APPENDIX A

Summary of Adopted Adjustments to Net Operating Income and Rate Base
Pacific Bell Intrastate Regulated Operations
Phase 2B
1997

Joint Exhibit Index	Line Number	Adopted Adjustments to Net Operating Income	Pacific Bell Total Co.	Non-Reg (Below the Line)	Interstate Separations	Intrastate Reg Before Tax	Income Tax	Intrastate Regulated After Tax
		Phase 2B Net Operating Income						
39	1	SBC Ops FAS 106 Merger Conforming Expense	-			-	-	-
40	2	AMDOC Awards SBC Operations	-			-	-	-
41	3	Excess Executive Compensation SBC Operations	-			-	-	-
42	4	SBC Ops Sec. Alloc of Parent Mgt Fees	-			-	-	-
43	5	SBC Ops Call Ctr Depreciation, Merger Implementation Exp.	-			-	-	-
44	6	SBC Svcs "Excess" Executive Comp Expense	-			-	-	-
45	7	SBC Svcs, CFL, TRI Sec. Alloc. of Parent Mgt Fees	-			-	-	-
46	8	Parent "Excess" Executive Compensation Expense	3,146,751	17,745	643,633	2,485,373	-1,012,690	1,472,683
47	9	Parent Political and Legislative Influence Expense	18,219,042	-	3,747,639	14,471,403	-5,896,518	8,574,885
48	10	Parent Legal Expense	-			-	-	-
49	11	Parent Public Relations & Corporate Sponsorship Expense	3,667,301	94,355	702,983	2,869,963	-1,169,395	1,700,568
50	12	Parent Corporate Development Expense	-			-	-	-
51	13	Parent Strategic Planning Expense	3,630,668	70,541	732,315	2,827,812	-1,152,220	1,675,592
52	14	Parent Contributions, Memberships, Foundation Expense	342,104	-	70,370	271,734	-110,721	161,013
53	15	Parent Out of Period Expense	-7,415,911	-100,845	-1,504,702	-5,810,364	2,367,491	-3,442,873
54	16	Parent Merger Conforming Expense	-			-	-	-

[redacted]

Joint Exhibit Index	Line Number	Adopted Adjustments to Net Operating Income	Pacific Bell Total Co.	Non-Reg (Below the Line)	Interstate Separations	Intrastate Reg Before Tax	Income Tax	Intrastate Regulated After Tax
55	17	Parent Impact of Adjustments on Billings to PBD	1,301,134	-	-	1,301,134	-530,160	770,974
56	18	MSI USA "Excess" Executive Compensation Billed Directly	-			-	-	-
57	19	Parent PB Employee Transfer Fees Billed Back to Pac Bell	1,350,777	19,407	273,862	1,057,508	-430,892	626,616
59	20	Nevada Bell Net Directory Revenue	-			-	-	-
	21	TRI Expenses	-			-	-	-
60b	22	Depreciation Expense Timing Adjustment	-			-	-	-
61	23	Advertising Direct Assignment and Common Allocations	-			-	-	-
62	24	Customer Service Non-Productive Salary Allocations						
63	25	Affiliate Marketing Services Revenue	-			-	-	-
64	26	Non-regulated Tracking Code Direct Assignment Errors	15,926		3,441	12,485	-5,087	7,398
65	27	National-Local Strategy Implementation	-			-	-	-
66	28	1997 Corporate Sponsorship Costs	2,083,333		371,135	1,712,198	-697,652	1,014,546
67	29	Customer Premise Equipment Costs	-			-	-	-
1	30	Unsupported Contingent Liabilities - Revenues	40,463,493	-	-	40,463,493	-16,487,255	23,976,238

[redacted]

Joint Exhibit Index	Line Number	Adopted Adjustments to Net Operating Income	Pacific Bell Total Co.	Non-Reg (Below the Line)	Interstate Separations	Intrastate Reg Before Tax	Income Tax	Intrastate Regulated After Tax
2	31	Bellcore Dividends	6,554,000	-	-	6,554,000	-2,670,493	3,883,507
3	32	Uncollectible Revenues - RCRMS (PacBell reports flows thru)	53,533,000			53,533,000	-	53,533,000
4	33	Gain on Sale of Bellcore	19,642,499		4,246,767	15,395,732	-6,273,145	9,122,587
5	34	Local Number Portability Costs	109,203,787	869,074	21,734,713	86,600,000	-35,286,036	51,313,964
6	35	Local Competition Costs	41,767,998	793,949		40,974,049	-16,695,286	24,278,763
7	36	Merger Savings	-	-	-	-	-	-
8	37	Advanced Communications Network	38,880,766	739,068	8,023,530	30,118,168	-12,271,949	17,846,219
9	38	Software Buy-Out Agreement	-			-	-	-
10	39	Unsupported Contingent Liabilities - Operating Expense	91,639,150	2,472,834		89,166,316	-36,331,707	52,834,609
11	40	Incentive Pay Accrual	44,690,203	734,316	9,602,222	34,353,665	-13,997,744	20,355,921
12	41	ISP-Bound Traffic Separations	-19,299,000	-179,010	-	-19,119,990	7,790,631	-11,329,359
13	42	Uncollectible Settlements - RCRMS	35,300,000	-	7,261,210	28,038,790	-11,424,685	16,614,105
16	43	SFAS 112	12,600,000	521,250	2,484,599	9,594,151	-3,909,233	5,684,918
17	44	Intrabuilding Cable Amortization	33,053,412	188,404	-	32,865,008	-13,391,176	19,473,832
18	45	SAVR Delayed Retirements	10,031,046	62,192	-	9,968,854	-4,061,909	5,906,945
19	46	SAVR Reverse Retirements	461,169	2,859	-	458,310	-186,743	271,567
20	47	Equal Access IEMR Ratemaking Adjustment	-			-	-	-
22	48	Ameritech Income Tax Misclass	-			-	-	-
23	49	Income Tax Normalization - Phase 2B Issues	9,325,000	-	-	9,325,000	-	9,325,000

[redacted]

Joint Exhibit Index	Line Number	Adopted Adjustments to Net Operating Income	Pacific Bell Total Co.	Non-Reg (Below the Line)	Interstate Separations	Intrastate Reg Before Tax	Income Tax	Intrastate Regulated After Tax
24	50	Excess Deferred Income Tax	-			-	-	
25	51	Sales and Use Tax Accrual	1,000,000		222,590	777,410	-316,763	460,647
26	52	Employment Tax Error	-			-	-	-
68	53	PIU Accrual	-14,673,001			-14,673,001	5,978,661	-8,694,340
69	54	USOAR Turnaround Accrual	-23,123,001			-23,123,001	9,421,698	-13,701,303
70b	55	LNP Depreciation	1,159,999			1,159,999	-472,653	687,346
71b	56	AFUDC	178,000			178,000	-72,528	105,472
•	57	Mktg Tel. Svcs in Out-of-Territory Areas	3,391,118	211,495	654,045	2,525,578	(1,029,072)	1,496,506
	58	Total Phase 2B Net Operating Income	522,120,763	6,517,634	59,270,352	456,332,777	-160,325,231	296,007,546
		Phase 2B Rate Base						
29	59	SFAS 112 Liability						-213,204,405
30	60	Vacation Liability						-51,867,976
31	61	SFAS 106 Accrued Liability						124,000
32	62	Accrued Contingent Liability						-28,039,000
60a	63	Depreciation Expense Timing Adjustment						-
27	64	Cash Working Capital						-511,550,000
28	65	Prepaid Directory Expense						93,805,000
35	66	Restructure Reserve						-29,070,727
36	67	Accumulated Reserve for Depreciation						14,069,957
37	68	Accumulated Deferred Income Tax						-57,788,323
38	69	Excess Deferred Income Tax						-
70a	70	LNP Plant						-14,315,457
71a	71	AFUDC						-2,327,000
72	72	PBOP Pre-Funding Plant Adj.						
	73	**Total Phase 2B Rate Base**						-800,163,931

Joint Exhibit Index	Line Number	Adopted Adjustments to Net Operating Income	Pacific Bell Total Co.	Non-Reg (Below the Line)	Interstate Separations	Intrastate Reg Before Tax	Income Tax	Intrastate Regulated After Tax
		Phase 2B Net Operating Income						
39	1	SBC Ops FAS 106 Merger Conforming Expense	-			-	-	-
40	2	AMDOC Awards SBC Operations	-			-	-	-
41	3	Excess Executive Compensation SBC Operations	1,088,244	53,543	222,924	811,777	-330,767	481,010
42	4	SBC Ops Sec. Alloc of Parent Mgt Fees	660,252	32,486	135,251	492,515	-200,680	291,835
43	5	SBC Ops Call Ctr Depreciation, Merger Implementation Exp.	784,511	269,817	114,679	400,015	-162,990	237,025
44	6	SBC Svcs "Excess" Executive Comp Expense	364,804	12,115	77,783	274,906	-112,013	162,893
45	7	SBC Svcs, CFL, TRI Sec. Alloc. of Parent Mgt Fees	596,298	25,231	122,508	448,559	-182,770	265,789
46	8	Parent "Excess" Executive Compensation Expense	15,059,186	362,378	3,162,128	11,534,680	-4,699,921	6,834,759
47	9	Parent Political and Legislative Influence Expense	21,532,160	-	4,639,061	16,893,099	-6,883,262	10,009,837
48	10	Parent Legal Expense	981,611	37,545	203,397	740,669	-301,793	438,876
49	11	Parent Public Relations & Corporate Sponsorship Expense	19,455,535	833,439	4,136,395	14,485,701	-5,902,344	8,583,357
50	12	Parent Corporate Development Expense	6,859,066	257,693	1,422,273	5,179,100	-2,110,276	3,068,824
51	13	Parent Strategic Planning Expense	1,178,332	35,205	245,228	897,899	-365,858	532,041
52	14	Parent Contributions, Memberships, Foundation Expense	1,439,107	24,501	304,774	1,109,832	-452,212	657,620
53	15	Parent Out of Period Expense	7,415,911	187,881	1,556,204	5,671,826	-2,311,042	3,360,784
54	16	Parent Merger Conforming Expense	-			-	-	-
55	17	Parent Impact of Adjustments on Billings to PBD	6,607,026	-	-	6,607,026	-2,692,099	3,914,927
56	18	MSI USA "Excess" Executive Compensation Billed Directly	-			-	-	-
57	19	Parent PB Employee Transfer Fees Billed Back to Pac Bell	-			-	-	-
59	20	Nevada Bell Net Directory Revenue	-			-	-	-

Summary of Adopted Audit Adjustments to Net Operating Income and Rate Base
Pacific Bell Intrastate Regulated Operations
Phase 2B
1998

Joint Exhibit Index	Line Number	Adopted Adjustments to Net Operating Income	Pacific Bell Total Co.	Non-Reg (Below the Line)	Interstate Separations	Intrastate Reg Before Tax	Income Tax	Intrastate Regulated After Tax
-	21	TRI Expenses	24,627,790		5,849,100	18,778,690	-7,651,565	11,127,125
60b	22	Depreciation Expense Timing Adjustment	-			-	-	-
61	23	Advertising Direct Assignment and Common Allocations	6,519,231	2,301,560	959,014	3,258,657	-1,327,772	1,930,885
62	24	Customer Service Non-Productive Salary Allocations						
63	25	Affiliate Marketing Services Revenue	6,825,006		1,365,001	5,460,005	-2,224,734	3,235,271
64	26	Non-regulated Tracking Code Direct Assignment Errors	9,534,336		2,361,549	7,172,787	-2,922,624	4,250,163
65	27	National-Local Strategy Implementation	-			-	-	-
66	28	1997 Corporate Sponsorship Costs	-			-	-	-
67	29	Customer Premise Equipment Costs	22,721,475		5,680,369	17,041,106	-6,943,569	10,097,537
1	30	Unsupported Contingent Liabilities - Revenues	-			-	-	-
2	31	Bellcore Dividends	-			-	-	-
3	32	Uncollectible Revenues - RCRMS (PacBell reports flows thru)	-			-	-	-

