Administration Expense					X	X	X		X	X	X	X	X	X	X	X
6533 Testing Expense					X	X	X	X	X	X	X	X	X	X	X	X
6534 Plant Operations Admin Expense					X	X			X		X	X		X		X
6535 Engineering Expense						X			X		X	X		X		X
6561 Depreciation Expense TPIS	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6562 Depreciation Expense TPHFTU	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6563 Amortization Expense - Tangible	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6564 Amortization Expense - Intangible	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6565 Amortization Expense - Other	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6611 Product Management & Sales	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6613 Advertising Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6621 Call Completion Services Expense									X					X		
6622 Number Service Expense						X			X					X		
6623 Customer Service Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

PART 32 ACCOUNTS AFFECTED BY NONREGULATED SERVICES

	NONREGULATED SERVICES (SEE INDEX)															
	E1	E2	E3	E4	F1	F2	G1	G2	G3	G4	G5	H1	I1	I2	I3	J1
6720 General & Administrative Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6790 Provision for Uncoll. Notes Receivable	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Other Income Accounts																
7100 Other Operating Inc Gains & Losses	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7210 Operating Investment Tax Credits	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7220 Operating Federal Income Tax	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7230 Operating State & Local Income Tax	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7240 Operating Other Taxes	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7250 Prov. For Def. Operating Income Taxes	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7300 Nonoperating Income & Expense	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7500 Interest and Related Items	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7600 Extraordinary Items	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7990 Nonregulated Net Income																

**NONREGULATED SERVICES BY COMPANY**

	NONREGULATED SERVICES (SEE INDEX)														
	A1	A2	A3	A4	A5	B1	B2	B3	B4	B5	B6	C1	C2	D1	D2
Northern New England Telephone Operations LLC	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Telephone Operating Company of Vermont LLC	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

NONREGULATED SERVICES (SEE INDEX)																
	E1	E2	E3	<del>E4</del>	F1	F2	G1	<del>G2</del>	G3	G4	G5	H1	I1	I2	I3	J1
Northern New England Telephone Operations LLC	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Telephone Operating Company of Vermont LLC	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

**FAIRPOINT TELEPHONE COMPANIES**  
**PART 64**  
**COST ALLOCATION MANUAL**

Section III: LISTING OF INCIDENTAL ACTIVITIES

This section lists the FairPoint Telephone Companies' activities currently treated as incidental, and the justification for such treatment. The incidental activities listed below are an outgrowth of regulated operations, require a relatively insubstantial commitment of resources or investment, and add relatively little or no financial or other risk to the regulated operations. The incidental activities described are non-tariffed activities offered to nonaffiliated third parties and are incidental to FairPoint's tariffed services. The incidental activities listed do not include nonregulated lines of business, affiliate transactions, court ordered operations, any special construction work within the tariff, or non-tariffed items provided under specific agreement which are similar to the provision of regulated telecommunications services. Thus, for example, the incidental category does not include revenues from affiliates or Shared Network Facilities Agreements.

The FairPoint Telephone Companies followed the quantitative limits and qualitative guidelines promulgated by the Commission to identify the listed incidental activities.

QUANTITATIVE LIMITS

In the aggregate, incidental activities revenues may not exceed one percent of a company's total revenues for a period of three consecutive years.

QUALITATIVE GUIDELINES

- 1 The activity must not be a line of business.
- 2 The activity has been traditionally accorded regulated accounting treatment.
- 3 The activity is an outgrowth of regulated operations.
- 4 The activity uses minimal incremental resources or investment.
- 5 The additional financial or other risk to the regulated operation is negligible.

FAIRPOINT TELEPHONE COMPANIES' INCIDENTAL ACTIVITIES

Miscellaneous Rentals and Lease Arrangements:

- Pole and conduit space is leased to nonaffiliated third parties pursuant to agreement. This service also includes determining whether or not space is available, inspecting each job to ensure the public's safety, and making space is available when necessary. Power companies and certain independent telephone companies have traditionally used this service.
- Rentals and leases of land, buildings and equipment includes rentals of unused space or space better suited for use by non-affiliated entities in company owned facilities. An example of this type of transaction would be the leasing of ground floor space to a non-affiliated entity engaged in the retail trade.

- In some jurisdictions, a FairPoint Telephone company offers similar services pursuant to tariff, e.g., pole rentals in New Hampshire, and thus the FRPTC does not include these activities as incidental activities.

#### Selling Used and Repairable Furniture and Fixtures:

The FairPoint Telephone Companies sell certain furniture and fixtures (that were previously expensed and have outlived their usefulness to the company) to employees and nonaffiliated third parties. This has never been a tariffed service and is not part of a line of business.

#### Sale of FairPoint Developed Software:

The FairPoint Telephone Company develops and sells software for the provision of regulated telecommunications services. FairPoint has traditionally engaged in this activity and records these revenues as miscellaneous revenues. This has never been a tariffed service and is not part of a line of business. FairPoint will not include intellectual properties developed in the course of a nonregulated activity as an incidental activity.

#### Network Consulting:

FairPoint Telephone Companies occasionally advises non-affiliated telephone companies regarding the maintenance of central office equipment, and diagnosis and correction of malfunctions in hardware and software components. The non-affiliated telephone companies perform the actual maintenance and repair work. These services are not tariffed and are not part of a line of business.

#### Message Detail Services:

The FairPoint Telephone Companies provide recording services from our tandem offices. FairPoint has traditionally provided this service under a contractual agreement to Independent telephone Companies and other exchange carriers. The unaffiliated companies do not have recording capability in their end offices. Where the FRPTC's provide recording service, they normally rate the recorded messages (message processing service) and then provide the message detail, via an agreed upon medium (e.g., magnetic tape, data transmission) to the unaffiliated company. These services are not tariffed and are not part of a line of business.

#### Billing, Collection and Remitting of Non-Toll Service:

The FairPoint Telephone Companies have traditionally offered this service to telephone companies along state boundary service areas. In such cases, the customers of the other telephone companies receive basic exchange service from our central office(s). The unaffiliated telephone companies then reimburse the FRPTC's through a Borderline Service Agreement. This service is not tariffed and is not part of a line of business.

#### Special Billing Arrangements:

The FairPoint Telephone Companies furnish special billing information to customers, e.g., reproductions of punched cards or magnetic tapes of billing details, and prepare toll statements for independent telephone companies and summary bills. These services are not tariffed and are not part of a line of business.

**Directory Assistance, Directory Sales of Listings, Alarm and Intercept Services:**

This incidental activity includes the offering of directory assistance (both local and toll, or toll only), directory sales of listings, infrequent miscellaneous directory related operations, Central Office alarm monitoring and intercept services to non-affiliated Telephone Companies. The FairPoint Telephone Companies have traditionally provided these services under contractual arrangement. These services are not tarified and are not part of a line of business.

**Training:**

Employees of non-affiliated companies may attend courses offered for FairPoint's internal purposes when enrollment is not filled by telephone company personnel. Also includes telemarketing training of nonaffiliated customers on the use of telecommunications services for marketing and sales activities. These services are not tarified and are not part of a line of business.

**Vending Machine Commissions:**

The unaffiliated owners of vending machines that are located on Company premises pay commissions to the FairPoint Telephone Companies. These services are not tarified and are not part of a line of business.

**Bill Inserts and Mail Services:**

This service includes the advertising of specific non-affiliated companies products and services by means of an insert enclosed in FairPoint Telephone Companies customer's bills. These services are not tarified and are not part of a line of business.

**ITAC Processing:**

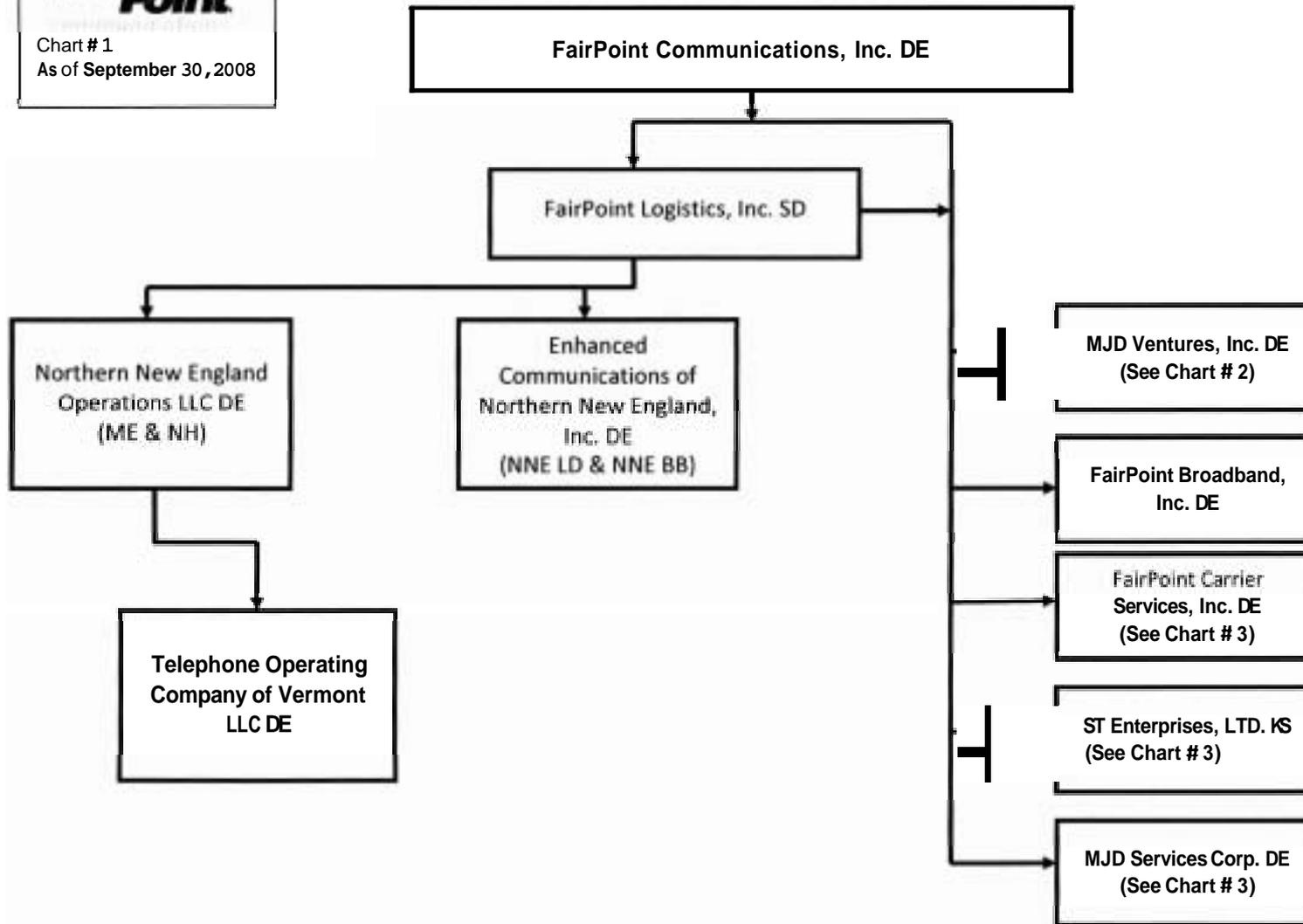
The processing of IntraLata Toll messages in accordance with a State Industry IntraLata Compensation plan on behalf of other telephone companies. These services are not tarified and are not part of a line of business.

