

LAW OFFICES

STRANG, FLETCHER, CARRIGER, WALKER, HODGE, & SMITH, PLLC

CARLOS C. SMITH
WILLIAM C. CARRIGER
RICHARD T. HUDSON
EWING STRANG
LARRY L. CASH *
CHRISTINE MABE SCOTT *
J. ROBIN ROGERS # *
G. MICHAEL LUHOWIAK
GREGORY D. WILLETT
MARK W. SMITH *
STEPHEN D. BARHAM
OF COUNSEL
ROBERT KIRK WALKER
FREDERICK L. HITCHCOCK

RECEIVED
400 KRYSTAL BUILDING
ONE UNION SQUARE
CHATTANOOGA, TENNESSEE 37402-2514

TELEPHONE 423-265-2000
FACSIMILE 423-756-5861

January 9, 2003

TN REGULATORY AUTHORITY
DOCKET ROOM

S. BARTOW STRANG
1882-1954
JOHN S. FLETCHER
1879-1961
JOHN S. CARRIGER
1902-1989
JOHN S. FLETCHER, JR.
1911-1974
ALBERT L. HODGE
1910-1997
F. THORNTON STRANG
1920-1999

* ALSO LICENSED IN GEORGIA
ALSO LICENSED IN ALABAMA

RECEIVED

JAN 13 2003

TN REGULATORY AUTHORITY
TELECOMMUNICATIONS DIVISION

Ms. Patsy Fulton
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Electric Power Board Telecommunications
97-07488

Dear Ms. Fulton:

Enclosed are an original and twelve copies of the information compiled by the Electric Power Board of Chattanooga for its fiscal year ending June 30, 2002.

Please contact us if you have any questions or if you need additional information or documentation.

Sincerely yours,



William C. Carriger
For the Firm

Docket #
97-07488

WCC:tm
EPB/TEL - #159
Enclosures

EPB Telecommunications
Reporting Requirements
Fiscal Year 2002

RECEIVED

JAN 13 2003

TN REGULATORY AUTHORITY
TELECOMMUNICATIONS DIVISION

INDEX

- a. The name and address of all affiliated divisions.
- b. All contracts entered into with affiliated divisions or entity, and all transactions undertaken with any affiliates without a written contract
- c. The amount of affiliate transactions by affiliate by account charged
- d. The basis used to record affiliate transactions
- e. Total costs allocated or charged back to each division
- f. Updates of the allocation factors used to allocate costs between the electric system and the telecommunications division
- g. EPB's audited financial data for the electric system and for the telecommunications division and on a consolidated basis
- h. A computation of all tax allocations for regulatory purposes as follows:
 - 1. Property taxes
 - 2. Sales taxes
 - 3. Other State and Local Taxes
 - 4. Federal Income Tax

EPB Telecommunications
Reporting Requirements
Fiscal Year 2002

a. The name and address of all affiliated divisions.

EPB Electric System
P. O. Box 182255
Chattanooga, TN 37422-7255

b. All contracts entered into with affiliated divisions or entity, and all transactions undertaken with any affiliates without a written contract

Contracts:

Revolving Line of Credit Note to EPB for amounts advanced by the electric system to the Telecommunications Division up to \$28,000,000

Non-Contract transactions:

Electric service provided to telecommunications facilities

c. The amount of affiliate transactions by affiliate by account charged

- | | |
|---|---------------|
| 1. Loan advanced from EPB to the Telecommunications Division: | \$ 21,900,045 |
| 2. Interest expense on loan from EPB: | \$ 1,218,007 |
| 3. Electric service to free-standing Telecommunications facilities: | \$ 829 |

d. The basis used to record affiliate transactions

1. Loan advanced from EPB to the Telecommunications Division
Basis: cash value
2. Interest expense on loan from EPB
Basis: highest of prime rate published in *Wall Street Journal*, or earned on invested electric funds
3. Electric service to free-standing Telecommunications facilities
Basis: TVA published rates, commercial classification

EPB Telecommunications
Reporting Requirements
Fiscal Year 2002

e. Total costs allocated or charged back to each division

**Total Allocations to Telecommunications -
FY 2002**

<u>Expenses</u>	<u>Amount FY 2002</u>
Information Technology	24,000.00
Rental – Poles	48,624.83
Building Rental	129,481.65
Corporate Accounting	41,316.00
Annual Audit & Report	22,000.00
Payroll Benefits	342,227.94
EPB Overhead	201,114.70
Telephone Services	38.39
Board of Directors	2,274.35
Services of City of Chattanooga	673.20
	<u>811,751.06</u>

EPB Telecommunications
Reporting Requirements
Fiscal Year 2002

f. Updates of the allocation factors used to allocate costs between the electric system and the telecommunications division