Summary of Adopted Audit Adjustments to Net Operating Income and Rate Base
Pacific Bell Intrastate Regulated Operations
Phase 2B
1998

Joint Exhibit Index	Line Number	Adopted Adjustments to Net Operating Income	Pacific Bell Total Co.	Non-Reg (Below the Line)	Interstate Separations	Intrastate Reg Before Tax	Income Tax	Intrastate Regulated After Tax
4	33	Gain on Sale of Bellcore	-			-	-	-
5	34	Local Number Portability Costs	61,870,980	1,737,102	13,040,878	47,093,000	-19,188,514	27,904,486
6	35	Local Competition Costs	8,447,002	483,056		7,963,946	-3,244,989	4,718,957
7	36	Merger Savings	4,200,000	-	-	4,200,000	-1,711,332	2,488,668
8	37	Advanced Communications Network	10,034,385	573,833	2,230,593	7,229,959	-2,945,919	4,284,040
9	38	Software Buy-Out Agreement	-			-	-	-
10	39	Unsupported Contingent Liabilities - Operating Expense	1,920,000	6,034		1,913,966	-779,865	1,134,101
11	40	Incentive Pay Accrual	-57,515,730	-4,780,351	-11,995,480	-40,739,899	16,599,879	-24,140,020
12	41	ISP-Bound Traffic Separations	-			-	-	-
13	42	Uncollectible Settlements - RCRMS	16,800,000		3,619,560	13,180,440	-5,370,502	7,809,938
16	43	SFAS 112	-	-	-	-	-	-
17	44	Intrabuilding Cable Amortization	28,333,938	300,340	-	28,033,598	-11,422,570	16,611,028
18	45	SAVR Delayed Retirements	7,232,407	83,173	-	7,149,234	-2,913,027	4,236,207
19	46	SAVR Reverse Retirements	1,050,412	12,080	-	1,038,332	-423,079	615,253
20	47	Equal Access IEMR Ratemaking Adjustment	-10,931,000			-10,931,000	4,453,945	-6,477,055
22	48	Ameritech Income Tax Misclass	-			-		-
23	49	Income Tax Normalization - Phase 2B Issues	85,117,000	-	-	85,117,000		85,117,000
24	50	Excess Deferred Income Tax	38,408,000		8,783,910	29,624,090		29,624,090
25	51	Sales and Use Tax Accrual	999,996		228,699	771,297	-314,273	457,024
26	52	Employment Tax Error	-			-	-	-
68	53	PIU Accrual	-			-	-	-
69	54	USOAR Turnaround Accrual	-			-	-	-
70b	55	LNP Depreciation	2,678,000			2,678,000	-1,091,178	1,586,822
71b	56	AFUDC	656,000			656,000	-267,294	388,706
	57	Mktg Tel. Svcs in Out-of-Territory Areas	2,689,006	502	579,233	2,109,271	(859,444)	1,249,827
	58	Total Phase 2B Net Operating Income	356,240,277	2,849,163	49,045,031	304,346,083	-77,256,453	227,089,630
			Phase 2B Rate Base					
29	59	SFAS 112 Liability						-236,462,847
30	60	Vacation Liability						-51,359,429

Summary of Adopted Audit Adjustments to Net Operating Income and Rate Base
Pacific Bell Intrastate Regulated Operations
Phase 2B
1998

Joint Exhibit Index	Line Number	Adopted Adjustments to Net Operating Income	Pacific Bell Total Co.	Non-Reg (Below the Line)	Interstate Separations	Intrastate Reg Before Tax	Income Tax	Intrastate Regulated After Tax
31	61	SFAS 106 Accrued Liability						-5,998,000
32	62	Accrued Contingent Liability						-20,106,000
60a	63	Depreciation Expense Timing Adjustment						-
27	64	Cash Working Capital						-530,735,000
28	65	Prepaid Directory Expense						83,904,000
35	66	Restructure Reserve						-29,024,711
36	67	Accumulated Reserve for Depreciation						36,308,845
37	68	Accumulated Deferred Income Tax						-55,160,036
38	69	Excess Deferred Income Tax						12,800,000
70a	70	LNP Plant						-32,338,163
71a	71	AFUDC						-8,370,000
72	72	PBOP Pre-Funding Plant Adj.						
	73	**Total Phase 2B Rate Base**						**-836,541,341**

Summary of Adopted Adjustments to Net Operating Income and Rate Base
Pacific Bell Intrastate Regulated Operations
Phase 2B
1999

Joint Exhibit Index	Line Number	Adopted Adjustments to Net Operating Income	Pacific Bell Total Co.	Non-Reg (Below the Line)	Interstate Separations	Intrastate Reg Before Tax	Income Tax	Intrastate Regulated After Tax
		Phase 2B Net Operating Income						
39	1	SBC Ops FAS 106 Merger Conforming Expense	4,062,029	502,081	764,182	2,795,766	-1,139,163	1,656,603
40	2	AMDOC Awards SBC Operations	615,307	68,515	120,399	426,393	-173,738	252,655
41	3	Excess Executive Compensation SBC Operations	1,532,717	189,449	288,347	1,054,921	-429,838	625,083
42	4	SBC Ops Sec. Alloc of Parent Mgt Fees	663,868	82,057	124,892	456,919	-186,176	270,743
43	5	SBC Ops Call Ctr Depreciation, Merger Implementation Exp.	-	-	-	-	-	-
44	6	SBC Svcs "Excess" Executive Comp Expense	310,190	20,703	62,363	227,124	-92,544	134,580
45	7	SBC Svcs, CFL, TRI Sec. Alloc. of Parent Mgt Fees	497,121	31,518	100,409	365,194	-148,802	216,392
46	8	Parent "Excess" Executive Compensation Expense	15,652,558	411,181	3,276,084	11,965,293	-4,875,378	7,089,915
47	9	Parent Political and Legislative Influence Expense	8,996,671	-	1,931,234	7,065,437	-2,878,883	4,186,554
48	10	Parent Legal Expense	483,922	28,214	97,823	357,885	-145,824	212,061
49	11	Parent Public Relations & Corporate Sponsorship Expense	20,210,683	714,200	4,614,691	14,881,792	-6,063,735	8,818,057
50	12	Parent Corporate Development Expense	8,007,868	473,146	1,617,643	5,917,079	-2,410,973	3,506,106
51	13	Parent Strategic Planning Expense	902,785	20,982	190,182	691,621	-281,808	409,813
52	14	Parent Contributions, Memberships, Foundation Expense	-6,557,997	34,601	-1,415,174	-5,177,424	2,109,593	-3,067,831
53	15	Parent Out of Period Expense	-	-	-	-	-	-
54	16	Parent Merger Conforming Expense	1,029,118	52,190	209,802	767,126	-312,573	454,553
55	17	Parent Impact of Adjustments on Billings to PBD	7,516,450	-	-	7,516,450	-3,062,653	4,453,797
56	18	MSI USA "Excess" Executive Compensation Billed Directly	4,558,803	251,564	928,959	3,378,280	-1,376,514	2,001,766

Summary of Adopted Adjustments to Net Operating Income and Rate Base
Pacific Bell Intrastate Regulated Operations
Phase 2B
1999

Joint Exhibit Index	Line Number	Adopted Adjustments to Net Operating Income	Pacific Bell Total Co.	Non-Reg (Below the Line)	Interstate Separations	Intrastate Reg Before Tax	Income Tax	Intrastate Regulated After Tax
57	19	Parent PB Employee Transfer Fees Billed Back to Pac Bell	-	-	-	-	-	-
59	20	Nevada Bell Net Directory Revenue	-16,179,000	-	-	-16,179,000	4,926,000	-11,253,000
	21	TRI Expenses	19,793,114	-	4,223,534	15,569,580	-6,343,981	9,225,599
60b	22	Depreciation Expense Timing Adjustment	3,713,626	-	796,543	2,917,083	-1,188,595	1,728,488
61	23	Advertising Direct Assignment and Common Allocations	5,131,057	1,175,687	997,616	2,957,754	-1,205,166	1,752,588
62	24	Customer Service Non-Productive Salary Allocations						
63	25	Affiliate Marketing Services Revenue	28,879,501	-	5,775,900	23,103,601	-9,413,793	13,689,808
64	26	Non-regulated Tracking Code Direct Assignment Errors	7,284,797	-	1,820,400	5,464,397	-2,226,523	3,237,874
65	27	National-Local Strategy Implementation	8,575,331	634,181	1,704,655	6,236,495	-2,541,122	3,695,373
66	28	1997 Corporate Sponsorship Costs	-	-	-	-	-	-
67	29	Customer Premise Equipment Costs	7,803,311	-	1,950,828	5,852,483	-2,384,653	3,467,830
1	30	Unsupported Contingent Liabilities - Revenues	-	-	-	-	-	-
2	31	Bellcore Dividends	-	-	-	-	-	-
3	32	Uncollectible Revenues - RCRMS (PacBell reports flows thru)	-	-	-	-	-	-
4	33	Gain on Sale of Bellcore	-	-	-	-	-	-
5	34	Local Number Portability Costs	38,861,608	1,215,608	-	37,646,000	-15,339,239	22,306,761
6	35	Local Competition Costs	-	-	-	-	-	-
7	36	Merger Savings	4,200,000	-	-	4,200,000	-1,711,332	2,488,668
8	37	Advanced Communications Network	5,363,702	465,820	1,140,353	3,757,529	-1,531,043	2,226,486
9	38	Software Buy-Out Agreement	55,651,506	348,922	10,837,094	44,465,490	-18,117,909	26,347,581
10	39	Unsupported Contingent Liabilities - Operating Expense	13,968,240	2,203,104		11,765,136	-4,793,822	6,971,314
11	40	Incentive Pay Accrual	49,203,329	4,026,500	10,115,741	35,061,088	-14,285,991	20,775,097

Summary of Adopted Adjustments to Net Operating Income and Rate Base
Pacific Bell Intrastate Regulated Operations
Phase 2B
1999

Joint Exhibit Index	Line Number	Adopted Adjustments to Net Operating Income	Pacific Bell Total Co.	Non-Reg (Below the Line)	Interstate Separations	Intrastate Reg Before Tax	Income Tax	Intrastate Regulated After Tax
12	41	ISP-Bound Traffic Separations	-	-	-	-	-	-
13	42	Uncollectible Settlements - RCRMS	1,100,000	-	236,126	863,874	-351,994	511,880
16	43	SFAS 112	-	-	-	-	-	-
17	44	Intrabuilding Cable Amortization	-	-	-	-	-	-
18	45	SAVR Delayed Retirements	-	-	-	-	-	-
19	46	SAVR Reverse Retirements	3,996,587	39,966	-	3,956,621	-1,612,165	2,344,456
20	47	Equal Access IEMR Ratemaking Adjustment	-	-	-	-	-	-
22	48	Ameritech Income Tax Misclass	8,001,866	-	-	8,001,866	-	8,001,866
23	49	Income Tax Normalization - Phase 2B Issues	-64,903,000	-	-	-64,903,000	-	-64,903,000
24	50	Excess Deferred Income Tax	38,408,000	-	8,736,668	29,671,332	-	29,671,332
25	51	Sales and Use Tax Accrual	-5,520,320	-	-3,114,901	-2,405,419	980,112	-1,425,307
26	52	Employment Tax Error	9,655,828	163,183	2,159,292	7,333,353	-2,988,048	4,345,305
68	53	PIU Accrual	-	-	-	-	-	-
69	54	USOAR Turnaround Accrual	-	-	-	-	-	-
70b	55	LNP Depreciation	4,246,999	-	-	4,246,999	-1,730,482	2,516,517
71b	56	AFUDC	856,000	-	-	856,000	-348,786	507,214
	57	Marketing Tel. Svcs. in Out-of-Territory Areas	8,197,525	82	1,759,671	6,437,772	(2,623,135)	3,814,637
	58	Total Phase 2B Net Operating Income	304,771,700	13,153,454	62,051,356	229,566,890	-106,300,676	123,266,214
		Phase 2B Rate Base						
29	59	SFAS 112 Liability						-255,430,427
30	60	Vacation Liability						-45,735,145
31	61	SFAS 106 Accrued Liability						5,352,000
32	62	Accrued Contingent Liability						-7,800,000