**State and Local Utilities (Tax) Commission:**

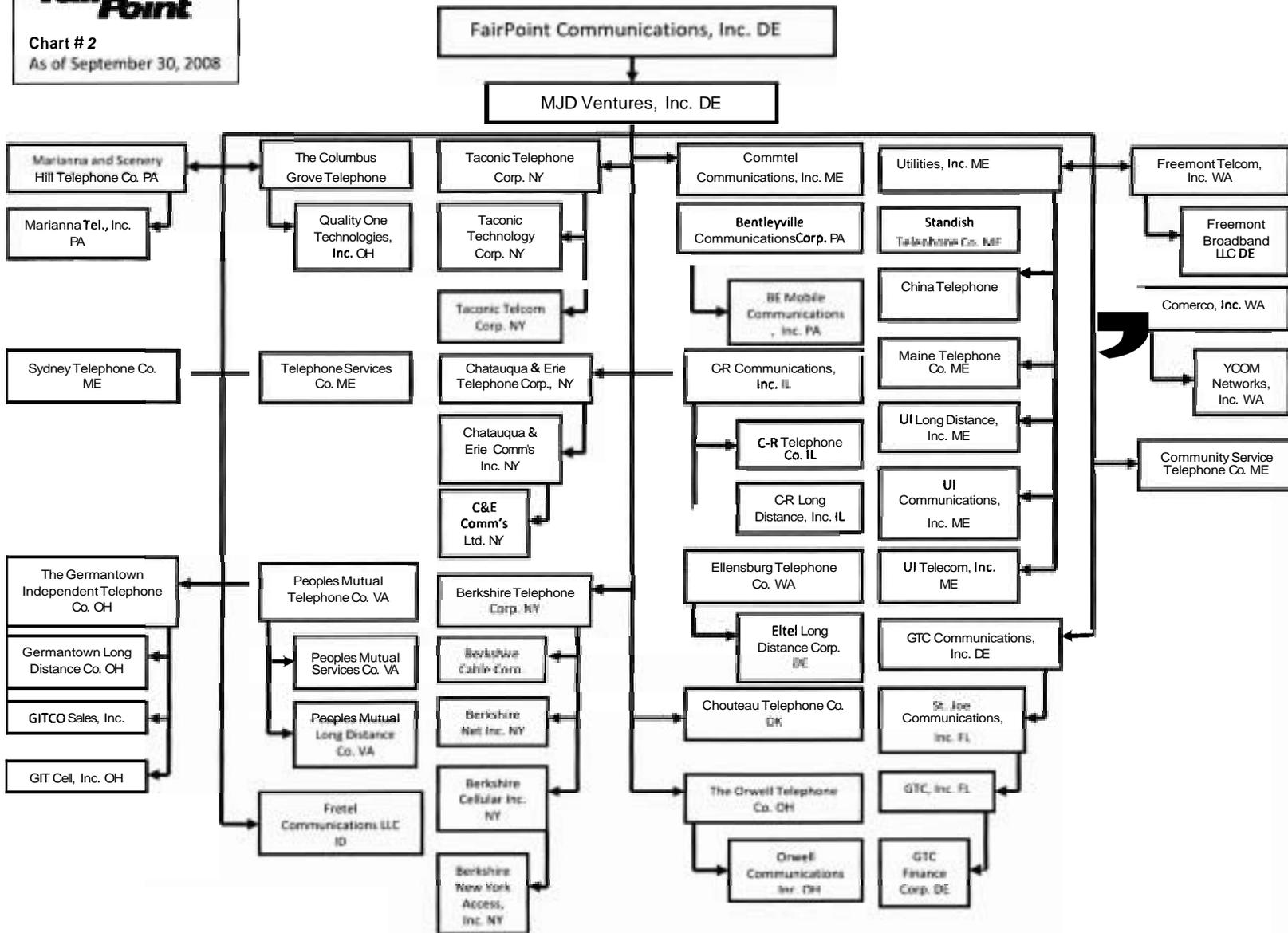
The inclusion of state and/or local utility tax on customer bills, billed on behalf of these government agencies, for which FairPoint Telephone Companies receive a commission. These services are not tarified and are not part of a line of business.



Chart # 1  
As of September 30, 2008



**FairPoint**  
**Chart # 2**  
 As of September 30, 2008





# THE FAIRPOINT TELEPHONE COMPANIES COST ALLOCATION MANUAL

## SECTION V: TRANSACTIONS WITH AFFILIATES

### INTRODUCTION

This section identifies all FairPoint affiliates that engage in transactions with FairPoint's regulated carriers subject to the Federal Communications Commission's (FCC's) rules and requirements governing affiliate transactions. It identifies the nature, terms and frequency of all such transactions.

### FAIRPOINT TELEPHONE COMPANIES (FRPTCs)

Northern New England Telephone Operations LLC  
Telephone Operating Company of Vermont LLC

#### Terms of Transactions:

The terms of FRPTCs' affiliate transactions are in accordance with Docket CC 96-150 and the FCC's Service and Asset Valuation Rules. Definitions of the terms used in valuing asset and service transactions are included in the glossary. The terms and frequency of transactions are listed in sections V-D1 and V-D2.

#### General Notes:

##### Service Valuation Rule:

1. If a service provided between a FRPTC and a Non-Regulated Affiliate is covered by a tariff on file with a federal or state commission, then the transaction must be recorded at that tariff rate.
2. Non-tariffed services provided between a FRPTC and its affiliate pursuant to publicly filed agreements submitted to a State commission pursuant to Section 252(e) of the Commission's Act of 1934 or statements of generally available terms pursuant to Section 252(f) shall be recorded using the charges appearing in such publicly filed agreements or statements.
3. If a prevailing price exists for a service transferred between a FRPTC and a Non-Regulated Affiliate, then the purchasing entity must record the transaction at the prevailing price. Use of a "prevailing price" requires sales of more than 25% of the quantity of like services to non-affiliates; the prevailing price rule is to be applied on a service-by-service basis, rather than on a product-line or a service-line basis. In the case of transactions for non-discriminatory access services provided to long distance affiliates, the FRPTCs may record such transactions at prevailing price regardless of whether the 25% threshold has been satisfied.

4. If neither a tariff rate, publicly filed agreements nor a prevailing price applies, then the identity (e.g., service company, long distance affiliate, Non-Regulated affiliate, etc.) of the affiliate governs the manner in which a FRPTC must record the transaction:
  - a. Services sold by a non-regulated affiliate to a FRPTC must be recorded at no more than the lower of fair market value or fully distributed cost, if the total transaction will exceed \$500,000 annually. If the total annual transaction will be less than \$500,000 annually it can be recorded at fully distributed costs. The lower price establishes a ceiling, above which the transaction cannot be recorded.
  - b. Services sold by a FRPTC to a non-regulated affiliate must be recorded at no less than the higher of fair market value or fully distributed cost, if the total transaction will exceed \$500,000 annually. If the total annual transaction will be less than \$500,000 it can be recorded at fully distributed costs. The higher price establishes a floor, below which the transaction cannot be recorded.
5. Affiliates which exist solely to provide services to FairPoint's corporate family will continue to bill at fully distributed cost. This billing includes the authorized interstate rate of return (11.25%).

Asset Valuation Rule:

Assets sold or transferred between a carrier and its affiliate pursuant to existing tariffs, including a tariff filed with a state commission, shall be recorded in the appropriate revenue accounts at the tariff rate. Non-tariffed assets sold or transferred between a carrier and its affiliate that qualify for prevailing price valuation, as defined on page V-A-3, shall be recorded at the prevailing price. For all other assets sold or transferred from a carrier to its non-regulated affiliate, the asset shall be recorded at least at the higher of fair market value or net book cost. For all other assets purchased by or transferred to a carrier from its non-regulated affiliate, the asset shall be recorded at no more than the lower of fair market value or net book cost. For purposes of this section carriers are required to make a good faith determination of fair market value when the total aggregate annual value of the **asset(s)** reaches or exceeds \$500,000, per affiliate. When the total aggregate annual value of the **asset(s)** does not reach or exceed \$500,000, the **asset(s)** shall be recorded at net book cost.

**Glossary of Terms:**

Tariff Rates - Rates provided pursuant to documents filed with state or federal regulatory authorities (e.g., AMU & Toll, Centrex, VMS rates, etc.). In those State jurisdictions where services such as VMS and Centrex are not offered at a tariff rate, the price will be at the prevailing market price or at terms pursuant to a publicly filed agreement, respectively.

Publicly filed **agreements/statements** of generally available terms - Charges appearing in publicly-filed agreements submitted to a State commission pursuant to section 252(e) or statements of generally available terms pursuant to section 252(f) in place of tariffed rates when tariffed rates are not available.

Prevailing Price - The price at which a company offers an asset or service to the general public. In order to qualify for prevailing price valuation, sales of a particular asset or service to third parties must

encompass greater than 25 percent of the total quantity of such asset or service sold by an entity. Carriers shall apply this 25 percent threshold on an asset-by-asset and service-by-service basis, rather than on a product line or service line basis (e.g., Inside-wire & CPE provisioning). Sales of non-discriminatory access services to long distance affiliates do not need to meet the 25 percent threshold.

Fair Market Value (FMV) -The price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. The price will be developed using methods that are routinely used by the business community for the specific product or service.

Net Book Cost -The original cost of an asset adjusted by the associated valuation reserves (e.g., accumulated depreciation, deferred taxes, etc.)

Fully Distributed Cost (FDC) - Cost determined in a manner that complies with the standards and procedures for the apportionment of special, joint, and common costs between the regulated and nonregulated operations of the carrier. A fully distributed costing methodology apportions the total costs of a group of services or products, including the interstate authorized rate of return (11.25%), among the individual services or products in that group. In general, this process directly assigns some of the costs to individual services or products. The remaining costs are allocated among individual services or products based on relative use measurements or estimates of relative use or other appropriate allocation methodology. The resulting cost apportionments determine the share of total cost that is attributed to each service or product.

Asset - An asset encompasses any item that would be recorded in an investment account of a regulated carrier.

Service Company - An affiliate which exists solely to provide services to FairPoint's corporate family.

Long Distance Affiliate – An affiliate that offers in-region long distance services.

## Affiliates Engaging in Transactions

## Business Description

FRP Com Inc	FairPoint Communications Inc.	An administrative corporate headquarters organization which provides certain executive, human resources, finance, legal, public policy & external affairs, security, strategic planning, and public affairs services for FairPoint affiliates, including both the FairPoint North Northeast ("NNE") telephone companies and original FairPoint telephone companies. FRP Communications also includes NNE organization costs for employees hired on or before March 31, 2008. These organizations primarily provide services to the NNE entities. Costs incurred to benefit NNE operations are first assigned to FRP Logistics for allocation to the NNE entities. FRP Communications exists solely to provide services to FairPoint's corporate family.
Enh. Com. Of No. NE Inc (NNE LD)	Enhanced Communications of Northern New England Inc. (NNE Long Distance)	Provides long distance telephone service in the states of Maine, New Hampshire and Vermont.
Enh. Com of No. NE Inc. (NNE BB)	Enhanced Communications of Northern New England Inc. (NNE Broadband)	Provides Internet access services (including dial-up, DSL, and a full range of Internet support services such as: access to the World Wide Web, access to Usenet, electronic mail, and access to various content services. Home page design and database hosting services are also offered.
FRP Lgstcs Inc.	FairPoint Logistics, Inc.	A managerial and centralized organization which provides services primarily to the NNE entities. Services include financial accounting, information systems and technologies, network operations and engineering, regulatory, marketing, sales and customer service, real estate; purchasing, logistics, supply chain systems and processes. FairPoint Logistics exists solely to provide services to FairPoint's corporate family.

Assets / Services Provided by FRPTCs

Description

**Tariffed Rate**

Intralata Toll	Provides long distance message services within the Local Access and Transport Area (LATA) and includes resale of intralata toll.
Operator Assistance	Includes, but not limited to, toll assistance and directory assistance.
Special Access	Provides transmission path to connect customer designated location for telecom.
Switched Access	Provides exchange access service to an interexchange carrier or to an end user of telecommunications service.
Telephone Services	Includes, but not limited to, basic local telecommunications, extended area services, custom calling features and other local exchange services.

**Prevailinn Price**

Call Center Management, Customer Relationship Management and Administration Services	Includes, but not limited to, customer care (including call receipt and call-handling services, trouble ticket management, inquiry investigation and response), network administration (including management of network element and circuit inventory databases), network monitoring and performance reporting, project management and coordination for service implementation or trouble resolution. Includes management and operation of the repair IVRU, training and consultation on various call center systems and associated data collection and reporting.
Capacity Services	Agreements with carriers and service providers for transport, switching and related services including, but not limited to, provision of high capacity data, local circuit switched dialtone, and packet and <b>SONET</b> transport services.
Database and System Access and Data Transmission	Includes, but not limited to, transmission service; database access and database conversion; operational readiness testing; support related to product development, deployment and testing; and interface services which permit the exchange of information and instructions for services purchased.

**Assets / Services Provided by FRPTCs**

**Description**

Installation and Maintenance Services

Includes, but not limited to, completion of new installation and repair work orders; coordination with dispatchers in closing out jobs; provision of repair, preventive maintenance, and testing of the network; installation, repair, testing and retrieval of equipment; technical support for data, voice, and video equipment; and related data collection and reporting for these activities.