Allocations between Telecommunications System and the Electric System

FY 2002

1. Information Technology – Used a budgeted \$2000 per month based on 2001.
2. Rental - Poles - Based on actual number of poles used, their location, and number of feet of conduit used. The dollar charge was based on the highest EPB charges any outside party for comparable pole attachments at the beginning of the fiscal year. An increase during the fiscal year will require an adjustment to be added to fiscal year 2003.
3. Building Rental - Allocated based on square footage occupied by Telecommunications.
4. Corporate Accounting - Allocated on analysis of accounting function performed by each employee.
5. Annual Audit & Report – Allocated based on the estimated annual audit and annual report.
6. Payroll Benefits – Pension and Post-retirement are based on an actuarial valuation. Life, Disability, and Workers Comp Insurance are allocated based on a payroll ratio calculated using total labor dollars. The 401(k) employer-matching is based on an employee deferring from 1% to 10% of their salary with employer matching up to 3% (same as Electric).
- Health Insurance – Allocated based on claims paid for telecommunications employees.
- Dental Insurance – Allocated based on the number of employees.
7. EPB Overhead – Management and administrative personnel including Human Resources. Allocated based on the General Allocator.
- Insurance covering Liability, Property, Comprehensive Dishonesty, General Liability, Auto Liability, Directors & Officers Liability, and Umbrella Excess Liability. Allocated based on the number of employees.

EPB Telecommunications
Reporting Requirements
Fiscal Year 2002

8. Telephones – Allocated based on actual number of phones used by Telecommunications. (Most telecommunications' phones are direct charges, not allocated).
 9. Board of Directors – Allocated based on general allocator.
 10. Services of City of Chattanooga – Allocated based on general allocator.
-
- g. EPB's audited financial data for the electric system and for the telecommunications division and on a consolidated basis**

EPB Telecommunications
Reporting Requirements
Fiscal Year 2002

h. A computation of all tax allocations for regulatory purposes as follows:

1. Property taxes

TAXING DISTRICT	JUNE 30, 2001 NET INVESTMENT	ASSESSMENT RATIO	2001 TAX RATE	2001 EQUALIZATION RATIO	TAX
CHATTANOOGA	\$ 10,746,404.01	0.55	2.5160	1.000	\$ 157,416.59
HAMILTON COUNTY	10,746,404.01	0.55	3.0610	1.000	191,515.18
TOTAL	\$ 21,492,808.02				\$ 348,931.77

2. Sales taxes

Capital Expenditures	\$ 1,778,610
Material Expenses	68,216
Total	<u>\$ 1,846,826</u>

@ 6.00% State	\$ 110,810
---------------	------------

Capital Expenditures	\$ 1,778,610
Material Expenses	68,216
Total	<u>\$ 1,846,826</u>

Less: Single Article	771,544
	<u>\$ 1,075,282</u>

@ 2.25% State	\$ 24,194
---------------	-----------

Total Sales Tax	<u>\$ 135,004</u>
-----------------	-------------------

EPB Telecommunications
Reporting Requirements
Fiscal Year 2002

3. Other State and Local Taxes

Privilege Tax

Gross Receipts	\$ 6,047,536
Less: Exempt	<u>5,000</u>
	\$ 6,042,536
@ Privilege Tax rate	<u>3%</u>
Privilege Tax	\$ 181,276
Credit for Franchise & Excise	<u>34,235</u>
Net Privilege Tax	<u>\$ 147,041</u>

Franchise, Excise Tax

Franchise, Excise Tax (calculation attached)	<u>\$ 34,235</u>
---	------------------

4. Federal Income Tax

Federal Income Tax Documentation attached	<u>\$ 0</u>
--	-------------

EXAMPLE CALCULATION

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

OMB No. 1545-0123

For calendar year 2001 or tax year beginning 7/01, 2001, ending 6/30, 2002
Instructions are separate. See page 20 for Paperwork Reduction Act Notice.

2001

A Check if a: 1 Consolidated return (attach Form 851) <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (as defined in Temporary Regs. sec. 1.441-4T—see instructions) <input type="checkbox"/>	Use IRS label. Otherwise, print or type.	Name <u>EPB-Telecommunications System</u>	B Employer identification number <u>99 : 9999999</u>
		Number, street, and room or suite no. (If a P.O. box, see page 7 of instructions.) <u>P O Box 182255</u>	C Date incorporated
		City or town, state, and ZIP code <u>Chattanooga TN 37422</u>	D Total assets (see page 8 of instructions)