Summary of Adopted Adjustments to Net Operating Income and Rate Base
Pacific Bell Intrastate Regulated Operations
Phase 2B
1999

Joint Exhibit Index	Line Number	Adopted Adjustments to Net Operating Income	Pacific Bell Total Co.	Non-Reg (Below the Line)	Interstate Separations	Intrastate Reg Before Tax	Income Tax	Intrastate Regulated After Tax
60a	63	Depreciation Expense Timing Adjustment						2,917,083
27	64	Cash Working Capital						-378,865,000
28	65	Prepaid Directory Expense						71,382,000
35	66	Restructure Reserve						-28,975,159
36	67	Accumulated Reserve for Depreciation						46,060,404
37	68	Accumulated Deferred Income Tax						-43,318,848
38	69	Excess Deferred Income Tax						38,400,000
70a	70	LNP Plant						-42,836,992
71a	71	AFUDC						-12,964,000
72	72	PBOP Pre-Funding Plant Adj.						
	73	Total Phase 2B Rate Base						-651,814,084

APPENDIX B

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

		Income Statement Adjustments										
1	5-13	Unsupported Contingent Liabilities - Revenues (IS)	SUBS	Overland		40,463,493	0.40%	0	0.00%	0	0.00%	40,463,493
				ORA	(4)	40,463,493	0.40%	0	0.00%	0	0.00%	40,463,493
				TURN	(5)	40,463,493	0.40%	0	0.00%	0	0.00%	40,463,493
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
2	5-14	Bellcore Dividends (IS)	NONE	Overland		3,883,507	0.04%	0	0.00%	0	0.00%	3,883,507
				ORA	(2)	3,883,507	0.04%	0	0.00%	0	0.00%	3,883,507
				TURN	(6)							
				Pacific		3,883,507	0.04%	0	0.00%	0	0.00%	3,883,507
3	5-15	Uncollectible Revenues - PCRMS (PacBell flows through) (IS)	SUBS	Overland		53,533,000	0.53%	0	0.00%	0	0.00%	53,533,000
				ORA	(4)	53,533,000	0.53%	0	0.00%	0	0.00%	53,533,000
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
4	5-19	Gain on Sale of Bellcore (IS)	NONE	Overland		9,122,587	0.09%	0	0.00%	0	0.00%	9,122,587
				ORA	(2)	9,122,587	0.09%	0	0.00%	0	0.00%	9,122,587
				TURN	(6)							
				Pacific	(8)	9,122,587		0	0.00%	0	0.00%	9,122,587
5	6-15	Local Number Portability Costs (IS)	BOTH	Overland		51,313,964	0.51%	27,904,486	0.27%	22,306,761	0.22%	101,525,211
	S6-1			ORA	(4)	51,313,964	0.51%	27,904,486	0.27%	22,306,761	0.22%	101,525,211
				TURN	(5)	51,313,964	0.51%	27,904,486	0.27%	22,306,761	0.22%	101,525,211
				Pacific		0	0.00%	15,645,112	0.15%	22,306,761	0.22%	37,951,873
6	6-19	Local Competition Costs (IS)	SUBS	Overland		40,974,049	0.41%	7,963,946	0.08%	0	0.00%	48,937,995
				ORA	(4)	40,974,049	0.41%	7,963,946	0.08%	0	0.00%	48,937,995
				TURN	(5)	40,974,049	0.41%	7,963,946	0.08%	0	0.00%	48,937,995

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
7	6-22	Merger Savings Allocation (IS)	AMT	Overland		5,327,527	0.05%	23,321,782	0.23%	(7,704,205)	-0.08%	20,945,104
				ORA	(3)	0	0.00%	2,500,000	0.02%	2,470,000	0.02%	4,970,000
				TURN	(6)							
				Pacific		0	0.00%	2,495,834	0.02%	2,470,279	0.02%	4,966,113
8	6-27	Advanced Communications Network (IS)	NONE	Overland		17,846,219	0.18%	4,284,040	0.04%	2,226,486	0.02%	24,356,745
				ORA	(4)	17,846,219	0.18%	4,284,040	0.04%	2,226,486	0.02%	24,356,745
				TURN	(6)							
				Pacific	(8)	17,846,219		4,284,040		2,226,486		24,356,745
9	6-31	Software Buy-Out Agreement (IS)	SUBS	Overland		0	0.00%	0	0.00%	44,465,490	0.45%	44,465,490
				ORA	(2)	0	0.00%	0	0.00%	44,465,490	0.45%	44,465,490
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
10	6-32	Unsupported Contingent Liabilities - Operating Expense (IS)	SUBS	Overland		89,166,316	0.89%	1,913,966	0.02%	11,765,136	0.12%	102,845,418
				ORA	(4)	89,166,316	0.89%	1,913,966	0.02%	11,765,136	0.12%	102,845,418
				TURN	(5)	89,166,316	0.89%	1,913,966	0.02%	11,765,136	0.12%	102,845,418
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
11	6-34	Incentive Pay Accrual (IS)	SUBS	Overland		34,353,665	0.34%	(40,739,899)	-0.40%	35,061,088	0.35%	28,674,854
				ORA	(2)	34,353,665	0.34%	(40,739,899)	-0.40%	35,061,088	0.35%	28,674,854
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
12	6-37	ISP-Bound Traffic Separations (IS)	NONE	Overland		(11,329,359)	-0.11%	0	0.00%	0	0.00%	(11,329,359)
				ORA	(2)	(11,329,359)	-0.11%	0	0.00%	0	0.00%	(11,329,359)

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

Index												Total Audit Period Final Adjustment Amounts
				TURN	(6)							
				Pacific		(11,329,359)	-0.11%	0	0.00%	0	0.00%	(11,329,359)
13	6-36	Uncollectible Settlements - RCRMS (IS)	SUBS	Overland		28,038,790	0.28%	13,180,440	0.13%	863,874	0.01%	42,083,104
				ORA	(4)	28,038,790	0.28%	13,180,440	0.13%	863,874	0.01%	42,083,104
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
14	7-9	Pension Expense (IS)	SUBS	Overland		105,280,092	1.05%	108,774,347	1.07%	110,496,463	1.11%	324,550,902
	S7-13			ORA	(4)	105,280,092	1.05%	108,774,347	1.07%	110,496,463	1.11%	324,550,902
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
15a	7-13	SFAS 106 (IS)	SUBS	Overland		29,706,000	0.30%	395,443,000	3.89%	103,470,000	1.04%	528,619,000
				ORA	(4)	29,706,000	0.30%	395,443,000	3.89%	103,470,000	1.04%	528,619,000
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
15b	7-13	SFAS 106 - Pension Trust Withdrawal (IS)	SUBS	Overland		0	0.00%	0	0.00%	68,749,000	0.69%	68,749,000
	S7-6			ORA	(4)	0	0.00%	0	0.00%	68,749,000	0.69%	68,749,000
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
16	7-33	SFAS 112 (IS)	SUBS	Overland		9,594,151	0.10%	0	0.00%	0	0.00%	9,594,151
				ORA	(2)	9,594,151	0.10%	0	0.00%	0	0.00%	9,594,151
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
17	8-6	Intrabuilding Cable Amortization (IS)	SUBS	Overland		19,473,832	0.19%	16,611,028	0.16%	0	0.00%	36,084,860
				ORA	(4)	19,473,832	0.19%	16,611,028	0.16%	0	0.00%	36,084,860
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

18	8-7	SAVR Delayed Retirements (IS)	SUBS	Overland		5,906,945	0.06%	4,236,207	0.04%	0	0.00%	10,143,152
				ORA	(2)	5,906,945	0.06%	4,236,207	0.04%	0	0.00%	10,143,152
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
19	8-7	SAVR Reverse Retirements (IS)	SUBS	Overland		271,567	0.00%	615,253	0.01%	2,344,456	0.02%	3,231,276
				ORA	(2)	271,567	0.00%	615,253	0.01%	2,344,456	0.02%	3,231,276
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
20	8-8	Equal Access IEMR Ratemaking Adjustment (IS)	NONE	Overland		0	0.00%	(6,477,055)	-0.06%	0	0.00%	(6,477,055)
	S8-1			ORA	(2)	0	0.00%	(6,477,055)	-0.06%	0	0.00%	(6,477,055)
				TURN	(6)							
				Pacific		0	0.00%	(6,477,055)	-0.06%	0	0.00%	(6,477,055)
21	8-12	Reserve Deficiency Amortization (IS)	SUBS	Overland	(1)	0	0.00%	0	0.00%	362,466,228	3.64%	362,466,228
				ORA	(4)	0	0.00%	0	0.00%	362,466,228	3.64%	362,466,228
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
22	9-22	Ameritech Income Tax Misclass (IS)	SUBS	Overland		0	0.00%	0	0.00%	8,001,866	0.08%	8,001,866
				ORA	(2)	0	0.00%	0	0.00%	8,001,866	0.08%	8,001,866
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
23	9-11	Income Tax Normalization (IS)	SUBS	Overland		(92,198,238)	-0.92%	(5,569,856)	-0.05%	61,264,694	0.61%	(36,503,400)
	S9-3			ORA	(4)	(92,198,238)	-0.92%	(5,569,856)	-0.05%	61,264,694	0.61%	(36,503,400)
	S9-5			TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
24	9-21	Excess Deferred Income	SUBS	Overland	(1)	0	0.00%	29,624,000	0.29%	29,671,000	0.30%	59,295,000

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

		Tax (IS)										
	S9-6			ORA	(4)	0	0.00%	29,624,000	0.29%	29,671,000	0.30%	59,295,000
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
25	9-24	Sales and Use Tax Accrual (IS)	SUBS	Overland		777,410	0.01%	771,297	0.01%	(2,405,419)	-0.02%	(856,712)
				ORA	(2)	777,410	0.01%	771,297	0.01%	(2,405,419)	-0.02%	(856,712)
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
26	9-24	Employment Tax Error (IS)	SUBS	Overland		0	0.00%	0	0.00%	7,333,353	0.07%	7,333,353
				ORA	(2)	0	0.00%	0	0.00%	7,333,353	0.07%	7,333,353
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
39	15-18	SBC Ops FAS 106 Merger Conforming Expense (IS)	NONE	Overland		0	0.00%	0	0.00%	1,656,603	0.02%	1,656,603
				ORA	(2)	0	0.00%	0	0.00%	1,656,603	0.02%	1,656,603
				TURN	(6)							
				Pacific	(8)	0	0.00%	0	0.00%	1,656,603		1,656,603
40	15-19	AMDOCS Awards SBC Operations (IS)	SUBS	Overland		0	0.00%	0	0.00%	252,655	0.00%	252,655
				ORA	(4)	0	0.00%	0	0.00%	252,655	0.00%	252,655
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
41	15-20	Excess Executive Compensation SBC Operations (IS)	SUBS	Overland		0	0.00%	465,193	0.00%	610,568	0.01%	1,075,761
				ORA	(4)	0	0.00%	465,193	0.00%	610,568	0.01%	1,075,761
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