Marketing and Selling

Marketing and selling of products and services. May also include, but not limited to, advertising, sales negotiation, account planning, sales strategy, solutions design, custom bid development and presentation, presales, ordering and customer information exchange, day-to-day order entry, billing support and development of process and product **procedures/job** aids and training, customer inquiry, service order processing, verification of product availability, error correction for orders, operational performance reports, sales retention, systems sales support, wholesale marketing, use of credit information, post sale customer care support services and sales quality control observations.

Non-Regulated Retail Services

Includes, but not limited to, retail voice messaging, CPE rentals, and inside wire maintenance and repair.

**Real Estate and Other Support Asset Services**

Includes, but not limited to, lease of land, buildings, office space, furniture, computers, Local Area Networks (**LANs**) and related office equipment and services; and real estate property management including building maintenance, interior space management, site administration, building security monitoring, fleet maintenance and use of support assets.

**Assets – Higher of FMV & Net Book Value**

Computer Equipment

Includes computer and other ancillary equipment.

Disposal of Scrap Material

Provides the disposal of scrap material.

Furniture & Office Equipment

Includes but not limited to, desks, chairs, partitions, file cabinets and other office equipment.

Tools

Includes simulators, testers, and other ancillary equipment.

**Assets / Services Provided by FRPTCs**

**Description**

**Services - Hinder of FMV and FDC**

Billing and Collection Services

Includes, but not limited to billing; remittance; inquiry; rating and editing messages; investigations of billing, credit and collections matters; and fraud maintenance.

Call Center Management, Customer Relationship Management and Administration Services

Includes, but not limited to, customer care (including call receipt and call-handling services, trouble ticket management, inquiry investigation and response), network administration (including management of network element and circuit inventory databases), network monitoring and performance reporting, project management and coordination for service implementation or trouble resolution. Includes management and operation of the repair IVRU, training and consultation on various call center systems and associated data collection and reporting.

Capacity Services

Agreements with carriers and service providers for transport, switching and related services including, but not limited to, provision of high capacity data, local circuit switched dialtone, and packet and SONET transport services.

Database and System Access and Data Transmission

Includes, but not limited to, transmission service; database access and database conversion; operational readiness testing; support related to product development, deployment and testing; and interface services which permit the exchange of information and instructions for services purchased.

General and Administrative Services

Includes, but not limited to, accounts payable processing, payroll processing, records management, human resource services, revenue and receivable processing, depreciation costs, regulatory policy, employee directory and related information exchanges, temporary support, training, one-time transactions, other consultations, public affairs services and service company access to official communications services.

Installation and Maintenance Services

Includes, but not limited to, completion of new installation and repair work orders; coordination with dispatchers in closing out jobs; provision of repair, preventive maintenance, and testing of the network; installation, repair, testing and retrieval of equipment; technical support for data, voice, and video equipment; and related data collection and reporting for these activities.

Assets / Services Provided by FRPTCs

Description

Marketing and Selling

Marketing and selling of products and services. May also include, but not limited to, advertising, sales negotiation, account planning, sales strategy, solutions design, custom bid development and presentation, presales, ordering and customer information exchange, day-to-day order entry, billing support and development of process and product **procedures/job** aids and training, customer inquiry, service order processing, verification of product availability, error correction for orders, operational performance reports, sales retention, systems sales support, wholesale marketing, use of credit information, post sale customer care support services and sales quality control observations.

National Directory Assistance

Includes, but not limited to, providing affiliate end user customers with telephone number listings and related or supplemental services such as call completion anywhere within the United States.

Operator Assistance

Includes, but not limited to, toll assistance and directory assistance.

Real Estate and Other Support Asset Services

Includes, but not limited to, lease of land, buildings, **office** space, furniture, computers, Local Area Networks (**LANs**) and related office equipment and services; and real estate property management including building maintenance, interior space management, site administration, building security monitoring, fleet maintenance and use of support assets.

Assets / Services Provided by Affiliates to  
FRPTCs

Description

**Services – Lower of FMV and FDC**

Database and System Access and Data Transmission	Includes, but not limited to, transmission service; database access and database conversion; operational readiness testing; support related to product development, deployment and testing; and interface services which permit the exchange of information and instructions for services purchased.
Equipment and Supply Sales and Leasing	Sale of telecommunications materials and supplies including cable and other outside plant, transmission equipment, prepaid calling cards, premises distribution systems, data equipment, video routers and central office minor tools and repair parts.
Retail PIC Management	Provision of PIC information processing and management, consisting of tracking and activating an Intra LATA long distance service.
Sales Agency	Provides for the marketing and selling of products and services including sales agent services and customer referrals.

**Fully Distributed Cost - (FDC)**

Administrative	Includes, but not limited to, real estate services, motor vehicles/fleet, mail and transportation services, general security, use of corporate aircraft, and other administrative services.
Advertising	Includes, but not limited to, management and administration of advertising strategies and programs.
Cash Management Services	Includes managing short, immediate, and long-term financing, trustee and bondholder relations, and rating agency programs.
Computer Processing Services	Use of computer hardware, associated equipment, and supplies to process data.

**Assets / Services Provided by Affiliates to FRPTCs**

**Description**

Corporate Sourcing and Logistics	Includes, but not limited to, procurement and provisioning services, equipment sales and repair.
Engineering & Operation Services	Includes, but not limited to, planning and managing of telecommunications facilities, operations support systems, other systems, and centralized staff support for the line engineering and plant labor forces.
Executive & Planning	Includes formulating corporate policy, providing overall administration and management and developing & evaluating long term courses of action.
External Affairs, Corporate Communications and Government Relations	Includes, but not limited to, maintaining relations with government, regulators, other companies, and the general public, management of multi-media communications projects, corporate image advertising and providing overall regulatory support related to government and legislative issues.
Finance and Treasury Services	Includes but not limited to, corporate accounting, service costs, financial planning and analysis, auditing, risk management, investor relations, finance operations, <b>investment/trust</b> management, banking operations and cash management.
Human Resources Services	Includes, but not limited to, personnel related support functions, labor relations, employee benefits and compensation administration, safety programs, medical services administration, training services, ethics and compliance.
Information Systems Services	Includes, but not limited to, programming services, planning, developing, testing, implementing and maintenance of the computer hardware and software necessary to support the operations, customer, employee, and financial requirements of the business. Also includes services associated with the support and maintenance of financial systems.
Insurance	Includes, but not limited to, coverage for worker's compensation, primary liability, transmission and distribution insurance, general and auto liabilities.
Legal	Includes, but not limited to, the provision of legal services such as litigation, regulatory and legislative issues, labor matters, and other corporate transactions.
Marketing & Customer Services	Includes, but not limited to, marketing and advertising activities to stimulate the sale of products and services and all associated customer support services.

Assets / Services Provided by Affiliates to  
FRPTCs

Description

Network Management

Includes, but not limited to, management of a DS-3 based nationwide network for the provision of private line access, tier one help desk support services, communications medium services and network support.

Operator Services

Includes, but not limited to, providing customer numbers and classified listing and call completion services.

Other Services

Other services may include, but are not limited to, training, administrative, documentation, leasing of office space, land and equipment.

Professional and Information Services

Development and maintenance of computer software, related activities and associated data requirements.

Public Coin Telephone Support

Includes, but not limited to, strategic and product planning support, developing methods and managing the facilities, equipment and forces devoted to public telephone operations.

Affiliate Transactions Provided by FRPTCs Asset/Service Provided**	FRP Com Inc	FRP Lgistics	NNE LD	NNE BB
Tariffed Rate				
Intralata Toll		D	D	
Operator Assistance			D	
Special Access	D	D	D	D
Switched Access	D	D	D	D
Telephone Services	D	D	D	D
Prevailing Price				
Call Center Management, Customer Relationship Management and Administration Services			D	
Capacity Services			D	D
Database and System Access and Data Transmission			D	
Installation and Maintenance Services			D	
Marketing and Selling			D	
Non-Regulated Retail Services	D	D	D	D
Real Estate and Other Support Asset Services			D	

\*\*See Exhibit V-C1 for detailed description

Legend D=Dailey, W=Weekly, M=Monthly, Q=Quarterly, A=Annually, O=Occasionally

Affiliate Transactions Provided by FRPTCs Asset/Service Provided**	FRP Com Inc	FRP Lgsics	NNE LD	NNE BB
Assets – Higher of FMV & Net Book Value				
Computer Equipment (FMV and NBV)	O	O		
Disposal of Scrap Material (FMV)	D	D		
Furniture & Office Equipment (FMV and NBV)	O	O		
Tools (FMV and NBV)	O	O		
Services - Higher of FMV and FDC				
Billing and Collection Services (FMV and FDC)			D	D
Call Center Management, Customer Relationship Management and Administration Services (FMV and FDC)			D	D
Capacity Services (FMV and FDC)				D
Database and System Access and Data Transmission (FMV and FDC)	D	D	D	
General and Administrative Services (FDC)	D	D	D	D
Installation and Maintenance Services (FMV and FDC)				D
Marketing and Selling (FMV and FDC)			D	D
National Directory Assistance (FMV and FDC)			D	
Operator Assistance (FMV)			D	
Real Estate and Other Support Asset Services (FMV and FDC)	D	D	D	D

\*\*See Exhibit V-C1 for detailed description

Legend D=Dailey, W=Weekly, M=Monthly, Q=Quarterly, A=Annually, O=Occasionally

Affiliate Transactions Provided by Affiliate to FRPTCs Asset/Service Provided**	FRP Com Inc FRP Lgistics NNE LD NNE BB	Services – Lower of FMV and FDC				
		Database and System Access and Data Transmission (FDC)		D		
		Equipment and Supply Sales and Leasing (FMV and FDC)			D	
		Retail PIC Management (FDC)			D	
		Sales Agency (FDC)			D	
		Fully Distributed Cost - (FDC)				
		Administrative	D	D		
		Advertising	D	D		
		Cash Management Services	D	D		
		Computer Processing Services	D	D		
		Corporate Sourcing and Logistics	D	D		
		Engineering & Operation Services	D	D		
		Executive & Planning	D	D		
External Affairs, Corporate Communications and Government Relations	D	D				
Finance and Treasury Services	D	D				
Human Resources Services	D	D				
Information Systems Services	D	D				
Insurance	D	D				
Legal	D	D				

\*\*See Exhibit V-C2 for detailed description

Legend D=Daily, W=Weekly, M=Monthly, Q=Quarterly, A=Annually, O=Occasionally

V-D2-1

FairPoint Cost Allocation Manual

Draft As Of September 30, 2008

Affiliate Transactions Provided by Affiliate to FRPTCs Asset/Service Provided**	FRP Com Inc	FRP Lgsts	NNE LD	NNE BB
Fully Distributed Cost - (FDC) (Continued)				
Marketing & Customer Services	D	D		
Network Management	D	D		
Operator Services	D	D		
Other Services	D	D		
Professional and Information Services	D	D		
Public Coin Telephone Support	D	D		

\*\*See Exhibit V-C2 for detailed description

Legend D=Daily, W=Weekly, M=Monthly, Q=Quarterly, A=Annually, O=Occasionally

# FAIRPOINT TELEPHONE COMPANIES

## PART 64 COST ALLOCATION

### MANUAL

#### SECTION VI: COST APPORTIONMENT TABLES

##### OVERVIEW:

This section includes the FairPoint Telephone Companies' cost apportionment tables and a description of the apportionment bases used in the tables. These FairPoint cost apportionment tables result from an analysis of the following Part 32 balance sheet, investment, revenue, and operating expense accounts and the application of the cost accounting concepts as discussed in Section I.

- Selected Assets & Liabilities
- Telecommunications Plant in Service
- Depreciation and Amortization Reserves
- Revenues
- Plant Specific Operations Expense
- Plant Nonspecific Operations Expense
- Customer Operations Expense
- Corporate Operations Expense
- Tax Expense
- Other Operating Income and Expense
- Nonoperating Income and Expense
- Interest and Related Items
- Extraordinary Items

The cost apportionment tables contain the following information:

#### USOA PART 32 ACCOUNT NUMBER AND NAME

Accounts included in the cost apportionment tables are those Part 32 accounts which are included in the FCC ARMIS Reports as well as any accounts used for rate making purposes.