E Check applicable boxes: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change		\$ <u>13,038,415</u>				
Income	1a Gross receipts or sales	<u>6,047,536</u>	b Less returns and allowances		c Bal	<u>1c 6,047,536</u>
	2 Cost of goods sold (Schedule A, line 8)					<u>2 2,387,627</u>
	3 Gross profit. Subtract line 2 from line 1c					<u>3 3,659,909</u>
	4 Dividends (Schedule C, line 19)					<u>4</u>
	5 Interest					<u>5</u>
	6 Gross rents					<u>6</u>
	7 Gross royalties					<u>7</u>
	8 Capital gain net income (attach Schedule D (Form 1120))					<u>8</u>
	9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)					<u>9</u>
	10 Other income (see page 8 of instructions—attach schedule)					<u>10</u>
	11 Total income. Add lines 3 through 10					<u>11 3,659,909</u>
Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (Schedule E, line 4)					<u>12</u>
	13 Salaries and wages (less employment credits)					<u>13</u>
	14 Repairs and maintenance					<u>14</u>
	15 Bad debts					<u>15</u>
	16 Rents					<u>16</u>
	17 Taxes and licenses					<u>17 348,932</u>
	18 Interest					<u>18 1,218,006</u>
	19 Charitable contributions (see page 10 of instructions for 10% limitation)					<u>19</u>
	20 Depreciation (attach Form 4562)	<u>20 1,110,593</u>				<u>20</u>
	21 Less depreciation claimed on Schedule A and elsewhere on return	<u>21a</u>				<u>21b 1,110,593</u>
	22 Depletion					<u>22</u>
	23 Advertising					<u>23</u>
	24 Pension, profit-sharing, etc., plans					<u>24</u>
	25 Employee benefit programs					<u>25</u>
	26 Other deductions (attach schedule)					<u>26 3,682,281</u>
	27 Total deductions. Add lines 12 through 26					<u>27 6,359,813</u>
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11					<u>28 (2,699,903)</u>
29 Less:	a Net operating loss (NOL) deduction (see page 13 of instructions)	<u>29a</u>				<u>29c</u>
	b Special deductions (Schedule C, line 20)	<u>29b</u>				<u>29c</u>
30 Taxable income. Subtract line 29c from line 28					<u>30 (2,699,903)</u>	
31 Total tax (Schedule J, line 11)					<u>31</u>	
Tax and Payments	32a Payments: a 2000 overpayment credited to 2001	<u>32a</u>				
	b 2001 estimated tax payments	<u>32b</u>				
	c Less 2001 refund applied for on Form 4466	<u>32c</u>				
	d Bal	<u>32d</u>				
	e Tax deposited with Form 7004	<u>32e</u>				
	f Credit for tax paid on undistributed capital gains (attach Form 2439)	<u>32f</u>				
	g Credit for Federal tax on fuels (attach Form 4136). See instructions	<u>32g</u>				<u>32h</u>
	33 Estimated tax penalty (see page 14 of instructions). Check if Form 2220 is attached					<u>33 0</u>
	34 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed					<u>34 0</u>
	35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid					<u>35 0</u>
36 Enter amount of line 35 you want: Credited to 2002 estimated tax					<u>36</u>	

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		May the IRS discuss this return with the preparer shown below (see instructions)? <input type="checkbox"/> Yes <input type="checkbox"/> No
	Signature of officer _____	Date _____	
Paid Preparer's Use Only	Preparer's signature _____	Date _____	Check if self-employed <input type="checkbox"/>
	Firm's name (or yours if self-employed), address, and ZIP code _____	EIN _____	Preparer's SSN or PTIN _____
		Phone no. () _____	