42	15-21	SBC Ops Sec. Alloc of Parent Mgt Fees (IS)	NONE	Overland		0	0.00%	291,835	0.00%	270,743	0.00%	562,578
				ORA	(2)	0	0.00%	291,835	0.00%	270,743	0.00%	562,578
				TURN	(6)							
				Pacific	(8)	0	0.00%	291,835		270,743		562,578
43	15-22	SBC Ops Call Ctr Depreciation, Merger Implmntatn Exp (IS)	NONE	Overland		0	0.00%	237,025	0.00%	0	0.00%	237,025
				ORA	(2)	0	0.00%	237,025	0.00%	0	0.00%	237,025
				TURN	(6)							
				Pacific	(8)	0	0.00%	237,025		0	0.00%	237,025
44	16-18	SBC Svcs "Excess" Executive Comp Exp (IS)	SUBS	Overland		0	0.00%	109,093	0.00%	107,020	0.00%	216,113
				ORA	(4)	0	0.00%	109,093	0.00%	107,020	0.00%	216,113
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
45	16-19	SBC Svcs, CFL, TRI Sec.Alloc. of Parent Mgt Fees (IS)	NONE	Overland		0	0.00%	265,789	0.00%	216,392	0.00%	482,181
				ORA	(2)	0	0.00%	265,789	0.00%	216,392	0.00%	482,181
				TURN	(6)							
				Pacific	(8)	0	0.00%	265,789		216,392		482,181
46	14-9	Parent "Excess" Executive Compensation Expense (IS)	SUBS	Overland		1,451,564	0.01%	6,534,667	0.06%	6,845,540	0.07%	14,831,771
				ORA	(4)	1,451,564	0.01%	6,534,667	0.06%	6,845,540	0.07%	14,831,771
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
47	14-23	Parent Political and Legislative Influence Expense (IS)	NONE	Overland		8,574,885	0.09%	10,009,837	0.10%	4,186,554	0.04%	22,771,276
				ORA	(2)	8,574,885	0.09%	10,009,837	0.10%	4,186,554	0.04%	22,771,276

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

				TURN	(6)							
				Pacific	(8)	8,574,885		10,009,837		4,186,554		22,771,276
48	14-26	Parent Legal Expense (IS)	SUBS	Overland		0	0.00%	438,876	0.00%	212,061	0.00%	650,937
				ORA	(4)	0	0.00%	438,876	0.00%	212,061	0.00%	650,937
				TURN	(5)	0	0.00%	438,876	0.00%	212,061	0.00%	650,937
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
49	14-34	Parent Public Relations & Corporate Sponsorship Exp (IS)	SUBS	Overland		1,700,568	0.02%	8,583,357	0.08%	8,818,057	0.09%	19,101,982
				ORA	(4)	1,700,568	0.02%	8,583,357	0.08%	8,818,057	0.09%	19,101,982
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
50	14-33	Parent Corporate Development Expense (IS)	SUBS	Overland		0	0.00%	3,068,824	0.03%	3,506,106	0.04%	6,574,930
				ORA	(4)	0	0.00%	3,068,824	0.03%	3,506,106	0.04%	6,574,930
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
51	14-35	Parent Strategic Planning Expense (IS)	SUBS	Overland		1,675,592	0.02%	532,041	0.01%	409,813	0.00%	2,617,446
				ORA	(4)	1,675,592	0.02%	532,041	0.01%	409,813	0.00%	2,617,446
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
52	14-38	Parent Contributions, Memberships, Foundation Exp (IS)	NONE	Overland		161,013	0.00%	657,620	0.01%	(3,067,831)	-0.03%	(2,249,198)
				ORA	(2)	161,013	0.00%	657,620	0.01%	(3,067,831)	-0.03%	(2,249,198)
				TURN	(6)							
				Pacific	(8)	161,013		657,620		(3,067,831)		(2,249,198)
53	14-39	Parent Out of Period Expense (IS)	SUBS	Overland		(3,442,873)	-0.03%	3,360,784	0.03%	0	0.00%	(82,089)

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

				ORA	(2)	(3,442,873)	-0.03%	3,360,784	0.03%	0	0.00%	(82,089)
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
54	14-40	Parent Merger Conforming Expense (IS)	NONE	Overland		0	0.00%	0	0.00%	454,553	0.00%	454,553
				ORA	(2)	0	0.00%	0	0.00%	454,553	0.00%	454,553
				TURN	(6)							
				Pacific	(8)	0	0.00%	0	0.00%	454,553		454,553
55	14-41	Parent Impact of Adjustmts on Billings to PBD (IS)		Overland	(9)	770,974	0.01%	3,914,927	0.04%	4,453,797	0.04%	9,139,698
				ORA	(2),(4)	770,974	0.01%	3,914,927	0.04%	4,453,797	0.04%	9,139,698
55i		PBD Parent Impact Legal Expense (IS)		TURN	(5)	0	0.00%	24,752	0.00%	8,965	0.00%	33,717
55a		PBD Parent Impact Contributions Memberships (IS)	NONE	Pacific	(8)	75,500		259,236		195,782		530,518
55b		PBD Parent Impact Corporate Acquisitions (IS)	SUBS	Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
55c		PBD Parent Impact Corporate Sponsorships (IS)	SUBS	Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
55d		PBD Parent Impact Excess Executive Compensation (IS)	SUBS	Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
55e		PBD Parent Impact Lobbying (IS)	NONE	Pacific	(8)	389,744		729,081		881,323		2,000,148
55f		PBD Parent Impact Special Executive Payments (IS)	SUBS	Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
55g		PBD Parent Impact Public Relations Expense (IS)	SUBS	Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
55h		PBD Parent Impact Strategic Planning Expense (IS)	SUBS	Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
55i		PBD Parent Impact Legal	SUBS	Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

		Expense (IS)										
55j		PBD Parent Impact Management Fee (IS)	NONE	Pacific	(8)	0	0.00%	1,145,479		1,248,344		2,393,823
55k		PBD Parent Impact Employee Transfer Fees (IS)	NONE	Pacific	(8)	58,754		0	0.00%	0	0.00%	58,754
56	14-41	MSI USA "Excess" Executive Comp Billed Directly (IS)	SUBS	Overland		0	0.00%	0	0.00%	1,833,222	0.02%	1,833,222
				ORA	(4)	0	0.00%	0	0.00%	1,833,222	0.02%	1,833,222
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
57	17-18	Parent PB Employee Trsfr Fees Billed Back to PB (IS)	NONE	Overland		626,616	0.01%	0	0.00%	0	0.00%	626,616
				ORA	(2)	626,616	0.01%	0	0.00%	0	0.00%	626,616
				TURN	(6)							
				Pacific	(8)	626,616		0	0.00%	0	0.00%	626,616
58	17-18	Fees for Employees Transferred in 1999 (IS)	NONE	Overland	(11)	0	0.00%	0	0.00%	0	0.00%	0
				ORA	(4)	0	0.00%	0	0.00%	0	0.00%	0
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
59	18-2	Nevada Bell Net Directory Revenue (IS)	NONE	Overland		0	0.00%	0	0.00%	(11,253,000)	-0.11%	(11,253,000)
	18-7			ORA	(2)	0	0.00%	0	0.00%	(11,253,000)	-0.11%	(11,253,000)
				TURN	(6)							
				Pacific		0	0.00%	0	0.00%	(11,253,000)	-0.11%	(11,253,000)
ORA	19	ASI - ADSL Development Cost Treatment (IS)	SUBS	Overland		0	0.00%	0	0.00%	0	0.00%	0
				ORA	(3)	2,439,732	0.02%	5,577,046	0.05%	86,291,540	0.87%	94,308,318
				TURN	(5)	2,439,732	0.02%	5,577,046	0.05%	86,291,540	0.87%	94,308,318

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

				Pacific	(10)	0	0.00%	0	0.00%	0	0.00%	0
60b	20-20	Depreciation Expense Timing Adjustment (IS)	SUBS	Overland	(1)	0	0.00%	0	0.00%	2,917,083	0.03%	2,917,083
				ORA	(2)	0	0.00%	0	0.00%	2,917,083	0.03%	2,917,083
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
61	20-22	Advertising Direct Assignment and Common Allocations (IS)	SUBS	Overland		0	0.00%	1,930,885	0.02%	1,752,588	0.02%	3,683,473
				ORA	(2)	0	0.00%	1,930,885	0.02%	1,752,588	0.02%	3,683,473
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
62	20-31	Customer Service Non-Productive Salary Allocations (IS)	SUBS	Overland		(1,039,093)	-0.01%	(3,366,101)	-0.03%	(4,813,537)	-0.05%	(9,218,731)
				ORA	(2)	(1,039,093)	-0.01%	(3,366,101)	-0.03%	(4,813,537)	-0.05%	(9,218,731)
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
63	20-37	Affiliate Marketing Services Revenue (IS)	SUBS	Overland		0	0.00%	4,420,889	0.04%	17,936,810	0.18%	22,357,699
				ORA	(3)	0	0.00%	3,235,271	0.03%	13,689,808	0.14%	16,925,079
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
64	20-48	Non-regulated Tracking Code Direct Assignment Errors (IS)	NONE	Overland		7,398	0.00%	4,250,163	0.04%	3,237,874	0.03%	7,495,435
				ORA	(2)	7,398	0.00%	4,250,163	0.04%	3,237,874	0.03%	7,495,435
				TURN	(6)							
				Pacific		7,398	0.00%	4,250,163	0.04%	3,237,874	0.03%	7,495,435
65	20-48	National-Local Strategy Implementation (IS)	SUBS	Overland		0	0.00%	0	0.00%	3,695,373	0.04%	3,695,373

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

				ORA	(2)	0	0.00%	0	0.00%	3,695,373	0.04%	3,695,373
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
66	20-25	1997 Corporate Sponsorship Costs (IS)	SUBS	Overland		1,014,546	0.01%	0	0.00%	0	0.00%	1,014,546
				ORA	(2)	1,014,546	0.01%	0	0.00%	0	0.00%	1,014,546
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
67	20-50	Customer Premise Equipment Costs (IS)	NONE	Overland		0	0.00%	10,097,537	0.10%	3,467,830	0.03%	13,565,367
				ORA	(2)	0	0.00%	10,097,537	0.10%	3,467,830	0.03%	13,565,367
				TURN	(6)							
				Pacific		0	0.00%	10,097,537	0.10%	3,467,830	0.03%	13,565,367
68	S5-1	PIU Accrual (IS)	SUBS	Overland		(8,694,340)	-0.09%	0	0.00%	0	0.00%	(8,694,340)
				ORA	(2)	(8,694,340)	-0.09%	0	0.00%	0	0.00%	(8,694,340)
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
69	S5-2	USOAR Turnaround Accrual (IS)	SUBS	Overland		(13,701,303)	-0.14%	0	0.00%	0	0.00%	(13,701,303)
				ORA	(2)	(13,701,303)	-0.14%	0	0.00%	0	0.00%	(13,701,303)
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
70b	S6-1	LNP Depreciation (IS)	SUBS	Overland	(1)	683,085	0.01%	1,568,573	0.02%	2,491,352	0.03%	4,743,010
				ORA	(4)	683,085	0.01%	1,568,573	0.02%	2,491,352	0.03%	4,743,010
				TURN	(5)	683,085	0.01%	1,568,573	0.02%	2,491,352	0.03%	4,743,010
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
71b	10-17	AFUDC Depreciation Expense (IS)	SUBS	Overland	(1)	105,472	0.00%	388,706	0.00%	507,214	0.01%	1,001,392
	S10-1			ORA	(2)	105,472	0.00%	388,706	0.00%	507,214	0.01%	1,001,392