In a few instances, i.e. Revenue Accounts, when the cost characteristics of a number of closely related final accounts are the same, the accounts are grouped together and a single attribution methodology is displayed.

#### COST POOL DESCRIPTION

In many cases the main Part 32 account supplies a sufficient level of cost definition for attribution purposes. In those instances where greater cost detail is required to create homogeneous cost groupings warranting separate apportionment treatment, individual cost pools within the main Part 32 account are defined. The summation of dollars assigned to each of the cost pools underlying an account, whether identified by subaccount, accounting records, or some other means, balance to the account total.

#### COST POOL ASSIGNMENT BASIS

For each cost pool the manual identifies the manner of assigning costs to that cost pool. In certain instances, cost pool assignment relates directly to the subaccount detail maintained in the FairPoint Telephone Companies' books of account. In other instances, cost pools are determined from an analysis of underlying functional accounting reporting codes, accounting records, a review of the charges to the account, or special studies which are described herein.

## REGULATED/NONREGULATED APPORTIONMENT BASIS

Costs are directly assigned to the regulated and nonregulated cost categories whenever possible. The methods used to apportion each cost pool between the regulated and nonregulated cost categories are summarized in the cost apportionment tables. The summary includes an identification of whether the cost pool is directly assigned, directly or indirectly attributed, or generally allocated as well as a description of the allocators used for any such apportionments.

The apportionment of wages and salaries to regulated and nonregulated products and services is included in the distribution of each cost pool and separately tracked within the cost allocation system. Therefore, allocators based on the **regulated/nonregulated** distribution of wages and salaries are determined by summing the dollar distribution of wages and salaries for each account **and/or** cost pool. When wage and salary allocators include balance sheet accounts (e.g. TPIS), only the current month activity is included, rather than the wage and salary balance accumulated over time. Generally, allocators based on wages and salaries are calculated using current month wages and salaries. In certain circumstances, prior month wages and salaries are used in order to eliminate circuitous logic problems. Nonproductive time is attributed based on current month productive wages and salaries charged into the Part 32 main account in question, either through the accounting system, or through the creation of separate cost pools. For wage and salary based allocators, the apportionment basis in the cost tables indicates whether current month, prior month, or productive wages and salaries are being used.

For certain accounts, (2112 - Motor Vehicles, 2121 - Buildings) the allocation is defined as current year wages and salaries, to remain in conformance with the CAM Uniformity Order. This designation is intended to distinguish current year as opposed to prior year wages and salaries. Cost pools in these accounts are apportioned using either current or prior month wages and salaries to avoid circuitous logic. The following matrix describes which month (current or prior) of the current year is used in the calculation of the allocator.

<u>Account</u>	<u>Cost Pool</u>	<u>Month</u>
2112	Central Office	Current
	Distribution Services	Current
	Network Operations	Prior
	Customer Operations	Current
	Corporate Operations	Prior
	Motor Pool	Prior
2121	Distribution Services	Current
	Network Operations	Prior
	Customer Operations	Current
	Corporate Operations	Prior

Consistent with the Commission's direction to avoid the use of multiple terms in describing cost allocation factors, the apportionment bases described in the cost tables make use of the terms "Attributed in the same proportion as ..." and "Attributed in the same proportion as the combined distribution of...". Those terms are defined below.

"Attributed in the same proportion as..." is used when the apportionment is based on a single account or cost pool. For example, Account GXXX is attributed in the same proportion as Account 2XXX. The balance of Account 2XXX has been attributed to regulated and nonregulated as follows: \$200 regulated and \$100 nonregulated. Accordingly, Account GXXX will be attributed 2/3 to regulated activities and 1/3 to nonregulated activities.

"Attributed in the same proportion as the combined distribution of ..." is used when the apportionment is based on two or more accounts or cost pools. For example, Account GXXX is attributed in the same proportion as Accounts 2XXY and 2XXZ. Accounts 2XXY and 2XXZ have been apportioned to regulated and nonregulated as follows: Account 2XXY - \$300 regulated and \$100 nonregulated; Account 2XXZ - \$200 regulated and \$400 nonregulated. Thus Account GXXX will be attributed half to regulated activities and half to nonregulated activities (500/500).

"General Allocator" is used to apportion cost pools for which no causal relationship exists. Costs are apportioned to regulated and nonregulated cost categories in proportion to all expenses previously assigned and attributed to regulated and nonregulated categories.

"Marketing Allocator" is used to apportion residual marketing costs. Costs are apportioned to regulated and nonregulated cost categories in proportion to all Marketing costs previously assigned and attributed to regulated and nonregulated categories. The following accounts are included: Account 6611, 6613 (excluding the Common cost pool, and the Nonproductive Time cost pools), and 6623 (excluding the Customer Instruction cost pool, the Customer Accounting cost pool, the Billing Inquiry cost pools, and the Other Customer Service cost pool).

## COMMENTS

Clarifying remarks, information more fully defining the assignment basis or the apportionment basis, and any issues that may impact the method of apportionment are noted in the comments column.

## STUDY DESCRIPTIONS:

### Central Office Equipment Study

The Central Office Equipment Study examines, by study area, detailed property records to identify the function of the assets and to partition the total cost for central office switches into the Common Control Equipment and Network Equipment cost pools according to the physically significant functions of each switching component.

The Common Control Equipment cost pool includes equipment, which is sensitive to the number and type of calls the switching system is requested to process. The Network Equipment cost pool includes equipment, which is sensitive to the number and type of terminations within the switch.

### FOTP Broadband Facilities

The Broadband Facilities cost pools are apportioned to the regulated and nonregulated operations based upon a three-year peak forecast of the number of video subscribers to total subscribers of FairPoint's services offered via Broadband Fiber Facilities.

In addition, FOTP Broadband facility cost pools are established for corresponding plant specific operating expense accounts. For apportionment of these cost pools, the study ratios will be recalculated using actual subscribers of the above-mentioned services.

### Common Control Equipment

The Common Control Equipment cost pool is apportioned, for the next year, to the regulated and nonregulated operations based on a forecast of the regulated and nonregulated originating calls. The forecast is based on the peak relative nonregulated use during the three year forecast period.

In addition, common control equipment cost pools are established for plant specific operating expense accounts. For the apportionment of these cost pools, the study ratios will be recalculated using actual originating calls. Finally, FairPoint has investment associated with the discontinued Customer Dialed Account Recording (CDAR) service, which will remain frozen until the switching investment is retired.

### Motor Vehicles Study

This study distributes investment annually for the active vehicles in Account 2112, Motor Vehicles, into all the FCC required cost pools based upon the analysis of fleet assignment data.

The assignment of vehicle investment to cost pools is based on the association of vehicles to the employees that use them. Vehicles are assigned to the cost pools in accordance with the accounts to which employees' salary or wages are charged. Investment balances by vehicle number are supplied from the asset management records. The assignment of vehicles to employees is obtained from the Fleet Management System. Employee salary and wage accounts are obtained from Human Resources databases. This data is used to calculate the percentage of Total Account 2112 investment for each cost pool.

#### Residence Selling Study

This quarterly study splits Direct Marketing/Direct Response marketing expenses in Account 6611, Product Management & Sales, between regulated and nonregulated operations based on an analysis of products and services which are the subject of various marketing campaigns. The study examines a customer contact tracking database, to determine contact activity by marketing campaign. The results are weighted by the number of products included in the campaign.

#### Official Communications

Company communications costs exclude the cost of tariffed services used in an official communications capacity. The nonregulated assignment of these tariffed services costs is separately determined and debited to Account 5280 and credited to the regulated revenue accounts. A special, annual study determines these nonregulated costs.

In performing the study the individual network components comprising the various FairPoint Official Communications Networks are identified from company communications records. The components of these networks are priced out at the existing tariff rates. Total Telephone Company costs, thus determined, are allocated between regulated and nonregulated services on the basis of total company wages and salaries. The amount attributed to nonregulated services is debited to Account 5280 and credited to the appropriate regulated revenue accounts.

#### Operator Svstems Studv

The operator systems shared network investment is allocated based on a three-year peak forecast of the nonregulated use of that investment. The percentage of nonregulated forecasted usage is determined by dividing the forecasted number of nonregulated operator services calls by the forecasted number of the total operator services calls.

Maintenance expenses are apportioned based on the ratio of actual nonregulated operator service calls to actual total operator service calls. Directory assistance operator costs are identified using unique reporting codes and are apportioned to nonregulated operations based on the ratio of actual nonregulated directory assistance calls to total directory assistance service calls.

### Buildings Study

This study distributes investment in Accounts **2121**, Buildings and **2681**, Capitalized Leases, in addition to expenses in Account **6121**, Land and Building Expense into the FCC required cost pools.

The study is performed at least annually, or whenever major changes to the account occurs. Building space assignment will be used to identify the distribution by group of space within each building. This distribution will then be weighted by the investment identified for each building to produce a total account cost pool distribution by group. These distribution factors will then be applied to the investment balances to determine cost pool balances. Investment directly identifiable via accounting records as regulated or nonregulated will have been removed from these investment balances, and are summed in the appropriate Dedicated Regulated or Nonregulated cost pool.

### Service Order Studies

The Service Order studies distribute expense associated with specific cost pools in Account **2124**, General Purpose Computer, Account **6124**, General Purpose Computer Expense, Account **6532**, Network Administrative Expense, and Account **6623**, Customer Service Expense, and various cost pools in Account **6720**, General & Administrative. These studies use outputs from a mechanized service order system, which tracks all inward and outward order activity.

A nonregulated percentage is developed in each of the Company's primary billing systems, Carrier Access Billing System (CABS), Customer Record Information System (CRIS) and Customer Billing Services System (CBSS). The nonregulated percentage is developed in each system by counting total Universal Service Order Codes (USOC's) from the Service Order Processing System (SOP). The products and services on each service order are summarized, and the nonregulated USOC's are divided by the total number of USOC's purchased by customers.

### Trouble Reports Study

The Trouble Reports Study develops the factors that apportion the costs in the Trouble Reports cost pool in Account **6533**, Testing Expense between regulated and nonregulated operations. Monthly report counts are associated with the trouble reporting functions, and are collected in various segments and analyzed to develop regulated and nonregulated counts. These reports contain information that tracks trouble report by type or source, and by location of troubles. These monthly counts are apportioned to the regulated and nonregulated operations based on an analysis of all of the trouble testing reports provided by the various Company systems, such as Network Operations Results Mart (NORM), Mechanized Trouble Analysis System (MTAS), and Network Analysis Measurement System (NAMS).

### Customer Billing Study

The Customer Billing Study is used to apportion costs in a specific cost pool in Account 6623, Customer Service Expense. The cost pool represents costs associated with the Revenue Accounting Center functions as they relate to the End User, such as bill processing, payment processing, miscellaneous activities, etc. Finance Operations provides the total number of bill counts, average pages per bill, and Interexchange Carrier (IXC) pages, both total and nonregulated. Service Order study ratios are multiplied by the state local bill pages to determine the number of regulated and nonregulated local bill pages, thus developing the nonregulated to total percentage.

## ALLOCATION OF INCOME TAXES:

### Book Taxable Income:

After all of the operating accounts excluding income tax expense have been apportioned between regulated and nonregulated activities, book taxable income will be developed as follows: Net Operating Revenues (5XXX) less Operating Expenses (6XXX), plus Other Operating Income (71XX), less Other Operating Taxes (7240), less Interest Expense (75XX), and less State and Local Income Tax Expense (7230).

### Account 7220 - Operating Federal Income Tax

Account 7220 - Operating Federal Income Tax will be attributed based on the following:

Total FIT (Accounts 7220 + Federal portion of Account 7250) is allocated based on Book Taxable Income (as described above). The Federal portion of Account 7250 is allocated as described in the cost table. The regulated and nonregulated Federal Deferred Income Taxes are subtracted from the regulated and nonregulated Total FIT respectively, resulting in the regulated and nonregulated amounts for 7220.

### Account 7230 - Operating State and Local Income Tax

Account 7230 - Operating State and Local Income Tax will be attributed based on the following:

Total State and Local Income Tax (Account 7230 plus the State portion of Account 7250) is allocated based on Book Taxable Income (excluding Account 7230). The state portion of Account 7250 is allocated as described in the cost table. The regulated and nonregulated State Deferred Income Taxes are subtracted from the regulated and nonregulated Total State and Local Income Tax respectively, resulting in the regulated and nonregulated amounts for 7230.