EXAMPLE CALCULATION



TENNESSEE DEPARTMENT OF REVENUE FRANCHISE, EXCISE TAX RETURN

FAE
170

Taxable Year Beginning: 7-1-01 Ending: 6-30-02	Account No. Due Date 	FEIN or SSN 99-9999999		
CHECK APPROPRIATE BLOCK(S): <table style="width:100%;"> <tr> <td style="width:50%;"> a. <input type="checkbox"/> Tennessee domestic corporation b. <input type="checkbox"/> Foreign corporation c. <input type="checkbox"/> S Corporation d. <input type="checkbox"/> Insurance Company e. <input type="checkbox"/> LLC f. <input type="checkbox"/> PLLC g. <input type="checkbox"/> Single Member LLC/individual h. <input type="checkbox"/> Single Member LLC/corporation i. <input type="checkbox"/> Single Member LLC/general partnership </td> <td style="width:50%;"> j. Single Member LLC/Division of parent (see instructions) k. <input type="checkbox"/> LP l. <input type="checkbox"/> LLP m. <input type="checkbox"/> RLLP n. <input type="checkbox"/> PRLLP o. <input type="checkbox"/> Business Trust p. <input type="checkbox"/> Not-For-Profit q. <input type="checkbox"/> Other _____ </td> </tr> </table>		a. <input type="checkbox"/> Tennessee domestic corporation b. <input type="checkbox"/> Foreign corporation c. <input type="checkbox"/> S Corporation d. <input type="checkbox"/> Insurance Company e. <input type="checkbox"/> LLC f. <input type="checkbox"/> PLLC g. <input type="checkbox"/> Single Member LLC/individual h. <input type="checkbox"/> Single Member LLC/corporation i. <input type="checkbox"/> Single Member LLC/general partnership	j. Single Member LLC/Division of parent (see instructions) k. <input type="checkbox"/> LP l. <input type="checkbox"/> LLP m. <input type="checkbox"/> RLLP n. <input type="checkbox"/> PRLLP o. <input type="checkbox"/> Business Trust p. <input type="checkbox"/> Not-For-Profit q. <input type="checkbox"/> Other _____	If this is an AMENDED RETURN, please check the box at right. <input type="checkbox"/> If the taxpayer is inactive in Tennessee, please check the box at right. <input type="checkbox"/> If this is a FINAL RETURN for termination or withdrawal, please check box at right. <input type="checkbox"/> If the payment for this return was sent via EFT, please check the box at right. <input type="checkbox"/> If the taxpayer is a member of a consolidated group, please check the box at right. <input type="checkbox"/> If the taxpayer is a member of a partnership operating in Tennessee, please check the box at right. <input type="checkbox"/>
a. <input type="checkbox"/> Tennessee domestic corporation b. <input type="checkbox"/> Foreign corporation c. <input type="checkbox"/> S Corporation d. <input type="checkbox"/> Insurance Company e. <input type="checkbox"/> LLC f. <input type="checkbox"/> PLLC g. <input type="checkbox"/> Single Member LLC/individual h. <input type="checkbox"/> Single Member LLC/corporation i. <input type="checkbox"/> Single Member LLC/general partnership	j. Single Member LLC/Division of parent (see instructions) k. <input type="checkbox"/> LP l. <input type="checkbox"/> LLP m. <input type="checkbox"/> RLLP n. <input type="checkbox"/> PRLLP o. <input type="checkbox"/> Business Trust p. <input type="checkbox"/> Not-For-Profit q. <input type="checkbox"/> Other _____			
EPB - Telecommunications System P O Box 182255 Chattanooga TN 37422		Enter the principal business activity code (NAICS) listed in federal IRC instructions that best describes the principal business activity in Tennessee. <u>513300</u> <table style="width:100%;"> <tr> <td style="width:50%;"> Date Tennessee Operations Began </td> <td style="width:50%;"> If you use a paid preparer and do not want forms mailed to you next year, check box at right. <input type="checkbox"/> </td> </tr> </table>	Date Tennessee Operations Began	If you use a paid preparer and do not want forms mailed to you next year, check box at right. <input type="checkbox"/>
Date Tennessee Operations Began	If you use a paid preparer and do not want forms mailed to you next year, check box at right. <input type="checkbox"/>			

SCHEDULE A - COMPUTATION OF FRANCHISE TAX		DOLLARS	CENTS
1. Total net worth from Schedule F, Line 6	(1)	10,469,691	
2. Total real & tangible personal property from Schedule G, Line 14	(2)	13,693,940	
3. Franchise tax (25¢ per \$100.00 or major fraction thereof on the greater of Lines 1 or 2; minimum \$100.00) ..	(3)	34,235	
SCHEDULE B - COMPUTATION OF EXCISE TAX			
4. Income subject to excise tax from Schedule J, Line 30	(4)	2,699,903	
5. Excise tax (6% of Line 4)	(5)	0	
6. Add: Recapture of excise tax credit from Schedule T, Part 2	(6)		
7. Net excise tax due (Line 5 plus Line 6)	(7)	0	
SCHEDULE C - COMPUTATION OF TOTAL TAX DUE OR OVERPAYMENT			
8. Total Franchise and Excise taxes - Add lines 3 and 7	(8)	34,235	
9. Deduct: Total credit from Schedule D, Line 7 (cannot exceed Line 8)	(9)		
10. Subtotal: Line 8 less Line 9 (if Line 9 exceeds Line 8, enter 0 here)	(10)	34,235	
11. Deduct: Total payments from Schedule E, Line 7	(11)		
12. Penalty (5% for each 30-day period of delinquency not to exceed 25%; minimum penalty is \$15)	(12)		
13. Interest (8.75% per annum on taxes unpaid by the due date)	(13)		
14. Penalty on estimated franchise, excise tax payments	(14)		
15. Interest on estimated franchise, excise tax payments	(15)		
16. Total amount due (overpayment) - Add lines 10, 12, 13, 14, and 15, less Line 11	(16)	34,235	
If overpayment reported on Line 16, complete A and/or B: A. <input type="checkbox"/> Credit to next year's tax \$ _____ B. <input type="checkbox"/> Refund \$ _____			
POWER OF ATTORNEY - Check YES if this taxpayer's signature certifies that this tax preparer has the authority to execute this form on behalf of the taxpayer and is authorized to receive and inspect confidential tax information and to perform any and all acts relating to respective tax matters. <input type="checkbox"/> YES		Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true, correct, and complete.	
Taxpayer's Signature _____ Date _____ Title _____ Tax Preparer's Signature _____ Preparer's SSN _____ Date _____ Telephone _____ Preparer's Address _____ City _____ State _____ ZIP _____		Remit amount in item 16, payable to: TENNESSEE DEPARTMENT OF REVENUE Andrew Jackson State Office Building 500 Deaderick Street, Nashville, TN 37242	