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
		Rate Base Adjustments										
27	11-5	Cash Working Capital (RB)	BOTH	Overland		(391,374,000)	0.26%	(513,422,000)	0.48%	(508,363,000)	0.52%	(1,413,159,000)
	S11-5			ORA	(3)	(511,550,000)	0.35%	(530,735,000)	0.50%	(378,865,000)	0.38%	(1,421,150,000)
				TURN	(5)	(511,550,000)	0.35%	(530,735,000)	0.50%	(378,865,000)	0.38%	(1,421,150,000)
				Pacific		(142,169,000)	0.09%	(91,320,000)	0.08%	(91,103,000)	0.09%	(324,592,000)
28	11-28	Prepaid Directory Expense (RB)	SUBS	Overland		93,805,000	-0.06%	83,904,000	-0.07%	71,382,000	-0.07%	249,091,000
				ORA	(2)	93,805,000	-0.06%	83,904,000	-0.07%	71,382,000	-0.07%	249,091,000
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
29	11-30	SFAS 112 Liability (RB)	SUBS	Overland		(213,204,405)	0.14%	(236,462,847)	0.22%	(255,430,427)	0.25%	(705,097,679)
				ORA	(2)	(213,204,405)	0.14%	(236,462,847)	0.22%	(255,430,427)	0.25%	(705,097,679)
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
30	11-31	Vacation Liability (RB)	SUBS	Overland		(51,867,976)	0.03%	(51,359,429)	0.05%	(45,735,145)	0.04%	(148,962,550)
				ORA	(2)	(51,867,976)	0.03%	(51,359,429)	0.05%	(45,735,145)	0.04%	(148,962,550)
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
31	11-31	SFAS 106 Accrued Liability (RB)	SUBS	Overland		124,000	0.00%	(5,998,000)	0.01%	5,352,000	-0.01%	(522,000)
				ORA	(2)	124,000	0.00%	(5,998,000)	0.01%	5,352,000	-0.01%	(522,000)
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
32	11-34	Accrued Contingent	SUBS	Overland		(28,039,000)	0.02%	(20,106,000)	0.02%	(7,800,000)	0.01%	(55,945,000)

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

		Liability (RB)										
				ORA	(4)	(28,039,000)	0.02%	(20,106,000)	0.02%	(7,800,000)	0.01%	(55,945,000)
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
33	11-28	Prepaid Pension Costs (RB)	SUBS	Overland		52,640,046	-0.03%	159,667,092	-0.14%	269,302,092	-0.25%	481,609,230
	S11-6			ORA	(2)	52,640,046	-0.03%	159,667,092	-0.14%	269,302,092	-0.25%	481,609,230
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
34	10-22	SFAS 106 Plant (RB)	SUBS	Overland		4,892,000	0.00%	(7,621,000)	0.01%	(90,167,000)	0.09%	(92,896,000)
				ORA	(2)	4,892,000	0.00%	(7,621,000)	0.01%	(90,167,000)	0.09%	(92,896,000)
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
35	10-22	Restructure Reserve (RB)	AMT	Overland		(29,070,727)	0.02%	(29,024,711)	0.03%	(28,975,159)	0.03%	(87,070,597)
	S10-3			ORA	(2)	(29,070,727)	0.02%	(29,024,711)	0.03%	(28,975,159)	0.03%	(87,070,597)
				TURN	(6)							
				Pacific		(4,374,000)	0.00%	(4,350,000)	0.00%	(4,350,000)	0.00%	(13,074,000)
36	10-23	Accumulated Reserve for Depreciation (RB)	SUBS	Overland	(1)	14,069,957	-0.01%	36,308,845	-0.03%	244,868,120	-0.23%	295,246,922
				ORA	(2)	14,069,957	-0.01%	36,308,845	-0.03%	244,868,120	-0.23%	295,246,922
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
37	9-23	Accumulated Deferred Income Tax (RB)	SUBS	Overland		(57,788,323)	0.04%	(11,713,582)	0.01%	89,052,818	-0.09%	19,550,913
				ORA	(4)	(57,788,323)	0.04%	(11,713,582)	0.01%	89,052,818	-0.09%	19,550,913
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
38	9-21	Excess Deferred Income Tax (RB)	SUBS	Overland	(1)	0	0.00%	12,800,000	-0.01%	38,400,000	-0.04%	51,200,000

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

				ORA	(4)	0	0.00%	12,800,000	-0.01%	38,400,000	-0.04%	51,200,000
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
ORA	19	ASI - ADSL Development Cost Treatment (RB)	SUBS	Overland		0	0.00%	0	0.00%	0	0.00%	0
				ORA	(3)	0	0.00%	(10,600,000)	-0.10%	(209,176,000)	-2.10%	(219,776,000)
				TURN	(5)	0	0.00%	(10,600,000)	-0.10%	(209,176,000)	-2.10%	(219,776,000)
				Pacific	(10)	0	0.00%	0	0.00%	0	0.00%	0
60a	20-20	Depreciation Expense Timing Adjustment (RB)	SUBS	Overland	(1)	0	0.00%	0	0.00%	1,728,488	0.00%	1,728,488
				ORA	(2)	0	0.00%	0	0.00%	1,728,488	0.00%	1,728,488
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
70a	S6-1	LNP Capital Costs (RB)	SUBS	Overland	(1)	(14,315,457)	0.01%	(32,338,163)	0.03%	(42,836,992)	0.04%	(89,490,612)
				ORA	(4)	(14,315,457)	0.01%	(32,338,163)	0.03%	(42,836,992)	0.04%	(89,490,612)
				TURN	(5)	(14,315,457)	0.01%	(32,338,163)	0.03%	(42,836,992)	0.04%	(89,490,612)
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
71a	10-17	AFUDC (RB)	SUBS	Overland	(1)	(2,327,000)	0.00%	(8,370,000)	0.01%	(12,964,000)	0.01%	(23,661,000)
	S10-1			ORA	(2)	(2,327,000)	0.00%	(8,370,000)	0.01%	(12,964,000)	0.01%	(23,661,000)
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0
72	S10-2	PBOP Pre-Funding Plant Adj. (RB)	SUBS	Overland		13,312,000	-0.01%	13,312,000	-0.01%	13,312,000	-0.01%	39,936,000
				ORA	(2)	13,312,000	-0.01%	13,312,000	-0.01%	13,312,000	-0.01%	39,936,000
				TURN	(6)							
				Pacific	(7)	0	0.00%	0	0.00%	0	0.00%	0

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

Index #	Report Chapter	Adjustment Description (A) (B)	Status of Dispute	Party	NOTES	1997 Final Adjustments	1997 Individual Adjustment Impact on Rate of Return	1998 Final Adjustments	1998 Individual Adjustment Impact on Rate of Return	1999 Final Adjustments	1999 Individual Adjustment Impact on Rate of Return	Total Audit Period Final Adjustment Amounts
		Net Income Effect of Audit Corrections		Overland		431,399,621		639,617,502		911,081,711		1,982,098,834
		Net Rate Base Effect of Audit Corrections		Overland		(609,143,885)		(610,423,795)		(258,874,205)		(1,478,441,885)
		Net Income As Reported On Pac Bell IEMR				652,499,328		922,472,419		962,198,083		
		Net Income Effect of Audit Corrections		Overland		431,399,621		639,617,502		911,081,711		
		Audit-Corrected Net Income		Overland		1,083,898,949		1,562,089,921		1,873,279,794		
		0										
		Rate Base As Reported On Pac Bell IEMR				10,057,147,720		10,170,676,085		9,963,602,286		
		Rate Base Effect of Audit Corrections		Overland		(609,143,885)		(610,423,795)		(258,874,205)		
		Audit-Corrected Rate Base		Overland		9,448,003,835		9,560,252,290		9,704,728,081		
		Rate of Return As Reported By Pacific Bell				6.49%		9.07%		9.66%		
		Rate of Return Impact of Audit Adjustments		Overland		4.98%		7.27%		9.65%		
		Audit-Corrected Rate of Return		Overland		11.47%		16.34%		19.30%		
		Net Income Effect of Audit Corrections		ORA		428,511,826		623,187,148		1,003,300,454		2,054,999,428
		Net Rate Base Effect of Audit Corrections		ORA		(729,319,885)		(638,336,795)		(338,552,205)		(1,706,208,885)
		Net Income As Reported On Pac Bell IEMR				652,499,328		922,472,419		962,198,083		
		Net Income Effect of Audit Corrections		ORA		428,511,826		623,187,148		1,003,300,454		
		Audit-Corrected Net Income		ORA		1,081,011,154		1,545,659,567		1,965,498,537		
		Rate Base As Reported On Pac Bell IEMR				10,057,147,000		10,170,675,000		9,963,602,000		

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

dex #	Report Chapter	Adjustment Description (A) (B)	Status of Dispute	Party	NOTES	1997 Final Adjustments	1997 Individual Adjustment Impact on Rate of Return	1998 Final Adjustments	1998 Individual Adjustment Impact on Rate of Return	1999 Final Adjustments	1999 Individual Adjustment Impact on Rate of Return	Total Audit Period Final Adjustment Amounts
		Rate Base Effect of Audit Corrections		ORA		(729,319,885)		(638,336,795)		(338,552,205)		
		Audit-Corrected Rate Base		ORA		9,327,827,115		9,532,338,205		9,625,049,795		
		Rate of Return As Reported By Pacific Bell				6.49%		9.07%		9.66%		
		Rate of Return Impact of Audit Adjustments		ORA		5.10%		7.14%		10.76%		
		Audit-Corrected Rate of Return		ORA		11.59%		16.21%		20.42%		
		Net Income Effect of Retroactive Audit Corrections		PACIFIC	(12)	(7,438,454)		26,011,591		20,229,744		38,802,881
		Net Income Effect of Audit Corrections in Year 2002		PACIFIC	(12)	36,855,318		17,879,942		8,268,949		63,004,209
		Net Rate Base Effect of Audit Corrections		PACIFIC		(146,543,000)		(95,670,000)		(95,453,000)		(337,666,000)
		Net Income As Reported On Pac Bell IEMR				652,499,328		922,472,419		962,198,083		

R.01-09-001 / I.01-09-002
Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell
Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997 - 1999

dex #	Report Chapter	Adjustment Description (A) (B)	Status of Dispute	Party	NOTES	1997 Final Adjustments	1997 Individual Adjustment Impact on Rate of Return	1998 Final Adjustments	1998 Individual Adjustment Impact on Rate of Return	1999 Final Adjustments	1999 Individual Adjustment Impact on Rate of Return	Total Audit Period Final Adjustment Amounts
		Net Income Effect of Audit Corrections		PACIFIC		(7,438,454)		26,011,591		20,229,744		
		Audit-Corrected Net Income		PACIFIC		645,060,874		948,484,010		982,427,827		
		Rate Base As Reported On Pac Bell IEMR				10,057,147,000		10,170,675,000		9,963,602,000		
		Rate Base Effect of Audit Corrections		PACIFIC		(146,543,000)		(95,670,000)		(95,453,000)		
		Audit-Corrected Rate Base		PACIFIC		9,910,604,000		10,075,005,000		9,868,149,000		
		Rate of Return As Reported By Pacific Bell				6.49%		9.07%		9.66%		
		Rate of Return Impact of Audit Adjustments		PACIFIC		0.02%		0.34%		0.30%		
		Audit-Corrected Rate of Return		PACIFIC		6.51%		9.41%		9.96%		

KEYS TO PRESENTATION:

A The impact of the CPUC's income tax flowthrough policy on each adjustment is reflected with the adjustment.