<u>Account</u>	<u>Cost Pools</u>	<u>Assianment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
1220 INVENTORIES	Outside Plant Supplies Exempt	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total current month wages and salaries in Accounts 2411 - 2441 and 6411 - 6441.	The Other cost pool includes: Building Supplies. Equipment Retired in Place, and other miscellaneous items not provided for elsewhere.
	Outside Plant Supplies Non Exempt	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Accounts 2411 to 2441.	
	C. O. E. Supplies Exempt	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total current month wages and salaries in Accounts 2211 - 2232 and 6211 - 6232	
	C. O. E. Supplies Non Exempt	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Accounts 2211 to 2232.	
	Other	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Accounts 2111 to 2690, excluding the Accum. Amortization cost pool in Account 2690	
	Computer Supplies	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Account 2124. General Purpose Computers.	
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
	Regulated	Ledger Account	Directly assigned to regulated.	
	Inventory Adjustments	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of all other 1220 cost pools.	
	FOTP Non Exempt	Accounting Records	Directly attributed in the same proportion as the forecasted ratios of the video subscribers to total subscribers of FOTP Broadband Facilities.	
1410 OTHER NONCURRENT ASSETS	Post Retirement Benefits	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003.2111- 2690, 3100, 6112-6540, and 6611-6720.	Voluntary Employee Beneficiary Association (VEBA) Trust transactions.
	Other	Ledger Account	Directly assigned to regulated, in accordance with ARMIS requirements.	Remainder of Account 1410 is not part of the ratemaking process.

<u>Account</u>	<u>Cost Pools</u>	<u>Assianment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
1438 DEFERRED MAINTENANCE, RETIREMENTS AND OTHER DEF. CHGS.	Same as Account	Ledger Account	Directly assigned to regulated. in accordance with ARMIS requirements.	Account 1438 is not part of the <b>rate-</b> making process.
1500 OTHER JURISDICTIONAL ASSETS	Same as Account	Ledger Account	Directly assigned to regulated, in accordance with ARMIS requirements.	Account 1500 is not part of the <b>rate-</b> making process.
2002 PROPERTY HELD FOR FUTURE TELECOMMUNICATIONS USE	Regulated	Accounting Records	Directly assigned to regulated.	FairPoint maintains accounting records which identify the investment associated with each property item included in this account. Investment identified as directly assignable to regulated or nonregulated will be accumulated in the appropriate cost pool. The remainder will be categorized in the common cost pool.
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of all common cost pools in Telecommunications Plant in <b>Service</b> Accounts 2111 to 2690, excluding the Accum Amortization cost pool in Account 2690.	
2003 TELECOMMUNICATIONS PLANT UNDER CONSTRUCTION	Regulated	Accounting Records	Directly assigned to regulated.	FairPoint maintains accounting records which identify the investment associated with each property item included in this account. Investment identified as directly assignable to regulated or nonregulated will <b>be</b> accumulated in the appropriate cost pool. The remainder will <b>be</b> categorized in the common cost pool.
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of all common cost pools in Telecommunications Plant in <b>Service</b> Accounts 2111 to 2690, excluding the Accum Amortization cost pool in Account 2690.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
2005 TELECOMMUNICATIONS PLANT ADJUSTMENT	Regulated	Analysis of charges	Directly attributed to regulated.	An analysis of the investment associated with the charges in this account will be analyzed at a minimum on an annual basis, or whenever a major change in the account occurs. The resulting percent distribution will be used to apportion the account balances into the cost pools.
	Nonregulated	Analysis of charges	Directly attributed to nonregulated.	
	Common	Analysis of charges	Indirectly attributed in the same proportion as the combined distribution of TPIS Accounts 2111 to 2690, excluding the Accum. Amort. cost pool in 2690.	
	Accum Amortization- Other	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of the above costs pools.	
2111 LAND	Regulated	Not Applicable	Directly assigned to regulated.	
	Nonregulated	Not Applicable	Directly assigned to nonregulated.	
	Common	Ledger Account	Indirectly attributed in the same proportion as the common cost pools in Account 2121 - Buildings.	
2112 MOTOR VEHICLES	Regulated	Not Applicable	Directly assigned to regulated.	See the Motor Vehicles Study description on pages VI-5 and VI-6.
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
	Central Office	Motor Vehicle Group Study	Indirectly attributed in the same proportion as the combined distribution of current year wages and salaries in Accounts 2211 - 2232 and 6211-6232.	
	Distribution Services	Motor Vehicle Group Study	Indirectly attributed in the same proportion as the combined distribution of current year wages and salaries in Accounts 2311 - 2441 and 6311 - 6441.	
	Network Operations	Motor Vehicle Group Study	Indirectly attributed in the same proportion as the combined distribution of current year wages and salaries in Accounts 6113-6124 and 6511 - 6535.	
	Customer Operations	Motor Vehicle Group Study	Indirectly attributed in the same proportion as the combined distribution of current year wages and salaries in Accounts 6611 - 6623.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assianment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
<b>2112</b> MOTOR VEHICLES (Cont'd)	Corporate Operations	Motor Vehicle Group Study	Indirectly attributed in the same proportion as the combined distribution of current year wages and salaries in Account <b>6720</b> .	
	Motor Pool	Motor Vehicle Group Study	Indirectly attributed in the same proportion as the combined distribution of current year wages and salaries in Accounts <b>2003. 2111- 2682. 3100.6112-6540, and 6611-6720</b> .	
<b>2113</b> AIRCRAFT	Same as Account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of prior month wages and salaries in Accounts <b>6511 to 6720</b> .	
<b>2114</b> TOOLS AND OTHER WORK EQUIPMENT	Special Purpose Vehicles	Accounting records	Indirectly attributed in the same proportion as the combined distribution of current month wages and salaries in Accounts <b>2411 to 2441 and 6411 to 6441</b> .	
	Garage Work Equipment	Accounting records	Indirectly attributed in the same proportion as the combined distribution of investment in Accounts <b>2112. 2113, and the Special Purpose Vehicle and Other Work Equipment cost pools in Account 2114</b> .	
	Other Work Equipment	Accounting records	Indirectly attributed in the same proportion as the combined distribution of current month wages & salaries in Accounts <b>2111.2121 and 2211 - 2441 and Accounts 6121 and 6211 - 6441, and 6531 - 6535</b> .	
	Nonregulated	Accounting records	Directly assigned to nonregulated.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
<b>2121 BUILDINGS</b>	Regulated	Ledger Account	Directly assigned to regulated.	Account <b>2121</b> is assigned to cost pools through a Buildings study which analyzes the square feet of floor space assigned to each cost pool. On a quarterly basis, or whenever major changes to the account occur, building space assignment records will be used to identify the distribution by group of the space within each building. This distribution will then be weighted by the investment identified for each building to produce a total Account <b>2121</b> cost pool distribution by group. These distribution factors will then be applied to the investment balances to determine cost pool balances. Investment directly identifiable via accounting records as regulated will have been removed from these investment balances and are summed in the Dedicated Regulated cost pool.
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
	Attributed Regulated	Building study	Directly attributed to regulated.	
	Attributed Nonregulated	Building study	Directly attributed to nonregulated.	
	Central Office	Building study	Indirectly attributed in the same proportion as the combined distribution of Investment in accounts <b>2211</b> to <b>2232</b> – C. O. Equipment.	
	Distribution <b>Services</b>	Building study	Indirectly attributed in the same proportion as the combined distribution of current year wages & salaries in Account <b>2311 – 2441</b> and <b>6311 – 6441</b> excluding wages and salaries associated with the personnel who are assigned to buildings that are directly assigned to regulated or nonregulated.	
	Network Operations	Building study	Indirectly attributed in the same proportion as the combined distribution of current year wages & salaries in Account <b>6112 – 6124</b> and <b>6511 – 6535</b> excluding wages and salaries associated with the personnel who are assigned to buildings that are directly assigned to regulated or nonregulated.	
	Customer Operations	Building study	Indirectly attributed in the same proportion as the combined distribution of current year wages & salaries in Accounts <b>6611</b> through <b>6623</b> excluding wages and salaries associated with the personnel who are assigned to buildings that are directly assigned to regulated or nonregulated.	
	Corporate Operations	Building study	Indirectly attributed in the same proportion as the combined distribution of current year wages and salaries in Account <b>6720</b> excluding wages and salaries associated with personnel who are assigned to buildings that are directly assigned to regulated or nonregulated.	

<u>Account</u>	<u>cost Pools</u>	<u>Assianment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
2122 FURNITURE	Same as account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 6511 - 6540, and 6611 - 6720.	
2123 OFFICE EQUIPMENT	Same as account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 6511 - 6540, and 6611 - 6720.	
2124 GENERAL PURPOSE COMPUTERS	Regulated Nonregulated Customer Billing Plant Related Systems  <b>Service Orders</b> Personnel Systems  Other	Accounting records Accounting records Accounting Records Accounting Records  Accounting Records Accounting Records Accounting Records	Directly assigned to regulated Directly assigned to nonregulated. Indirectly attributed to regulated and nonregulated in the same proportion as the combined distribution of regulated and nonregulated revenues. Indirectly attributed in the same proportion as Telecommunications Plant in <b>Service</b> Accounts 2111 to 2690, excluding Account 2124 - General Purpose Computers, and the General Pur. Comp. cost pool in Account 2681, and the Non Network Software and Accum Amort. cost pools in Account 2690. Indirectly attributed based on combined distribution of accounting reporting codes identified on service orders. Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003, 2111 - 2690, 3100, 6112 - 6540, and 6611 - 6720. General <b>Allocator</b> .	
2211 NON DIGITAL SWITCHING EQUIPMENT	Same as Account	Accounting Records	Directly assigned to regulated.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assianment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
<b>2212</b> DIGITAL ELECTRONIC SWITCHING EQUIPMENT	Regulated	Accounting Records	Directly assigned to regulated.	See the Common Control Equipment and the Central Office Equipment Study descriptions on pages VI- 5.  See the Central Office Equipment Study descriptions on page VI-5.
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common Control Equipment	Accounting Records	Directly attributed in the same proportion as forecasted weighted calls.	
	Discontinued CDAR Investment	Accounting <b>Records/</b> Special Study	Frozen Investment until Retired.	
	Network Equipment	Accounting <b>Records/</b> Special Study	Directly attributed to regulated.	
<b>2220</b> OPERATOR SYSTEMS	Same as Account	Ledger Account	Directly Attributed in the same proportion as forecasted operator service calls.	See the Operator Systems Study description on page VI-6.
<b>2231</b> RADIO SYSTEMS	Regulated	Ledger Account	Directly assigned to regulated.	
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
<b>2232</b> CIRCUIT EQUIPMENT	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the forecasted ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
<b>2311</b> STATION APPARATUS	Regulated	Not Applicable	Directly assigned to regulated.	Cost pools required due to CAM Uniformity Order DA <b>93-765</b> .
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assianment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
<b>2321</b> CUSTOMER PREMISES WIRING				The <b>FairPoint</b> Telephone Companies have no investment in Account <b>2321</b> at this time.
<b>2341</b> LARGE PRIVATE BRANCH EXCHANGE	Regulated	Ledger Account	Directly assigned to regulated.	Cost pools required due to CAM Uniformity Order DA 93-765.
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
<b>2351</b> PUBLIC TELEPHONE TERMINAL EQUIPMENT	Same as Account	Ledger Account	Directly assigned to nonregulated.	
<b>2362</b> OTHER TERMINAL EQUIPMENT	Regulated	Ledger Account	Directly assigned to regulated.	
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
<b>2411</b> POLES	Same as Account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Account <b>2421</b> , Aerial Cable.	
<b>2421</b> AERIAL CABLE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the forecasted ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
<b>2422</b> UNDERGROUND CABLE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the forecasted ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	

Account	Cost Pools	Assianment Basis	Apportionment Basis	Comments
<b>2423</b> BURIED CABLE	Regulated	Accounting Records	Directly assigned to regulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the forecasted ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
<b>2424</b> SUBMARINE AND DEEP SEA CABLE	Regulated	Accounting Records	Directly assigned to regulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the forecasted ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
<b>2426</b> INTRABUILDING NETWORK CABLE	Regulated	Accounting Records	Direct assigned to regulated	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the forecasted ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
<b>2431</b> AERIAL WIRE	Same as account	Ledger Account	Directly assigned to regulated.	
<b>2441</b> CONDUIT SYSTEMS	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Account <b>2422</b> – Underground Cable	
<b>2681</b> CAPITAL LEASES	Other Capital Leases - Motor Vehicles	Accounting Records	Indirectly attributed in the same proportion as Account <b>2112</b> – Motor Vehicles.	On a monthly basis the underlying records will be reviewed and the capitalized lease investment associated with each lease assigned to one of the following major groupings: Buildings, Furniture, Motor Vehicles or General Purpose Computers. The Buildings grouping is then further assigned to cost pools using the same methodology described for Account <b>2121</b> - Buildings.
	Other Capital Leases - Aircraft	Accounting Records	Indirectly attributed in the same proportion as Account <b>2113</b> - Aircraft.	
	Other Capital Leases - General Purpose Computers	Accounting Records	Indirectly attributed in the same proportion as Account <b>2124</b> – General Purpose Computers.	