FOR OFFICE
USE ONLY ➔

--	--	--	--

--	--	--	--

EXAMPLE CALCULATION

page 2

Schedule D - SCHEDULE OF CREDITS

1. Gross Premiums tax credit (cannot exceed Schedule C, Line 8)	(1)		
2. Insurance Company reduction (percentage of Schedule C, Line 8, less Schedule D, Line 1)	(2)		
3. Tennessee Income Tax (cannot exceed Schedule B, Line 5)	(3)		
4. Day Care Credit from Schedule W, Line 18/LIHTC from Schedule Y, Line 3	(4)		
5. Industrial Machinery Credit from Schedule T, Line 11	(5)		
6. Jobs Tax Credit from Schedule X, Line 27	(6)		
7. Total Credit - Add lines 1 through 6 (Enter here and on Schedule C, Line 9)	(7)		

Schedule E - SCHEDULE OF PAYMENTS

1. Overpayment from previous year if available	(1)		
2. First quarterly estimated payment	(2)		
3. Second quarterly estimated payment	(3)		
4. Third quarterly estimated payment	(4)		
5. Fourth quarterly estimated payment	(5)		
6. Extension payment	(6)		
7. Total payments - Add lines 1 through 6 (Enter here and on Schedule C, Line 11)	(7)		

COMPUTATION OF FRANCHISE TAX

Schedule F - NET WORTH

1. Net Worth (total assets less total liabilities; deduct Treasury Stock)	(1)	(10,469,691)
2. Indebtedness to or guaranteed by parent or affiliated corporation	(2)	
3. Deduct: Interest in another taxpayer doing business in Tennessee (Attach schedule)	(3)	()
4. Total lines 1 and 2 less Line 3	(4)	(10,469,691)
5. Ratio (Schedules N, O, P, R, or S if applicable or 100%)	(5)	100 %
6. Total - Line 4 multiplied by Line 5 (Enter here and on Schedule A, Line 1)	(6)	(10,469,691)

Schedule G - DETERMINATION OF REAL AND TANGIBLE PROPERTY

BOOK VALUE OF PROPERTY OWNED - Cost less accumulated depreciation							In Tennessee
1. Land	(1)						
2. Buildings, leaseholds, and improvements	(2)						
3. Machinery, equipment, furniture, and fixtures	(3)						12,269,092
4. Automobiles and trucks	(4)						
5. Prepaid supplies and other tangible personal property (Attach schedule)	(5)						
6. Share of partnership real and tangible property provided that the partnership does not file a return (Attach schedule)	(6)						
7. Inventories and work in progress	(7)						
a. Deduct exempt inventory in excess of \$30 million (§67-4-2108(a)(6))	(7a)						()
8. Deduct value of certified pollution control equipment (Include copy of certificate (§67-5-604))	(8)						()
9. SUBTOTALS - Add lines 1 through 7, less Line 7a and Line 8	(9)						12,269,092
Rental Value of Property Used but not Owned							(C)
Net Annual Rental Paid for:							
10. Real property		(A)	(B)				
		In Tennessee					
10. Real property		178,106	x8	(10)			1,424,848
11. Machinery & equipment used in manufacturing & processing			x3	(11)			
12. Furniture, office machinery, and equipment			x2	(12)			
13. Delivery or mobile equipment			x1	(13)			
14. TENNESSEE TOTAL - Add lines 9-13 (Enter total here and on Schedule A, Line 2)	(14)						13,693,940

Supplemental Information - Fiscal Year 2002

1. The General Allocator is a fraction with the expenses directly assigned and attributed to telecommunications services as the numerator and the sum of the expenses directly assigned and attributed to the telecommunications plus the expenses directly assigned and attributed to the electric utility services as the denominator. The cost of goods (specifically wholesale power and wholesale telecommunications services) shall be excluded from the calculation of the directly assigned and attributed expenses.