B The rate of return impact of individual adjustments is calculated using Pacific's reported rate base and operating income.

STATUS OF DISPUTE:

NONE Adjustments recommended by Overland that are NOT disputed by Pacific.

AMT Adjustments recommended by Overland that are disputed by Pacific in AMOUNT.

SUBS Adjustments recommended by Overland that are disputed by Pacific in SUBSTANCE.

BOTH Adjustments recommended by Overland that are disputed by Pacific BOTH in AMOUNT and in SUBSTANCE.

FOOTNOTES:

1 This adjustment, as proposed by Overland, has both an income and rate base impact.

2 Because ORA did not affirmatively address this issue in filed testimony, ORA is not contesting the adjustment quantification presented by Overland and supported by the Audit Report.

3 ORA has presented an alternative adjustment quantification.

4 ORA presented testimony on this issue, but did not propose an alternative adjustment.

5 TURN's calculated adjustment includes only those issues TURN has addressed in its opening and reply brief.
TURN is not presenting total intrastate income, rate base and rate of return impacts for the limited set of issues TURN addressed.

6 On those issues TURN has not affirmatively addressed in briefs, TURN does not dispute the adjustment quantification presented by Overland on behalf of the Telecommunications Division.

7 Because Pacific disputes the need for any adjustment for this issue, Pacific has not confirmed Overland's calculation.

8 Pacific's position is that this adjustment should be not be made retroactively, but rather in the current period (2002).
Accordingly, no rate of return impact is shown.

9 Pacific breaks this adjustment into eleven components, disputing some portions of the adjustment, but not all.
There is no disagreement on the break out.

10 Because Pacific disputes the need for any adjustment for this issue, Pacific has not confirmed ORA's calculation.

11 Based on information Pacific Bell provided for the first time in written testimony, the adjustment is no longer appropriate.

12 Pacific's position segregates the adjustments between those which should be applied retroactively to the IEMR

APPENDIX C

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

[redacted]

Income Statement Adjustments

1	IS	REG-01	5 - 13	GH Reply 5	Unsupported Contingent Liabilities - Revenues (IS) - Increase revenues to eliminate unsupported and unauditable contingent liability accruals.	Pacific Bell did not provide the information needed to audit the contested accruals. The limited information provided by Pacific Bell demonstrated the accrual amounts were not reasonable.	Concur with Overland. Also concur with TURN re waiver of privilege and that liabilities should be accounted for on an as-paid basis.	Pacific Bell failed to demonstrate that providing the information needed to audit the contested accruals would constitute waiver of any privilege. Therefore, these liabilities should be accounted for on an as-paid basis.
2	IS	REG-02	5 -14		Bellcore Dividends (IS) - Increase 1997 revenues to correct an error in an IEMR ratemaking adjustment.	Pacific Bell admits this accounting error occurred and accepts the correction. Pacific Bell posted the Bellcore Dividends IEMR ratemaking adjustment in the wrong direction.	Concur with Overland	
3	IS	REG-03	5 - 15	GH Reply 16	Uncollectible Revenues - RCRMS (PacBell flows through) (IS) - Reduce 1997 uncollectible accounts provision to eliminate costs that should have been accrued in 1996.	The information available at the end of 1996 was sufficient to support an accrual of the costs.	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	IS	REG-04	5 - 19		Gain on Sale of Bellcore (IS) - Increase 1997 other operating income to correct an accounting error.	Pacific Bell accepts this correction. The CPUC allocated 50% of the gain on the sale of Bellcore to ratepayers and required a refund. Pacific Bell recorded the refund above the line. Therefore, 50% of the gain should have been recorded above-the-line. Pacific Bell recorded the entire gain below the line.	Concur with Overland	
5	IS	REG-05	6 - 15, S6 - 1	GH Reply 2	Local Number Portability Costs (IS) - Reduce expense to correct a separations error.	Pacific Bell accepts the correction for periods after April 1998. The costs incurred prior to May 1998 are exclusively interstate costs that are recovered through an FCC tariff. IEMR reports should be revised when subsequent information reveals the separations treatment used in the original report was incorrect. In addition, Pacific Bell should have deferred the costs as a regulatory asset.	Concur with Overland	The costs incurred prior to May 1998 should have been deferred as a regulatory asset pursuant to FAS 71 requirements. Pacific Bell had sufficient information to estimate the probable amount of cost recovery in early 1996.

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

6	IS	REG-06	6 - 19	GH Open 4	Local Competition Costs (IS) - Reduce expense to correct an accounting error. Pacific Bell failed to recognize a regulatory asset.	The costs should have been deferred as a regulatory asset in November 1998 pursuant to FAS 71 requirements. Pacific Bell had sufficient information to estimate the probable amount of cost recovery in November 1998.	ORA generally concurs with Overland that these costs should be removed from the audit period. The Commission has established a mechanism to allow SBC Pacific to recover these costs through intrastate rates, beginning in 2001. Absent these adjustments, the Company could over-recover these costs from ratepayers.	The costs incurred during the audit period should have been deferred as a regulatory asset pursuant to FAS 71 requirements. Pacific Bell had sufficient information to estimate the probable amount of cost recovery no later than early 1996.
7	IS	REG-07	6 - 22	GH Reply 10	Merger Savings Allocation (IS) - Modify IEMR ratemaking adjustment to correct errors and reflect the SBC/Pacific Telesis merger savings forecast adopted by the CPUC.	The timing of the IEMR ratemaking adjustments should reflect the merger savings forecast adopted by the CPUC in the Merger Decision.	Concur with Pacific Bell	
8	IS	REG-08	6 - 27		Advanced Communications Network (IS) - Reduce expense to eliminate plant abandonment costs that should have been charged below-the-line.	Pacific Bell accepts this correction. Pacific Bell recorded part of the abandonment costs for this project above-the-line. The costs should have been charged to below-the-line accounts.	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

9	IS	REG-09	6 - 31	GH Reply 9	Software Buy-Out Agreement (IS) - Reduce expense to correct accounting for restructuring of contract payment obligations.	The substance of the contract buy-out was the advance payment of an operating expense in exchange for a price reduction. Advance payments of operating expenses should charged to prepaid asset accounts under the FCC's Uniform System of Accounts. Pacific Bell charged the buy-out payment obligation directly to expense. Pacific Bell should have deferred the buy-out payment as a prepaid asset and amortized the prepayment over the payment period specified in the original contract.	Concur with Overland	
10	IS	REG-10	6 - 32	GH Reply 5	Unsupported Contingent Liabilities - Operating Expense (IS) - Reduce expenses to eliminate unsupported and unauditable contingent liability accruals.	Pacific Bell did not provide the information needed to audit the contested accruals. The limited information provided by Pacific Bell demonstrated the accrual amounts were not reasonable.	Concur with Overland	Pacific Bell failed to demonstrate that providing the information needed to audit the contested accruals would constitute waiver of any privilege. Therefore, these liabilities should be accounted for on an as-paid basis.

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

11	IS	REG-11	6 - 34		Incentive Pay Accrual (IS) - Adjust TEAM award accruals to equal actual payouts.	Team award accrual amounts and payout levels are both completely within the control of management. Therefore, audit adjusted expenses should reflect the actual payout level rather than the estimates accrued by Pacific Bell.	Concur with Overland	
12	IS	REG-12	6 - 37		ISP-Bound Traffic Separations (IS) - Increase 1997 expense to correct separations error.	Pacific Bell accepts this correction. The FCC determined that Pacific Bell's separations treatment of internet bound traffic was improper and required Pacific Bell to retroactively revise its 1997 FCC IEMR. Pacific Bell did not revise its 1997 CPUC basis IEMR.	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

13	IS	REG-13	6 - 36		Uncollectible Settlements - RCRMS (IS) - Reduce expense to eliminate contract billing settlements that should have been accrued in 1996.	The information available at the end of 1996 was sufficient to support an accrual of the costs.	Concur with Overland	
14	IS	REG-14	7 - 9, S7- 13		Pension Expense (IS) - Reduce expense to reflect the CPUC's pension accounting policy.	Phase 2A issue	Concur with Overland	
15	IS	REG-15,16,17	7 - 13		SFAS 106 (IS) - Reduce expense to reflect the CPUC's PBOP accounting policy.	Phase 2A issue	Concur with Overland	
15	IS	REG-15,16,17	7 - 13, S7 - 6		SFAS 106 - Pension Trust Withdrawal (IS) - Reduce PBOP expense to reflect the CPUC's policy concerning pension trust withdrawals	Phase 2A issue	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

								TURN Position
16	IS	REG-18	7 - 33	GH Reply 18	SFAS 112 (IS) - Reduce 1997 FAS 112 expense to eliminate impact of a prior period accounting error.	Pacific Bell admits the accounting error occurred. Audit corrected expenses should reflect compliance with CPUC accounting rules in all periods, including periods prior to the audit period. Recorded expenses should be adjusted to eliminate the impact of accounting errors made in prior periods.	Concur with Overland	
17	IS	REG-19	8 - 6	GH Reply 17	Intrabuilding Cable Amortization (IS) - Reduce 1997 and 1998 depreciation expense to eliminate impact of a prior period accounting error.	Pacific Bell admits the accounting error occurred. Audit corrected expenses should reflect compliance with CPUC accounting rules in all periods, including periods prior to the audit period. Recorded expenses should be adjusted to eliminate the impact of accounting errors made in prior periods.	Concur with Overland	
18	IS	REG-20	8 - 7		SAVR Delayed Retirements (IS) - Reduce depreciation expense to reflect corrected plant balances. Pacific Bell failed to record retirements on a timely basis.	The failure to record retirements on a timely basis is an accounting error. Audit corrected expenses should reflect compliance with CPUC accounting rules.	Concur with Overland	
19	IS	REG-21	8 - 7		SAVR Reverse Retirements (IS) - Reduce depreciation expense to reflect corrected plant balances. The reverse retirements recorded by	Pacific Bell's decision to record reverse retirements was not reasonable. Pacific Bell's contention that the book to physical inventory differences were	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

Index								TURN Position
					Pacific Bell were improper.	caused by accidental premature book retirements of equipment is not plausible.		
20	IS	REG-22	8 - 8, S8 - 1	GH Open 3	Equal Access IEMR Ratemaking Adjustment (IS) - Increase 1998 Depreciation expense to correct an error made in an IEMR ratemaking adjustment.	Pacific Bell accepts this correction. Pacific Bell made a computational error when calculation this IEMR ratemaking adjustment for 1998.	Concur with Overland	
21	IS	REG-23	8 - 12		Reserve Deficiency Amortization (IS) - Reduce 1999 depreciation expense to eliminate reserve deficiency amortization.	Phase 2A issue	Concur with Overland	
22	IS	REG-24	9 - 22		Ameritech Income Tax Misclass (IS) - Reduce 1999 current income tax expense to correct an accounting error. The provision should have been charged below-the-line.	Pacific Bell charged Ameritech merger severance accrual to below-the-line accounts for book purposes. Therefore, the resulting book/tax temporary difference should be classified as a nonoperating temporary difference. This correction only addresses the current income tax treatment of the temporary difference. The deferred income tax treatment of the temporary difference is addressed in the Phase 2A income tax normalization correction.	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23	IS	REG-25	9 - 11, S9 - 3 & 5		Income Tax Normalization (IS) - Reduce deferred income tax expense to reflect the CPUC's flow-through income tax accounting policy.	Phase 2A issue	Concur with Overland	
24	IS	REG-26	9 - 21, S9 - 6		Excess Deferred Income Tax (IS) - Reduce deferred income tax expense to correct an accounting error.	Pacific Bell admits this accounting error occurred and does not contest the amount of the correction. Pacific Bell failed to record amortization of excess deferred income taxes in 1998 and 1999.	Concur with Overland	
25	IS	REG-27	9 - 24		Sales and Use Tax Accrual (IS) - Increase sales and use tax expense to eliminate unsupported accruals.	Pacific Bell did not provide the information needed to audit the accruals.	Concur with Overland	
26	IS	REG-28	9 - 24	GH Reply 18	Employment Tax Error (IS) - Decrease 1999 payroll taxes to eliminate impact of prior period accounting error.	Pacific Bell admits the error occurred. Audit corrected expenses should reflect compliance with CPUC accounting rules in all periods, including periods prior to the audit period. Recorded expenses should be adjusted to eliminate the impact of accounting errors made in prior periods.	Concur with Overland	
39	IS	AFF-01	15 - 18		SBC Ops FAS 106 Merger Conforming Expense (IS) - Removes a post-retirement benefits accrual incurred as a result of the Ameritech merger from	Consistent with the discussion concerning AFF-16, an adjustment has been proposed for amounts charged by SBC Operations which were not caused by and did not benefit Pacific Bell. This	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