<u>Account</u>	<u>Cost Pools</u>	<u>AssianmentBasis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
<b>2681</b> CAPITAL LEASES (Cont'd)	Leased Cable & Wire Facilities	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Accounts <b>2411</b> to <b>2441</b> .	
	Leased Building Space – Attributed Regulated	Leased Building Study	Directly attributed to regulated.	
	Leased C.O. Building Space	Leased Building Study	Indirectly attributed in the same proportion as the combined distribution of Accounts <b>2211</b> to <b>2232</b> C. O. Equipment.	
	Leased Distribution Services Space	Leased Building Study	Indirectly attributed in the same proportion as the combined distribution of current month wages & salaries in Accounts <b>2311</b> to <b>2441</b> and <b>6311</b> to <b>6441</b> .	
	Leased Network Operations Space	Leased Building Study	Indirectly attributed in the same proportion as the combined distribution of prior month wages salaries in Accounts <b>6113</b> to <b>6124</b> and <b>6511</b> to <b>6535</b>	
	Customer Operations	Leased Building Study	Indirectly attributed in the same proportion as the combined distribution of current month wages and salaries in Accounts <b>6611</b> - <b>6623</b> .	
	Corporate Operations	Leased Building Study	Indirectly attributed in the same proportion as the combined distribution of prior month wages and salaries in Account <b>6720</b> .	
Leased Furniture & Office Equipment	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Accounts <b>2122</b> & <b>2123</b> .		
<b>2682</b> LEASEHOLD IMPROVEMENTS	Same as account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Account 2681-Capital Leases – Leased Space costpools and Account <b>6121</b> – Land & Building Expense - Rent Expense cost pools.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assianment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
2690 INTANGIBLES	NonregulatedOther	Analysis of charges	Directly assigned to nonregulated.	The non-software charges will be reviewed as required and categorized based on the nature of the item.
	Other	Analysis of charges	General Allocator.	
	NonregulatedSoftware	Accounting Records	Directly assigned nonregulated.	
	Network Software	Accounting Records	Indirectly attributed in the same proportion as Switching Investment in Accounts 2211 – 2232, excluding the nonregulated costs pool in Account 2212.	
	Non Network Software	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Accounts 6124 and the following cost pools in Account 6720: Information Mgmt -Regulated, Information Mgmt * Nonregulated. Customer Billing. Plant Related Systems, Personnel Systems, Service Orders and Other-Information Management.	
	Accum Amortization-Intangible	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of the above costs pools.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assianment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
<b>3100</b> ACCUMULATED DEPRECIATION	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Motor Vehicles – Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pools in Account <b>2112</b> Motor Vehicles.	
	<b>Aircraft</b>	Accounting Records	Indirectly attributed in the same proportion as Account <b>2113</b> - Aircraft.	
	Tools and Other Work Equipment* Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pools in Account <b>2114</b> Tools and Other Work Equipment.	
	Buildings - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pools in Account <b>2121</b> Buildings	
	Furniture	Accounting Records	Indirectly attributed in the same proportion as Account <b>2122</b> - Furniture.	
	Office Equipment	Accounting Records	Indirectly attributed in the same proportion as Account <b>2123</b> - Office Equipment.	
	General Purpose Computers* Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pools in Account <b>2124</b> General Purpose Computers.	
	Digital Electronic Switching* Common	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of the common cost pools in Account <b>2212</b> , Digital Elctronic Switching Equipment.	
Operator Systems	Accounting Records	Indirectly attributed in the same proportion as Account <b>2220</b> - Operator Systems.		

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
<b>3100</b> ACCUMULATED DEPRECIATION (Cont'd)	Circuit Equipment	Accounting Records	Indirectly attributed in the same proportion as Account <b>2232</b> - Circuit Equipment	
	Poles	Accounting Records	Indirectly attributed in the same proportion as Account <b>2411</b> - Poles	
	Aerial Cable	Accounting Records	Indirectly attributed in the same proportion as Account <b>2421</b> - Aerial Cable.	
	Underground Cable	Accounting Records	Indirectly attributed in the same proportion as Account <b>2422</b> - Underground Cable.	
	Buried Cable	Accounting Records	Indirectly attributed in the same proportion as Account <b>2423</b> - Buried Cable.	
	Submarine and Deep Sea Cable - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pool in Account <b>2424</b> -Submarine and Deep Sea Cable.	
	Intra-Building Network Cable - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pool in Account <b>2426</b> -Intrabuilding Network Cable.	
	Conduit Systems - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pool in Account <b>2441</b> -Conduit Systems	
Other	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of the above cost pools.		
<b>3200</b> ACCUMULATED DEPRECIATION HELD FOR FUTURE TELECOM USE	Same as account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of the cost pools in Account <b>2002</b> - Property Held for Future Telecommunications Use.	
<b>3410</b> ACCUMULATED AMORTIZATION - CAPITALIZED LEASES	Same as account	Ledger Account	Indirectly attributed in the same proportion as Account <b>2681</b> - Capital Leases.	
<b>4040</b> CUSTOMER DEPOSITS	Same as account	Ledger Account	Indirectly attributed to regulated and nonregulated in the same proportion as the combined distribution of regulated and nonregulated revenues.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assianment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
4100 NET CURRENT DEFERRED OPERATING INCOME TAXES	Property	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Account 2111 to 2690, except the Accum Amortization cost pool in Account 2690.	
	Non Property	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages & salaries in Accounts 2003, 2111-2690, 3100, 6112-6540, and 6611-6720.	
4300 OTHER LONG TERM LIABILITIES AND DEFERRED CREDITS	Deferred Credits	Ledger Account	General Allocator.	
	Pension & Other Benefits	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages & salaries in Accounts 2003, 2111 - 2690, 3100, 6112 - 6540, and 6611 - 6720.	
	Other	Ledger Account	Directly assigned to regulated. in accordance with ARMIS requirements.	
4340 NET NONCURRENT DEFERRED OPERATING INCOME TAXES	Property	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Account 2111 to 2690, except the Accum Amortization cost pool in Account 2690.	
	Non Property	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages & salaries in Accounts 2003, 2111 - 2690, 3100, 6112 - 6540, and 6611 - 6720.	
4370 OTHER JURISDICTIONAL LIABILITIES AND DEFERRED CREDITS-NET	Same as account	Ledger Account	Directly assigned to regulated.	

<u>Account</u>	<u>Cost Pools</u>	<u>AssianmentBasis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
<b>5001 - 5200</b> REVENUES	Same as Account	Ledger Accounts	Directly assigned to regulated..	
<b>5230</b> DIRECTORY REVENUE	Regulated	Ledger Account	Directly assigned to regulated.	
<b>5280</b> NONREGULATED OPERATING REVENUES	Same as account	Ledger Account	Directly assigned to nonregulated.	
<b>5300</b> UNCOLLECTIBLE REVENUE	Regulated Nonregulated Common	Ledger Account Ledger Account Ledger Account	Directly assigned to regulated. Directly assigned to nonregulated. Indirectly attributed to regulated and nonregulated in the same proportion as the combined distribution of Accounts <b>5001 - 5280</b> .	
<b>6112</b> MOTOR VEHICLE EXPENSE	Regulated Nonregulated Common	Not Applicable Not Applicable Ledger Account	Directly assigned to regulated. Directly assigned to nonregulated. Indirectly attributed in the same proportion as the combined distribution of investment in the Central Office, Distribution Services, Network Operations, Customer Operations, Corporate Operations and Motor Pool Common Motor Vehicles Cost Pools.	Cost pools required due to CAM Uniformity Order DA <b>93-765</b> .
<b>6113</b> AIRCRAFT EXPENSE	Same as Account	Ledger Account	Indirectly attributed in the same proportion as the Executive cost pool in Account <b>6720</b> .	
<b>6114</b> TOOLS AND OTHER WORK EQUIPMENT	Common Nonregulated	Ledger Account Ledger Account	Indirectly attributed in the same proportion as Account <b>2114</b> - Tools and Other Work Equipment. Directly assigned to nonregulated	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
<b>6121</b> LAND AND BUILDING EXPENSE	Regulated	Ledger Account	Directly assigned to regulated.	The FairPoint Telephone Companies maintain subaccounts for Account <b>6121</b> that identify rent expense and other expense. Rent Expense is further disaggregated into functional operating components using the same methodology described in Account <b>2121</b> Building Investment.
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Rent Attributed Regulated	Building study	Directly attributed to regulated.	
	Rent Attributed Nonregulated	Building study	Directly attributed to nonregulated.	
	Rent Central Office	Building study	Indirectly attributed in the same proportion as the combined distribution of Accounts <b>2211</b> to <b>2232</b> - C. O. Equipment.	
	Rent Distribution <b>Services</b>	Building study	Indirectly attributed in the same proportion as the combined distribution of current month wages & salaries in Accounts <b>2311</b> to <b>2441</b> and <b>6311</b> to <b>6441</b> .	
	Rent Network Operations	Building study	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts <b>6113</b> to <b>6124</b> and <b>6511</b> to <b>6535</b> .	
	Rent Customer Operations	Building study	Indirectly attributed in the same proportion as the combined distribution of current month wages and salaries in Accounts <b>6611</b> - <b>6623</b> .	
	Rent Corporate Operations	Building study	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Account <b>6720</b> .	
Other Common Expense	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of all Building Study cost pools in Accounts <b>2121,2681</b> and <b>6121</b> .		
<b>6122</b> FURNITURE AND ARTWORKS EXPENSE	Same as Account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts <b>6511</b> - <b>6540</b> , and <b>6611</b> - <b>6720</b> .	
<b>6123</b> OFFICE EQUIPMENT EXPENSE	Same as Acwunt	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts <b>6511</b> - <b>6540</b> , and <b>6611</b> - <b>6720</b> .	

<u>Account</u>	<u>Cost Pools</u>	<u>Assianment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6124 GENERAL PURPOSE COMPUTER EXPENSE	Regulated	Accounting records	Directly assigned to regulated.	
	Nonregulated	Accounting records	Directly assigned to nonregulated.	
	Customer Billing	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of regulated and nonregulated revenues.	
	Plant Related Systems	Accounting Records	Indirectly attributed in the same proportion as Telecommunications Plant in Service Accounts 2111 to 2690, excluding Account 2124 - General Purpose Computers, and the General Pur. Comp. cost pool in Account <b>2681</b> , and the Non Network Software and Accum. Amort. cost pools in Account 2690.	
	Service Orders	Accounting Records	Indirectly attributed based on combined distribution of accounting reporting codes identified on service orders.	
	Personnel Systems	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003,2111 - 2690,3100,6112-6540, and 6611 - 6720.	
	Other	Accounting Records	General Allocator.	
6211 NON DIGITAL SWITCHING EXPENSE	Same as Account	Accounting records	Directly assigned to regulated.	