The General Allocator used in calculating the amount allocated to the Telecommunications Division for the Board of Directors and the Services of City of Chattanooga was calculated monthly based on the above formula.

2. The General Allocator used in calculating EPB Overhead is computed on a month by month basis. The General Allocator used was as follows:

July 2001	12.5%
August 2001	11.7%
September 2001	12.7%
October 2001	14.7%
November 2001	12.9%
December 2001	12.7%
January 2002	14.0%
February 2002	13.7%
March 2002	14.4%
April 2002	14.5%
May 2002	12.2%
June 2002	12.7%

3. There are 980 poles included in the \$48,624.83 for fiscal year 2002 only. The rental agreement is month to month indefinitely.
4. EPB Telecommunications Division utilized 9,900 duct feet of conduit.
5. EPB Telecommunications Division occupied 7,389 square feet for 12 months. \$129,481.65 is for the entire year.
6. Corporate Accounting functions include Accounts Payable, Payroll, General Ledger and Plant Accounting. A breakdown of \$41,316.00 is as follows:

Accounts Payable	\$10,088.79
Payroll	\$4,804.19
General Ledger	\$19,216.74
Plant Accounting	<u>\$7,206.28</u>
Total Breakdown	<u>\$41,316.00</u>

7. The \$38.39 includes one land-line phone for 3 months. All other phone charges were direct charges.

8. A Listing of Telecommunications Employees is attached. Total salaries equal \$2,557,995.92 and are charged directly to the Telecommunications Division. Below is a breakdown of the employee benefits dollars.

Disability Insurance	\$7,782.45
Life Insurance	\$1,269.00
401 (k)	\$44,590.36
Postretirement	\$43,284.00
Pension	\$73,290.01
Health Insurance	\$106,790.65
Dental Insurance	\$14,490.55
Worker's Comp	<u>\$50,730.92</u>
Total Benefits	<u>\$342,227.94</u>

9. The Information Technology Allocation used was \$2,000 per month based on 2001 actual amounts. A recent study has calculated an adjustment based on a PC count for fiscal 2002, which adjustment will be included in Fiscal 2003.
10. Please see the attached EPB Telecommunications System "Operating Expenses & Other Deductions."

**LISTING OF TELECOMMUNICATIONS EMPLOYEES
AS OF JUNE 30, 2002**

DEPT	EMP #	NAME
211	1061	Sharolynn Harper
	1117	Jennifer Kaul
	1017	John Purcell
	972	John Seiffert
212	966	Jeremy Garrett
	1032	Kenneth Jones
	794	Glynn Lockhart
	1059	Stacey Massengale
	971	Craig Mercer
	541	Gary Owens
	1054	Mark Payne
	974	Frank Roden
213	1074	Leslie Brown
	965	Jimmy Dotson
	895	Robert Hay III
	984	Robbie Moore
214	963	Dale Donaldson
	1038	Stacy Keith
	1115	Kelli Layne
	1110	Valerie Lucas
	1113	Melissa Sanford
	969	Marilyn Stockwell (Pursley)
215	950	Edwin Krajesky
220	1122	Sandra Abercrombie
	1111	Scott Brewster
	1123	Crystal Durham
	958	Deborah George
	1114	Gerald Gifford
	962	Jeffrey Glass
	1041	Ann King
	1131	Jason McVay
	1108	Sherry Peace
	964	Todd Rowden
	988	Louis Savard
	1124	Diana Ward
230	1083	Misty Frizzell
	1005	Gregory Hewitt
	349	Katherine Owens
290	934	William Chapman