					Pacific Bell's regulated accounts.	is a baseline requirement for regulated cost recovery per D.86-01-026 (p. 36).		
40	IS	AFF-02	15 - 19	RW Reply 4	AMDOCS Awards SBC Operations (IS) - Removes identifiable portions of AMDOCs and Ameritech merger executive awards charged to Pacific Bell by SBC Operations.	Consistent with the discussion concerning AFF-08, an adjustment has been proposed for amounts charged by SBC Operations which were not caused by and did not benefit Pacific Bell. This is a baseline requirement for regulated cost recovery per D.86-01-026 (p. 36).	Concur with Overland	
41	IS	AFF-03	15 - 20	RW Reply 2, 3; GO Reply 2	Excess Executive Compensation SBC Operations (IS) - Removes amounts exceeding the inflation-adjustment CPUC limit for regulated recovery of executive compensation expense, including salaries and certain severance charged to Pacific Bell by SBC Operations.	Consistent with the discussion concerning AFF-08, an adjustment has been proposed for amounts charged by SBC Operations that were in excess of the inflation-adjusted executive compensation limits established in D.86-01-026 (p. 163).	Concur with Overland	
42	IS	AFF-04	15 - 21		SBC Ops Sec. Alloc of Parent Mgt Fees (IS) - Removes parent company "management fees" charged to Pacific Bell indirectly through SBC Operations.	The SBC "management fees" are unsupported by cost and are additional to the parent company's recovery of fully distributed costs through corporate allocations. They should not have been charged to Pacific Bell (according to the auditors performing the FCC Cost Allocation Manual audit) and are not recoverable through regulated expense.	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

43	IS	AFF-05	15 - 22		SBC Ops Call Ctr Depreciation, Merger Implmntatn Exp (IS) - Removes certain call center costs, including depreciation, charged by SBC Operations to Pacific Bell's regulated accounts.	SBC Operations allocated excessive call center depreciation expense and costs associated with centralizing the telemarketing function to Pacific Bell in 1998. This reduces Pacific Bell's call center cost allocation to a level consistent with that used to allocate 1998 recurring costs related to the call centers.	Concur with Overland	
44	IS	AFF-06	16 - 18	RW Reply 2, 3; GO Reply 2	SBC Svcs "Excess" Executive Comp Exp (IS) - Removes identifiable portions of AMDOCs and Ameritech merger executive awards charged to Pacific Bell by SBC Services.	Consistent with the discussion concerning AFF-08, an adjustment has been proposed for amounts charged by SBC Operations which were not caused by and did not benefit Pacific Bell. This is a baseline requirement for regulated cost recovery per D.86-1-026 (p. 36). In addition, these costs were in excess of the inflation-adjusted executive compensation limits established in D.86-01-026 (p. 163).	Concur with Overland	
45	IS	AFF-07	16 - 19		SBC Svcs, CFL, TRI Sec.Alloc. of Parent Mgt Fees (IS) - Removes parent company "management fees" charged to Pacific Bell indirectly through charges from SBC Services, Technology Resources and Center for Learning.	The SBC "management fees" are unsupported by cost and are additional to the parent company's recovery of fully distributed costs through corporate allocations. They should not have been charged to Pacific Bell (according to the auditors performing the FCC Cost Allocation Manual audit) and are not recoverable through regulated expense.	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

46	IS	AFF-08	14 - 9	RW Reply 2	Parent "Excess" Executive Compensation Expense (IS) - 1) Removes identifiable portions of AMDOCs and Ameritech merger executive awards charged to Pacific Bell by the parent company. 2) Removes parent company executive compensation exceeding the inflation-adjustment CPUC limit for regulated recovery, including salaries, certain severance and post-retirement "consulting" fees and supplemental retirement income plan (SRIP) expense.	D.86-01-026 established certain baseline requirements for regulated cost recovery of parent and affiliate costs. One of these requirements was that to be recoverable as a regulated cost, parent company charges must provide a "direct and primary benefit" to telephone company customers (p. 36). The executive awards charged to Pacific Bell were not caused by and did not benefit Pacific Bell. One was attributable to affiliate Ameritech and the other to affiliate AMDOCs. In addition, the salaries and severance amounts adjusted were amounts exceeding the inflation-adjustment limit for regulated recovery of executive compensation expense established in Decision 86-01-026 (p. 163) Finally, in addition to exceeding the CPUC compensation limit, the SRIP expense, limited to a few top executives, was charged to Pacific Bell, but a much greater amount of offsetting SRIP income (the funding for the plan) was retained by SBC.	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

								TURN Position
47	IS	AFF-09	14 - 23	RW Reply 6	Parent Political and Legislative Influence Expense (IS) - Removes political and legislative influence costs incurred by the California External Affairs department of SBC / PTG and charged to Pacific Bell's regulated accounts.	The CPUC adopted the FCC Uniform System of Accounts (USOA) in D.87-12-063. The USOA specifically requires "lobbying" expenditures to be recorded below-the-line in account 7370 - Special Charges. This adjustment brings the accounting for political and legislative influence costs into compliance with CPUC accounting requirements. In addition, contrary to the requirements of D.86-01-026 for regulated cost recovery (p. 36), these costs are incurred for the benefit of SBC executives and SBC shareholders, not Pacific Bell customers.	Concur with Overland	
48	IS	AFF-10	14 - 26	RW Reply 7	Parent Legal Expense (IS) - Removes minor amounts of allocated corporate legal costs associated with entry into the non-regulated, interLATA long distance service market and SBC's intervention to slow down / prevent the approval of a merger of two potential local exchange competitors (AT&T and Media One).	Pacific Bell's allocation of corporate legal cost increased dramatically after SBC took over PTG. Overland was unable to audit corporate legal costs because SBC did not maintain, or would not provide, information regarding the nature of most of the costs. The amounts adjusted were associated with specific cases handled by outside attorneys and were exceptions in which we had cost descriptions. The costs were adjusted because they were not attributable to Pacific Bell's regulated operations. We made no attempt to adjust amounts from the majority of corporate legal expenses that we were	Concur with Overland	Pacific Bell failed to demonstrate that the legal costs in question were appropriately assigned to its regulated operations, particularly for the AT&T/Media One merger.

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

[illegible]							[illegible]	TURN Position
						unable to evaluate.		
49	IS	AFF-11	14 - 34	RW Reply 2, 4	Parent Public Relations & Corporate Sponsorship Exp (IS) - This adjustment removes public relations consulting and corporate sports and cultural expenses allocated by SBC to Pacific Bell's regulated accounts.	The CPUC noted in D.86-01-026 that institutional or image building advertising would not be allowed for regulated cost recovery (p. 41) In the same decision, the CPUC determined that public relations expense was a form of "institutional advertising" which did not warrant ratemaking recognition (pp. 41-42). As such, CPUC policy prohibits regulated recovery of both of these costs.	Concur with Overland	
50	IS	AFF-12	14 - 33	RW Reply 8	Parent Corporate Development Expense (IS) - Removes "corporate development" costs of investigations and due diligence on potential foreign investments and various projects unrelated to providing regulated telephone service charged by SBC to Pacific Bell and recorded in Pacific Bell's accounts.	D.86-01-026 established a baseline requirement that parent company charges must provide "direct and primary benefit" to telephone company customers in order to be recoverable as a regulated cost (p. 36). These costs were not attributable to Pacific Bell and provided no contribution or benefit to regulated local exchange telephone operations. The costs were not attributable to Pacific Bell's	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	TURN Position
						regulated operations; rather they were incurred for the benefit of SBC and its shareholders.		
51	IS	AFF-13	14 - 35	RW Reply 2, 4	Parent Strategic Planning Expense (IS) - Removes corporate "strategic planning" expense.	The CPUC's policy to exclude corporate "strategic planning" expense from regulated customer recovery was set forth in Decision 86-01-026 (pp. 46-47). Pacific Bell / SBC refused to provide the materials necessary to evaluate these costs so that a determination could be made as to the extent they might have benefited Pacific Bell's regulated local exchange operations.	Concur with Overland	
52	IS	AFF-14	14 - 38	RW Reply 9	Parent Contributions, Memberships, Foundation Exp (IS) - Removes contributions and membership costs incorrectly included in Pacific Bell's regulated accounts.	The FCC Uniform System of Account (USOA) as adopted by the CPUC in D.87-12-063 prohibits these costs from being recorded in above-the-line regulated accounts.	Concur with Overland	
53	IS	AFF-15	14 - 39	RW Reply 9	Parent Out of Period Expense (IS) - Reclassifies 1997 corporate allocations incorrectly charged to 1998 expense back to 1997 expense.	Although recorded on the 1998 books, journal vouchers for the cost clearly indicate that the cost was associated with 1997. Inclusion in 1998 would result in 13 months of corporate allocations charged for 1998, and only 11 for 1997.	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

						The costs should be placed in the proper period.		
54	IS	AFF-16	14 - 40		Parent Merger Conforming Expense (IS) - Removes a post-retirement benefits accrual incurred as a result of the Ameritech merger from Pacific Bell's regulated accounts.	D.86-01-026 requires that parent company charges must provide "direct and primary benefit" to telephone company customers to be recoverable as a regulated cost (p. 36). Most amounts SBC incurred in consummating the Ameritech merger were correctly retained by the corporation. This amount, which represents a cost to conform Pacific's and Southwestern Bell's post-retirement benefits accounting with that of Ameritech, was improperly charged to Pacific Bell instead of being retained even though it provided no benefit to Pacific Bell's telephone company customers.	Concur with Overland	
55	IS	AFF-17	14 - 41		Parent Impact of Adjustmts on Billings to PBD (IS) - This adjustment removes corporate allocations from SBC discussed in AFF-08 through AFF-16 above that were indirectly charged to Pacific Bell's IEMR earnings because they were charged to Pacific Bell Directory.	SBC charged costs to Pacific Bell Directory as well as to Pacific Bell. Both sets of allocations impact Pacific Bell's IEMR earnings. This adjustment reflects the effect of the sum of adjustments to corporate allocations that flow to Pacific Bell's IEMR earnings indirectly through allocation to Pacific Bell Directory.	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