Account	Cost Pools	Assianment Basis	Apportionment Basis	Comments
6212 DIGITAL ELECTRONIC EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	See the Common Control Equipment and the Central Office Equipment Study descriptions on page VI-5.
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common Control Equipment	Accounting Records ■ Special Study	Directly attributed in the same proportion as actual weighted calls.	
	Network Equipment	Accounting Records/ Special Study	Directly attributed to regulated.	
6220 OPERATOR SYSTEMS EXPENSE	Same as account	Ledger Account	Directly Attributed in the same proportion as actual operator service calls.	See the Operator Systems Study description on page VI-6.
6231 RADIO SYSTEMS EXPENSE	Regulated	Ledger Account	Directly assigned to regulated.	
	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
6232 CIRCUIT EQUIPMENT EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the actual ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
6311 STATION APPARATUS EXPENSE	Regulated	Not Applicable	Directly assigned to regulated.	In accordance with CAM Uniformity Order DA93-765 paragraph 36.
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common - No Access/No Trouble Found	Not Applicable	Indirectly attributed based on 75% of the ratio of regulated trouble counts cleared to the total trouble counts cleared with the residual going to nonregulated.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assianment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6341 LARGE PRIVATE BRANCH EXCHANGE EXPENSE	Regulated Nonregulated Common - No Access/No Trouble Found.	Not Applicable Accounting Records Not Applicable	Directly assigned to regulated Directly assigned to nonregulated Indirectly attributed based on 75% of the ratio of regulated trouble counts cleared to the total trouble counts cleared with the residual going to nonregulated.	In accordance with CAM Uniformity Order DA93-765 paragraph 36.
6351 PUBLIC TELEPHONE TERMINAL EQUIPMENT EXPENSE	Same as account	Account	Directly assigned to nonregulated.	
6362 OTHER TERMINAL EQUIPMENT EXPENSE	Regulated Nonregulated Common - No Access/No Trouble Found. Combination Travel Time	Accounting Records Accounting Records Accounting Records Accounting Records	Directly assigned to regulated. Directly assigned to nonregulated. Indirectly attributed based on 75% of the ratio of regulated trouble counts cleared to the total trouble counts cleared with the residual going to nonregulated. Directly attributed to regulated and nonregulated based per FCC rules, 50% each.	In accordance with CAM Uniformity Order DA93-765 paragraph 36.  In accordance with CAM Uniformity Order DA 93-765
6411 POLE EXPENSE	Common	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Account 2411 - Poles.	
6421 AERIAL CABLE EXPENSE	Regulated Nonregulated FTTP Broadband Facilities	Accounting Records Accounting Accounting Records	Directly assigned to regulated. Directly assigned to nonregulated. Directly attributed in the same proportion as the actual ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assianment Basis</u>	<u>Apporionment Basis</u>	<u>Comments</u>
<b>6422</b> UNDERGROUND CABLE EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the actual ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
<b>6423</b> BURIED CABLE EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the actual ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
<b>6424</b> SUBMARINE & DEEP SEA CABLE EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the actual ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
6426 INTRABUILDING CABLE EXPENSE	Regulated	Accounting Records	Directly assigned to regulated	
	FTTP Broadband Facilities	Accounting Records	Directly attributed in the same proportion as the actual ratios of the video subscribers to total subscribers of FTTP Broadband Facilities.	
<b>6431</b> AERIAL WIRE EXPENSE	Same as Account	Ledger Account	Directly assigned to regulated.	
<b>6441</b> CONDUIT SYSTEMS EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common	Accounting Records	Indirectly attributed in the same proportion as Account <b>2441</b> -Conduit Systems.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6511 PROPERTY HELD FOR FUTURE TELECOMMUNICATIONS USE EXPENSE	Same as Account	Ledger Account	Indirectly attributed in the same proportion as Account 2002 –Property Held for Future Telecommunications Use.	
6512 PROVISIONING EXPENSE	Same as Account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Account 1220 - Inventories.	
6531 POWER EXPENSE	Same as Account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Accounts 2211 to 2232.	
6532 NETWORK ADMINISTRATION EXPENSE	Regulated Nonregulated Installation Control Center Expense Other Common	Accounting Records Accounting Records Accounting Records Accounting Records	Directly assigned to regulated Directly assigned to nonregulated Directly attributed based on combined distribution of accounting reporting codes identified on service orders. Indirectly attributed in the same proportion as the combined distribution of current month productive wages and salaries in the above cost pools.	
6533 TESTING EXPENSE	Line & Trunk Testing Trouble Reports Nonregulated	Accounting Records Ledger Account Accounting Records	Directly assigned to regulated. Directly attributed based on analysis of trouble source type as identified on trouble reports. Directly assigned to nonregulated	The Trouble Reports - Testing Expense cost pool is apportioned to the regulated and nonregulated operations based on an analysis of trouble reports. These reports contain information that tracks trouble reports by type or source and by location of troubles. The expenses are allocated, by study area, between the regulated and nonregulated operations based on the respective ratios of regulated and nonregulated customer trouble reports and employee contacts to total trouble reports and related contacts.

<u>Account</u>	<u>Cost Pools</u>	<u>AssionmentBasis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
<b>6534</b> PLANT OPERATIONS ADMINISTRATION EXPENSE	Nonregulated	Ledger Account	Directly assigned to nonregulated.	
	Other	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of current month wages and salaries in Accounts <b>2211-2441</b> and <b>6211-6441</b> .	
<b>6535</b> ENGINEERING EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Accounts <b>2211-2441</b> .	
	Nonproductive Time	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of current month productive wages and salaries in the above cost pools.	
<b>6540</b> ACCESS EXPENSE	Same as Account	Ledger Account	Directly assigned to regulated.	
<b>6561</b> DEPRECIATION EXPENSES TELECOMMUNICATIONS PLANT IN SERVICE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Motor Vehicles Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pools in Account <b>2112</b> Motor Vehicles.	
	Aircraft	Accounting Records	Indirectly attributed in the same proportion as Account <b>2113</b> - Aircraft.	
	Tools and Other Work Equipment - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pools in Account <b>2114</b> Tools and Other Work Equipment.	
	Buildings - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pools in Account <b>2121</b> Buildings	
	Furniture	Accounting Records	Indirectly attributed in the same proportion as Account <b>2122</b> - Furniture.	
	Office Equipment	Accounting Records	Indirectly attributed in the same proportion as Account <b>2123</b> - Office Equipment.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
<b>6561</b> DEPRECIATION EXPENSES TELECOMMUNICATIONS PLANT IN SERVICE (Cont'd)	General Purpose Computers - Common	AccountingRecords	Indirectly attributed in the same proportion as the common cost pools in Account <b>2124</b> General Purpose Computers.	
	Digital Electronic Switching - Common	AccountingRecords	Indirectly attributed in the same proportion as the combined distribution of the common cost pools in Account <b>2212</b> , Digital Electronic Switching Equipment	
	Operator Systems	Accounting Records	Indirectly attributed in the same proportion as Account <b>2220</b> - Operator Systems.	
	Circuit Equipment	Accounting Records	Indirectly attributed in the same proportion as Account <b>2232</b> - Circuit Equipment.	
	Poles	Accounting Records	Indirectly attributed in the same proportion as Account <b>2411</b> - Poles	
	Aerial Cable	AccountingRecords	Indirectly attributed in the same proportion as Account <b>2421</b> -Aerial Cable.	
	Underground Cable	AccountingRecords	Indirectly attributed in the same proportion as Account <b>2422</b> - UndergroundCable.	
	Buried Cable	AccountingRecords	Indirectly attributed in the same proportion as Account <b>2423</b> - Buried Cable.	
	Submarine & Deep Sea Cable - Common	Accounting Records	Indirectly attributed in the same proportion as the common cost pool Account <b>2424</b> Submarine & Deep Sea Cable	
	Intra-Building Network Cable	AccountingRecords	Indirectly attributed in the same proportion as Account <b>2426</b> - Intra-BuildingNetwork Cable.	
	Conduit Systems - Common	AccountingRecords	Indirectly attributed in the same proportion as the common cost pool in Account <b>2441</b> -Conduit Systems	
Other	AccountingRecords	Indirectly attributed in the same proportion as the combined distribution of the above cost pools.		
<b>6562</b> DEPRECIATION EXPENSE PROPERTY HELD FOR FUTURE TELECOMMUNICATIONS USE	Same as Account	AccountingRecords	Indirectly attributed in the same proportion as the combined distribution of Account <b>2002</b> - Property Held for Future TelecommunicationsUse.	

Account	Cost Pools	Assianment Basis	Apportionment Basis	Comments
<b>6563</b> AMORTIZATION EXPENSE - TANGIBLE	Same as Account	AccountingRecords	Indirectly attributed in the same proportion as the combined distribution of Accounts <b>2681</b> and <b>2682</b> - Capital Leases and Leasehold Improvements.	
<b>6564</b> AMORTIZATION EXPENSE - INTANGIBLE	Same as Account	Accounting Records	Indirectly attributed in the same proportion as Account <b>2690</b> - Intangibles, excluding the Accumulated Amortization Other cost pool.	
<b>6565</b> AMORTIZATION EXPENSE - OTHER	Same as Account	Accounting Records	Indirectly attributed in the same proportion as Account <b>2005</b> - Telecommunications Plant Adjustment., excluding the Accumulated Amortization- Other cost pool.	
<b>6611</b> PRODUCT MANAGEMENT AND SALES	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common	Accounting Records	Marketing Allocator	
	Residence Selling	Accounting Records	Directly attributed based on a study of <b>regulated/nonregulated</b> contact activity performed by Residence Telephone Sales Representatives.	
	Nonproductive Time	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of current month productive wages and salaries in the above cost pools.	
<b>6613</b> PRODUCT ADVERTISING	Regulated	AccountingRecords	Directly assigned to regulated.	
	Nonregulated	AccountingRecords	Directly assigned to nonregulated.	
	Common	AccountingRecords	Marketing Allocator.	
	Nonproductive Time	AccountingRecords	Indirectly attributed in the same proportion as the combined distribution of current month productive wages and salaries in the above cost pools.	
<b>6621</b> CALL COMPLETION SERVICES	Regulated	AccountingRecords	Directly assigned to regulated.	
	Nonregulated	AccountingRecords	Directly assigned to nonregulated.	

Account	Cost Pools	Assionment Basis	Apportionment Basis	Comments
6622 NUMBER SERVICE	Regulated	Accounting Records	Directly assigned to regulated.	See the Operator Systems Study description on page VI-6.
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Directory Assistance Operators	Accounting Records	Directly Attributed in the same proportion as actual directory assistance service calls.	
6623 CUSTOMER SERVICE EXPENSE	Regulated	Accounting Records	Directly assigned to regulated.	See the Customer Billing Study description on page VI-8.  The CABS Service Order Processing cost pool includes all billing, processing, and support cost associated with billing interexchange services. On a monthly basis codes identified in all <b>service</b> order activity will be categorized based on the service associated with each code. The resulting distribution will be applied. Also on a monthly basis all service order activity excluding CABS will be reviewed to identify the distribution of reporting codes among regulated and nonregulated, and apply the resulting distribution to the End User cost pool.
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Public Telephone	Accounting Records	Directly assigned to nonregulated.	
	Customer Instruction	Accounting Records	Marketing Allocator.	
	Customer Accounting	Accounting Records	Customer Billing Study.	
	Billing Inquiry - Carrier Access	Accounting Records	Directly attributed based on combined distribution of regulated and nonregulated CABS revenues.	
	Billing Inquiry - End User	Accounting Records	Directly attributed based on combined distribution of regulated and nonregulated total revenues less CABS revenues.	
	Service Order - Carrier Access	Accounting Records	Directly attributed based on combined distribution of accounting reporting codes identified on service orders.	
	Service Order - End User	Accounting Records	Directly attributed based on combined distribution of accounting reporting codes identified on service orders.	
	Other Customer Service	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of current month productive wages and salaries in the above cost pools.	