EPB TELECOMMUNICATIONS SYSTEM
OPERATING EXPENSES OTHER DEDUCTIONS
JULY 2001 - JUNE 2002

Page 1 of 3

Acct	Description	YTD
106120.151	NETWRK OP-OCCUPANCY CST	29,978.28
106530.030	GEN.MGT-OS LAB	(4,800.00)
106530.040	GEN.MGT-MATERIAL&SUPPL	5.07
106531.152	NETWORK OPS-INTER TRUNK	562,283.07
106531.153	NETWORK OPS-UNE-P	1,303,013.27
106531.154	NETWORK OPS-SWITCH FEES	142,737.77
106531.155	NETWORK OPS-GEN EXP	56,236.37
106531.157	NETWORK OPS-LONG DST EX	323,356.83
116120.151	SWITCH.OP-OCCUPANCYCOST	26,832.57
116210.020	SWITCH.OP-SALARY&WAGES	326,808.55
116210.021	SWITC OP-S&W-OT-PLANNED	1,637.41
116210.040	SWITCH.OP-MATERIAL&SUPP	3,847.44
116210.043	SWITCH OP-NETWORK MTNC	17,479.00
116210.111	SWITCH.OP-TRAINING	4,303.47
116210.112	SWITCH.OP-TRAVEL	4,013.94
116210.120	SWITCH-EMPL.HLTH&DENTAL	16,522.81
116210.121	SWITCH-EMP.INS-OTHER	11,284.07
116210.125	SWITCHING-PENSION BENEF	11,938.41
116210.126	SWITCHING-POSTRET.BENEF	6,871.52
116210.127	SWITCHING-401K RET PLAN	5,545.81
116210.130	SWITCH OP.-MSC EMPL BEN	25,313.37
116210.140	SWITCH.OP-CONSULTING	14,500.00
116210.180	NET.OP-SWITCH-TELEPHONE	3,145.94
116210.184	SWITCH.OP-LIC.&SOFTWARE	7,160.00
116210.199	SWITCH.OP-GENERAL EXP.	6,106.43
126410.020	FIELD SVC.-SAL.&WAGES	101,207.25
126410.021	FLD SVC-S&W-OT-PLANNED	42,088.19
126410.030	FIELD SVC-O/S CONTR.	2,663.65
126410.040	FIELD SVC-MAT&SUPPLIES	20,117.35
126410.043	FIELD SVC-MTNC EXPENSE	7,608.01
126410.111	FIELD SVC-TRAINING	10,941.43
126410.112	FIELD SVC-TRAVEL	8,843.48
126410.120	FIELD SVC-EMPL HLTH&DEN	8,036.55
126410.121	FIELD SVC-EMP INS-OTHER	4,324.15
126410.125	FIELD SVC-PENSION BENEF	5,504.40
126410.126	FIELD SVC-POSTRET BENEF	2,911.14
126410.127	FIELD SVC-401K RET PLAN	3,087.43
126410.130	FLD SVC-MISC EMPL BENEF	11,018.72
126410.150	FIELD SVC-POLE ATT&RTS	48,624.83
126410.180	NET.OP-FIELD-TELEPHONE	6,357.89
126410.184	FIELD SVC-LICFEE&SOFTWR	1,276.05
126410.199	FIELD SVC-GENERAL EXP.	8,198.66
126410.360	FIELD SVC.SAL&WAGES TRA	11,576.00
136530.020	ENG-SALARY & WAGES	70,101.18
136530.021	ENG-S&W-OT-PLANNED	2,214.65
136530.040	ENG-MAT&SUPPLIES	12,930.56
136530.043	ENGR-NETWORK MTNC	35,043.83
136530.111	ENGINEERING-TRAINING	6,320.19
136530.112	ENGINEERING-TRAVEL	2,123.57
136530.120	ENGR-EMPL HLTH & DENTAL	4,840.14
136530.121	ENGR-EMP INS OTHER	3,083.25
136530.125	ENGR-PENSION BENEFITS	3,569.92
136530.126	ENGR-POSTRET EXP	1,952.44
136530.127	ENGR-401K RET SAV PLAN	1,701.34