<u>Account</u>	<u>Cost Pools</u>	<u>Assianment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6720 GENERAL AND ADMINISTRATIVE	Regulated	Accounting Records	Directly assigned to regulated.	
	Nonregulated	Accounting Records	Directly assigned to nonregulated.	
	Common	Accounting Records	General <b>Allocator</b> .	
	Executive	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 6112-6441, 6532-6535 and 6611-6720 (excluding 6113).	
	Corporate Advertising & Public Relations	Accounting Records	Marketing Allocator.	
	Human Resources <sup>1</sup> Security	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003, 2111- 2682, 3100, 6112-6540. and 6611-6720.	
	Procurement	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of previously assigned plant and expenses in Accounts 1220 and 6112 to 6790 (excluding 6113 and 6720).	
	<b>Benefits/Employee Related</b>	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of the total prior month wages and salaries in Accounts 2003,2111 - 2690,3100. 6112 - 6540, and 6611 - 6720	
	<b>Information Mgmt – Regulated</b>	Accounting Records	Directly assigned to regulated	
	Information Mgmt - Nonregulated	Accounting Records	Directly assigned to nonregulated	

<u>Account</u>	<u>Cost Pools</u>	<u>Assignment Basis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
6720 GENERAL AND ADMINISTRATIVE (Cont'd)	Customer Billing	Accounting Records	Indirectly attributed to regulated and nonregulated in the same proportion as the combined distribution of regulated and nonregulated revenues.	
	Plant Related Systems	Accounting Records	Indirectly attributed in the same proportion as Telecommunications Plant in Service Accounts 2111 to 2690, excluding Account 2124 - General Purpose Computers, and the General Purpose Comp. cost pool in Account 2681, and the Non Network Software and Accum. Amort. cost pools in Account 2690	
	Personnel Systems	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of total prior month wages & salaries in Accounts 2003,2111 - 2690,3100,6112 - 6540 and 6611 - 6720.	
	Service Orders	Accounting Records	Indirectly attributed based on combined distribution of accounting reporting codes identified on service orders.	
	Other - Info Mgmt.	Accounting Records	General Allocator.	
	Nonproductive Time	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of current month productive wages and salaries in the above cost pools.	
6790 PROVISION FOR UNCOLLECTIBLE NOTES RECEIVABLE	Same as Account	Ledger Account	Assigned to regulated and nonregulated based on a review of notes charged to this account.	Presently there are no charges to this account. However, any underlying notes resulting in a charge will be reviewed and an assignment determined.
7100 OTHER OPERATING INCOME & EXPENSES	Regulated	Accounting Records/ Analysis of charges	Directly attributed to regulated.	
	Nonregulated	Accounting Records/ Analysis of charges	Directly attributed to nonregulated	
	Gains/Losses Foreign Exchange	Accounting Records	Analysis of specific items.	
	Gains/Losses Disposition of Land and Artwork	Accounting Records	Indirectly attributed following the procedures outlined in the FCC's Order in CC Docket 86-497, paragraph 86.	

Account	Cost Pools	Assianment Basis	Apportionment Basis	Comments
7100 OTHER OPERATING INCOME & EXPENSES (Cont'd)	VEBA Gains and Losses	AccountingRecords	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003,2111 – 2690, 3100, 6112 – 6540, and 6611–6720.	
	Common	Analysis of charges ■ Subaccount	General Allocator.	
7210 OPERATING INVESTMENT TAX CREDITS	Same as Account	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Accounts 2112 to 2441.	
7220 OPERATING FEDERAL INCOME TAX	Same as Account	Ledger Account	Indirectly attributed based on the allocation of total FIT, based on Book Taxable Income, less the allocation of Federal Deferred Taxes.	See Tax write-up on page VI-9.
7230 OPERATING STATE AND LOCAL INCOME TAX	Same as Account	Ledger Account	Indirectly attributed based on the allocation of total Operating State Income Tax, based on Book Taxable Income, less the allocation of State Deferred Taxes.	See Tax write-up on page VI-9.
7240 OPERATING OTHER TAXES	Property Tax	AccountingRecords	Indirectly attributed in the same proportion as the combined distribution of TelecommunicationPlant in <b>Service</b> Accounts 2111 to 2690, excluding the Accum. Amortization cost pool in Account 2690.	
	Gross Receipts Taxes	Accounting Records	Indirectly attributed in the same proportion as regulated and nonregulated revenues.	
	Other Assets and Sales and Use Tax	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of TelecommunicationPlant in Service Accounts 2111 to 2690.	
	Other Non-Asset Related Tax	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003, 2111-2690, 3100, 6112-6540, and 6611 – 6720.	
	Nonregulated	AccountingRecords	Directly assigned to nonregulated.	
	Regulated Levies	Ledger Account	Directly assigned to regulated.	

Account	Cost Pools	Assignment Basis	Apportionment Basis	Comments
7250 PROVISION FOR DEFERRED OPERATING INCOME TAXES	Property - Federal	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Accounts 2111 to 2690, excluding the Accum. Amortization cost pool in Account 2690.	
	Property - State	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Accounts 2111 to 2690, excluding the Accum. Amortization cost pool in Account 2690.	
	Non-Property - Federal	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003, 2111-2690, 3100, 6112-6540, and 6611-6720.	
	Non-Property - State	Accounting Records	Indirectly attributed in the same proportion as the combined distribution of total prior month wages and salaries in Accounts 2003.2111 - 2690, 3100.6112 - 6540, and 6611-6720.	
7300 NONOPERATING INCOME & EXPENSE	Regulated	Analysis of charges	Directly attributed to regulated, in accordance with ARMIS requirements.	
	Nonregulated	Analysis of charges	Directly attributed to nonregulated.	
	Common	Analysis of charges	Indirectly attributed following the procedures outlined in the FCC's Order in CC Docket 86-497, paragraph 86.	
	AFUDC	Accounting Records	Indirectly attributed in the same proportion as Account 2003 - Telecommunications Plant Under Construction.	
	Charitable Contributions/ Membership Dues	Accounting Records	General Allocator.	
	Other Charges	Accounting Records	Directly assigned to regulated, in accordance with ARMIS requirements.	

<u>Account</u>	<u>Cost Pools</u>	<u>AssionmentBasis</u>	<u>Apportionment Basis</u>	<u>Comments</u>
7500 INTEREST & RELATED ITEMS	Funded Debt	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Accounts 2111 to 2690 less Account 2681 - Capital Leases, and the Accum Amortization cost pool in Account 2690.	
	Interest - Capital Leases	Ledger Account	Indirectly attributed in the same proportion as Account 2681 - Capital Leases.	
	Amortization of Debt Issuance Expenses and Other Interest Expense	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of Telecommunications Plant in Service Accounts 2111 to 2690 less Account 2681 - Capital Leases, and the Accumulated Amortization cost pool in Account 2690.	
	Customer Deposit Interest	Ledger Account	Indirectly attributed in the same proportion as Account 4040 – Customer Deposits.	
7600 EXTRAORDINARY ITEMS	Income Credits/Charges	Ledger Account	Directly attributed based on analysis of charges to the account.	Charges to this account are infrequent in nature
	Other	Ledger Account	Indirectly attributed in the same proportion as the combined distribution of the above cost pools.	
7910 INCOME EFFECT OF JURISDICTIONAL RATEMAKING DIFFERENCES - NET	Same as Account	Ledger Account	Directly assigned to regulated, in accordance with ARMIS requirements.	Account 7910 is not part of the <b>rate-</b> making process.
7990 NONREGULATED NET INCOME	Same as Account	Ledger Account	Directly assigned to nonregulated, in accordance with ARMIS requirements.	<b>FairPoint</b> has no nonregulated services includable in Account 7990.

# FAIRPOINT TELEPHONE COMPANIES

## PART 64

### COST ALLOCATION MANUAL

#### SECTION VII: TIME REPORTING

##### Introduction:

This section identifies and describes the FairPoint Telephone Companies' time reporting methods and internal controls. These controls are representative of the processes and procedures that are utilized to teach, monitor and reinforce accurate time reporting by all employees. Time reporting systems are used to properly identify wages and salaries associated with regulated and nonregulated activities

##### Methods/Procedures:

The FairPoint Telephone Companies use two methods to record time worked on specific activities: (1) positive time reporting and (2) exception time reporting. All employees use one of these methods. Following is a summary of each of these methods:

##### Positive Time Reporting:

Positive time reporting is utilized by employees in work groups that perform a variety of functions on a daily basis. It is a process whereby an employee segments a day into increments of time and records activities performed in each segment. Time is reported in increments of 6 (six) minutes or 15 (fifteen) minutes depending on the union contract for specific employees. Productive time is reported (coded) based on the function performed. Non productive time is separately identified and subsequently apportioned based on the productive time recorded for that particular work group.

Labor costs are distributed to final accounts and ultimately to the appropriate cost pools based upon the work activities positively reported by the employee.

The employees of the various work groups that use positive time reporting are instructed on the appropriate use of the system in place for that work group. Periodic reviews of work groups are performed to ensure compliance with current system and reporting standards. Positive time reporting employees are required to input all paid time to the time reporting system in use by their particular department. Supervisory review and approval controls are in place to ensure Positive Time reporting is reviewed on an on-going basis.

### Exception Time Reporting:

The wage and salary costs of employees who perform functions that do not vary on a day to day basis are pre-assigned to one or more fixed accounts or codes based on the nature of their functions. These employees use exception time reporting to report time engaged in activities outside routinely assigned functions, when such exception work exceeds one hour per day.

The accounting systems assign costs to both the exception reported and routinely assigned functions in this manner: total costs less exception costs equals costs remaining assigned to routine functions.

Employee related costs are distributed to the appropriate cost pools using Accounting Records, which may include Sub -accounts, Job Function Codes and Product Codes.

Exception Time Reporting employees routinely perform specific job activities over an extended period of time and exception report activities that are outside routinely assigned functions.

Time spent on exception activities is generally recorded in increments of one hour. Some business units use 30 minutes or more.

Periodic reviews are performed to determine the relative amount of time spent on specific functions and the appropriate distribution between regulated and nonregulated activities. Surveys are conducted, and, depending on business unit, could be performed on a representative sample of employees and time period or on an entire functional department. These reviews enhance the accuracy of the time reporting.

### Accurate Time Reporting Training and Controls:

Training is designed to raise the employees' awareness of the time reporting requirements of this manual. Supervisors are responsible for implementing this training, which includes annual documented reminders that work activity variances of one hour or more are to be reported. The employee's supervisor approves utilization of the Exception time reporting method and all Exception time reports. All employees are required to review and sign the Code of Business Conduct annually, which also stresses the importance of accurate time reporting.

### Marketing & Sales Support Documentation:

Within various FairPoint business units, sales personnel maintain one or more of the following support documents: employee logs/ diaries, calendars, employee daily tracking and/or supervisor's summary of time. Other FairPoint business units maintain customer information files by customer account or product. These customer files include premise visit summaries, customer proposals, notes, memos or other relevant correspondence.

Nonproductive Time:

Positive time reporting employees identify vacation, holiday, sickness, training, and unclassified productive time through the positive time reporting process. For all other employees, nonproductive time that can be related to a specific work assignment (e.g., project specific administrative activities, meetings, conferences and assistance to others) is reported as productive time using both routinely assigned and exception reported Job Function Codes. Nonproductive time that is not related to a specific work assignment (e.g., holidays, vacation, and sickness) is identified by payroll exception codes. All nonproductive time is apportioned to regulated and nonregulated activities in the same proportion as the productive wages & salaries in that same account.

Record Retention:

All relevant records and required supportive documentation are retained for a minimum of two years.

**Time Reportinn by Oraanization**

<u>USOA Account</u>	<u>Reporting Organization</u>	<u>Positive Time Reporting</u>	<u>Exception Time Reporting</u>	
		<u>Associates</u>	<u>Management</u>	
Plant Non-Specific Accounts 6112 to 6441 (Note 3)	Installation	X		X
	Maintenance & Repair	X		X
	Engineering	X		X
	Other (1)	X		X
Plant Non-Specific Accounts 6512 to 6535 (Note 3)	Provisioning	X		X
	Network and Plant			
	Administration	X		X
	Engineering			
Marketing Accounts 6611 to 6613	Administration	X		X
	Product Management			
	Sales			X
Customer Services Accounts 6621 to 6623	Advertising			X
	Call Completion Services			X
	Number Services			X
	Customer Services	X (Note 2)		X

**Time Reporting by Organization**

<u>USOA Account</u>	<u>Reporting Organization</u>	<u>Positive Time Reporting</u>	<u>Exception Time Reporting</u>
		<u>Associates</u>	<u>Management</u>
Corporate Operations Accounts 6711 to 6790	Executive Planning Accounting & Finance External Relations Human Resources Information Management Legal Procurement Research and Development Administration		X X X X X X X X X X

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- (1) Plant Specific – Other includes motor vehicle operators, aircraft operators, general purpose computer operators and public telephone instruction card preparers.
  - (2) Includes coin collection and counting functions.
  - (3) Clerical Staff Reporting personnel that support plant specific and non- specific functions can be exception time reporters, since their functions do not vary on a day to day basis.