EPB TELECOMMUNICATIONS SYSTEM
OPERATING EXPENSES OTHER DEDUCTIONS
JULY 2001 - JUNE 2002

Page 2 of 3

Acct	Description	YTD
136530.130	ENGR-MISC EMPL BENEFITS	8,429.24
136530.180	GEN.OP-ENG-TELEPHONE	2,698.98
136530.199	ENG-GENERAL EXP	1,208.40
146510.020	CUST PROV-SAL&WAGES	195,437.17
146510.040	CUST PROV-MAT&SUPPLIES	3,590.85
146510.111	CUST PROV-TRAINING	2,032.91
146510.112	CUST PROV-TRAVEL	2,769.42
146510.120	CUST PROV-EMPL HLTH&DEN	9,030.41
146510.121	CUST PROV-EMP INS-OTHER	2,881.47
146510.125	CUST PROV-PENSION BENEF	6,575.79
146510.126	CUST PROV-POSTRET BENEF	3,862.30
146510.127	CUST PROV-401K RET PLAN	2,065.57
146510.130	CUST PROV-MSC EMPL BENF	14,109.14
146510.180	GEN.OP-CUST.-TELEPHONE	323.77
146510.199	CUST PROV-GENERAL EXP	3,570.85
146620.184	LIC FEE & SOFTWARE	15,142.55
206610.020	SALES&MKTG-SALARY&WAGES	616,466.65
206610.023	SALES&MKTG-COMMISSIONS	393,428.35
206610.040	SALES&MKTG-MATERIAL&SUP	20,519.61
206610.111	SALES&MKTG-TRAINING	5,408.86
206610.112	SALES&MKTG-TRAVEL	28,063.73
206610.113	SALES&MKT-TRADE&ASC FEE	2,000.10
206610.120	SALES&MKTG-EMP HLTH&DEN	32,868.73
206610.121	SALES&MKT-EMP INS-OTHER	31,315.19
206610.125	SALES&MKT-PENSION BENEF	22,015.22
206610.126	SALES&MKT-POSTRET BENEF	13,286.32
206610.127	SALES&MKT-401K RET PLAN	15,665.48
206610.130	SALES&MKT-MISC EMP BENF	66,062.13
206610.140	SALES&MKTG-CONSULTING	1,640.30
206610.160	SALES&MKTG-ADVERTISING	59,657.97
206610.161	SALES&MKTG-PROMOTIONS	18,920.38
206610.180	SALES&MKTG-TELEPHONE	21,250.22
206610.184	SALES&MKTG-LIC.FEE&SFTW	12,448.14
206610.199	SALES&MKTG-GENERAL EXP	17,502.32
306620.020	CUST.OPER-SALARY&WAGES	128,253.44
306620.021	CUST OPER-S&W-OT-PLNNED	8,943.46
306620.030	CUST OPER-OS LABOR	1,077.35
306620.040	CUST.OPER-MAT.&SUPPLIES	4,759.14
306620.111	CUST.OPER-TRAINING	172.38
306620.112	CUST.OPER-TRAVEL	344.16
306620.120	CUST OPER-EMP HLTH&DENT	6,520.02
306620.121	CUST OPER-EMP INS OTHER	2,029.75
306620.125	CUST OPER-PENSION BENEF	4,612.71
306620.126	CUST OPER-POSTRET BENEF	2,688.42
306620.127	CUST OPER-401K RET PLAN	3,261.44
306620.130	CUST OPER-MSC EMPL BENF	10,424.16
306620.140	CUST.OPER-CONSULTING	19,500.00
306620.180	CUSTOMER OPS-TELEPHONE	574.44
306620.182	CUSTOMER OPS-POSTAGE	9,828.08
306620.184	CUST.OPER-LIC.FEE&SFTWR	55,583.22
306620.199	CUST.OPER-GENERAL EXP.	7,332.55
306623.180	CUST OP-CUST CARE PHONE	3,673.62
906120.151	ADMIN-OCCUPANCY COSTS	72,670.80
906710.020	EXECUTIVE-SALARY&WAGES	192,776.80

EPB TELECOMMUNICATIONS SYSTEM
OPERATING EXPENSES OTHER DEDUCTIONS
JULY 2001 - JUNE 2002

Page 3 of 3

Acct	Description	YTD
906710.199	EXECUTIVE-GEN.EXPENSES	2,734.92
906720.030	ADMIN-OS LAB	62.00
906720.040	ADMIN-MATERIAL&SUPPLIES	2,446.13
906720.111	ADMIN-TRAINING	2,234.33
906720.112	ADMIN-TRAVEL	1,901.64
906720.113	ADMIN-TRADE&ASC.FEE	3,000.00
906720.120	ADMIN-EMPL.HLTH.INSUR.	7,527.90
906720.121	ADMIN-EMPL.INSUR-OTHER	2,454.70
906720.125	ADMIN-PENSION BENEFITS	5,183.63
906720.126	ADMIN-POSTRET. BENEFITS	3,108.19
906720.127	ADMIN-401K RET.SAV.PLAN	3,871.10
906720.130	ADMIN-MISC.EMPL.BENEFIT	9,250.51
906720.140	ADMIN-CONSULTING	133,452.30
906720.141	ADMIN-LEGAL FEES	42,078.54
906720.180	ADMIN-TELEPHONE EXP.	1,336.67
906720.183	ADMIN-COMP&OFC EQP MTC	366.99
906720.190	ADMIN-PROPERTY INSURANC	19,558.25
906720.191	ADMIN-LIABILITY INSURAN	19,558.25
906720.199	ADMIN-GENERAL EXPENSE	40,806.11
906720.361	ADMIN-INFO.SERV.COSTS	24,000.00
906720.365	ADMIN-GEN.SVC.FROM EPB	149,641.01
906720.367	ADMIN-CORP.ACCTG.SVC.	41,316.00
906720.368	ADMIN-HUMAN RES SERV	12,357.19
OPERATING EXP BEFORE DEPREC & PROP TAXES		<u>6,069,908.47</u>
906560.380	DEPREC-TELECOM SYSTEM	1,110,592.54
907200.366	IN LIEU OF TAXES	348,931.77
TOTAL OPERATING EXPENSES		<u><u>7,529,432.78</u></u>