56	IS	AFF-18	14 - 41	RW Reply 2	MSI USA "Excess" Executive Comp Billed Directly (IS) - Removes the identifiable portion of corporate executive compensation associated with executives assigned to affiliate MSI USA.	See the discussion of executive compensation for adjustment AFF-08 above. MSI-USA was a corporate entity created to employ former Southwestern Bell region executives and managers in the Pacific Bell region after the merger. Their separation from other Pacific region entities was done to enable them to maintain their Southwestern region benefits packages.	Concur with Overland	
57	IS	AFF-19	17 - 18	RW Reply 10	Parent PB Employee Trsfr Fees Billed Back to PB (IS) - This adjustment removes CPUC employee transfer fees charged by Pacific Bell to SBC that SBC charged back to Pacific Bell.	In D.87-12-067 (Conclusion of Law 35), the CPUC concluded that SBC affiliates are required to pay Pacific Bell a 25 percent-of-salary fee when employees are transferred from Pacific Bell to affiliates. SBC incorrectly charged the cost of some of these fees back to Pacific Bell, effectively canceling them. This adjustment reverses the charge back.	Concur with Overland	
58	IS	AFF-20	17 - 18	RW Reply 10	Fees for Employees Transferred in 1999 (IS) - Adds employee transfer fee revenue for a large transfer of employees from Pacific Bell to SBC Services that Pacific Bell reported to the CPUC in 1999.	Subsequent to the audit report, Pacific Bell provided evidence to show that the transfers it reported to the CPUC as having occurred in 1999 actually occurred in 2000. The evidence provided showed that the transfer fee revenue was recognized in 2000. Based on the additional evidence, this adjustment is no longer necessary.	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

59	IS	AFF-21	18 - 2 &7		Nevada Bell Net Directory Revenue (IS) - This adjustment reduces Pacific Bell Directory's IEMR earnings contribution by correcting the allocation of PBD's earnings between Pacific Bell and Nevada Bell.	Pacific Bell is required to reflect the California earnings of Pacific Bell Directory in its CPUC IEMR earnings calculation. The Directory earnings were improperly overstated on the IEMR report due to an improper allocation of Directory earnings between Nevada and California Directory operations in the IEMR directory earnings calculation. This adjustment corrects the calculation mistake.	Concur with Overland	
ORA	IS				ADSL Development Costs - This adjustment removes ADSL development costs and increases Pacific Bell's IEMR net earnings.		The net ADSL development costs should be moved below-the-line. A corresponding ratebase adjustment should be made as well.	Pacific Bell should not be allowed to recover development costs through NRF rates, then transfer the ADSL service so that future revenues from that service are not reflected in the IEMR. Instead, the ADSL development costs should be removed from the IEMR during the audit period.
60b	IS	NR-01	20 - 20	GO Reply 10	Depreciation Expense Timing Adjustment (IS) - The allocation between regulated and non-regulated activities was not correct on a year-to-date basis. This entry corrects this error.	When correcting a depreciation expense error in December 1999, Pacific Bell employed current regulated / non-regulated allocation ratios which were not reflective of the actual ratios in use at the time when the errors were originally recorded.	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

61	IS	NR-02	20 -22	GO Reply 10	Advertising Direct Assignment and Common Allocations (IS) - Directly assigns and allocates these costs to the appropriate regulated and non-regulated activities to the extent possible.	Instead of allocating product advertising expense billed by the Parent to the Pacific Bell service or customer category for which it was incurred, Pacific Bell allocated these costs based on the regulated and non-regulated time assignments of a very small number of Pacific Bell administrative employees. As a result, these costs were not allocated between regulated and non-regulated activities in accordance with attributable cost principles as set out in FCC Part 64 (adopted by the CPUC in D.91-07-056).	Concur with Overland	
62	IS	NR-03	20 - 31	GO Reply 10	Customer Service Non-Productive Salary Allocations (IS) - Corrects the allocation of service labor to non-regulated activities.	Non-productive customer service labor was not allocated to non-regulated activities in the same proportion as productive labor costs.	Concur with Overland	
63	IS	NR-04	20 - 37	RW Reply 14; GO Reply 9	Affiliate Marketing Services Revenue (IS) - Increases affiliate marketing services revenue to the same level as the associated expenses.	Pacific Bell employed two different systems to account for the revenues and expenses associated with the sales functions performed by Pacific Bell customer service representatives on behalf of its affiliates. Although the revenues should have been at least equal to the expenses for these services, expenses were significantly greater than revenues. Pacific Bell could not provide a credible explanation for this discrepancy.	Concur with Overland. Additionally, adjustment should recognize 10% markup of FDC pursuant to CPUC affiliate rules.	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

[illegible]								
64	IS	NR-05	20 - 48		Non-regulated Tracking Code Direct Assignment Errors (IS) - Corrects the allocation of costs between regulated and non-regulated activities.	Tracking codes were a primary tool used by Pacific Bell in allocating costs between regulated and non-regulated activities. During our review, we noted several instances in which tracking codes identified as non-regulated in nature were actually allocated on a different basis. By disregarding the true nature of the costs when allocating between regulated and non-regulated activities, Pacific Bell was in non-compliance with D.91-07-056 (Finding of Fact 11).	Concur with Overland	
65	IS	NR-06	20 - 48	GO Reply 9	National-Local Strategy Implementation (IS) - Corrects the allocation of costs associated with offering competitive local exchange services.	D.91-07-056 (Finding of Fact 11) establishes a cost-attribution hierarchy beginning with direct assignment of costs when possible. Pacific Bell chose to jointly allocate the implementation costs of offering competitive local exchange service outside of the Pacific Bell franchise territory between regulated and non-regulated activities. However, a Pacific Bell affiliate is responsible for this initiative and should have been allocated all of these costs.	Concur with Overland	
66	IS	NR-07	20 - 25		1997 Corporate Sponsorship Costs (IS) - Corrects the below-the-line treatment of corporate advertising and sponsorship payments associated with the naming rights of Pacific Bell Park.	Corporate advertising and sponsorship payments associated with the naming rights of Pacific Bell Park were charged to regulated activities. CPUC policy established in Decision 86-01-026 (p. 41) prohibits regulated expense recovery of these expenses.	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

67	IS	NR-08	20 - 50		Customer Premise Equipment Costs (IS) - Corrects the allocation of certain costs associated with customer premise equipment.	Certain costs associated with customer premise equipment was not appropriately identified by tracking code. As a result, these costs incorrectly defaulted to regulated operating expense rather than non-regulated expense as intended by the FCC and CPUC.	Concur with Overland	
68	IS	REG-41; Supp 5	S5 - 1	GH Open 2	PIU Accrual (IS) - Reduce 1997 revenues to eliminate settlement amount that should have been accrued in 1996.	Pacific Bell had sufficient information to accrue the settlements in 1996.	Concur with Overland	
69	IS	REG-42; Supp 5	S5 - 2	GH Open 2	USOAR Turnaround Accrual (IS) - Reduce 1997 revenues to correct over-accrual of regulatory liability in 1996. The reversal of the recorded liability in 1997 overstated 1997 revenues.	The entries recorded in 1997 to reverse the prior-period over-accrual distort 1997 operating revenues. The correction reduces 1997 revenues to eliminate that distortion.	Concur with Overland	
70b	IS	REG-43; Supp 6	S6 - 1	GH Open 2	LNP Depreciation (IS) - Reduce depreciation expense to correct a separations error.	The depreciation expense for the plant costs recovered through the FCC LNP tariff should be directly assigned to the interstate jurisdiction.	Concur with Overland	The costs incurred prior to May 1998 should have been deferred as a regulatory asset pursuant to FAS 71 requirements. Pacific Bell had sufficient information to estimate the probable amount of cost recovery in early 1996.

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

Index #	Rate Base or Income Stmt	Adjust Ref.	Report Chapter	Testimony Reference	Adjustment Description	Overland Position	ORA Position	TURN Position
71b	IS	REG-44; Supp 10	10 - 17,	S10 - 1	AFUDC Depreciation Expense (IS) - Reduce depreciation expense to reflect corrected plant balances. The AFUDC recorded by Pacific Bell during the audit period was overstated.	The CPUC basis AFUDC charged to plant during the audit period was excessive. Pacific Bell's AFUDC rate calculations violated Resolution RF-4. Pacific Bell's practice of imputing negative capital sources in its AFUDC rate calculations does not have any basis in regulatory, finance or accounting theory. This correction is directly related to the AFUDC rate base correction.	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

Index #	Rate Base or Income Stmt	Adjust Ref.	Report Chapter	Testimony Reference	Adjustment Description	Overland Position	ORA Position	TURN Position
Rate Base Adjustments								
27	RB	REG-29	11 - 5, S11 - 5	GH Reply 13	Cash Working Capital (RB) - Reduce cash working capital allowance to correct errors and to reflect audit adjusted expenses.	Adjusts cash working capital allowance to correct 20 errors made in Pacific Bell's lead-lag studies and to reflect audit adjusted expenses.	Concur with most of Overland's adjustments. Also note that Pacific Bell included non-cash items, such as depreciation expense, in CWC calculation, which results in overstatement of rate base. The CWC would be negative if the non-cash items were removed. ORA recommends that CWC instead be set equal to zero. The result is similar to the three-year average rate base effect presented by Overland, and greatly simplifies the IEMR process.	The cash working capital allowance should be set equal to zero for IEMR purposes, the most reasonable option given the considerable doubt as to the accuracy or reasonableness of the utility's cash working capital calculations.
28	RB	REG-30	11 - 28	GH Open 12	Prepaid Directory Expense (RB) - Include prepaid directory expense in rate base.	Rate base should reflect Pacific Bell's actual investment in providing service. Prepaid directory expense represents an investment in providing service that should be included in rate base. D.91-07-056 does not prohibit the correction.	Concur with Overland	
29	RB	REG-31	11 - 30	GH Open 12, GH Reply 19	SFAS 112 Liability (RB) - Deduct SFAS 112 liability from rate base.	The accrued SFAS 112 liability represents non-investor supplied capital that should be deducted from rate base. D.91-07-056 does not prohibit the	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

						correction.		
30	RB	REG-32	11 - 31	GH Open 12, GH Reply 19	Vacation Liability (RB) - Deduct accrued vacation liability from rate base.	The accrued vacation liability represents non-investor supplied capital that should be deducted from rate base. D.91-07-056 does not prohibit the correction.	Concur with Overland	
31	RB	REG-33	11 - 31	GH Open 12	SFAS 106 Accrued Liability (RB) - Deduct accrued SFAS 106 liability from rate base. Amount depends on resolution of SFAS 106 expense correction.	The accrued SFAS 106 liability represents non-investor supplied capital that should be deducted from rate base. D.91-07-056 does not prohibit the correction.	Concur with Overland	
32	RB	REG-34	11 - 34	GH Open 12	Accrued Contingent Liability (RB) - Deduct accrued contingent liabilities from rate base. Amount depends on resolution of expense correction for unauditable contingent liabilities.	Accrued contingent liabilities represent non-investor supplied capital that should be deducted from rate base. D.91-07-056 does not prohibit the correction.	Concur with Overland	
33	RB	REG-35	11 - 28, S11 - 6	GH Open 12, GH Reply 19	Prepaid Pension Costs (RB) - Include prepaid pension asset in rate base. Amount depends on resolution of Phase 2A pension expense correction.	Prepaid pension assets represent an investment in providing service that should be included in rate base. D.91-07-056 does not prohibit the correction.	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

34	RB	REG-36	10 - 22	GH Open 3	SFAS 106 Plant (RB) - Reduce 1998 and 1999 plant to reflect CPUC PBOP accounting policy.	Directly related to Phase 2A PBOP expense correction. Pacific Bell wrote-off PBOP regulatory asset in 1998. That write-off included the elimination of a large rate base credit. The Phase 2A PBOP correction reverses the expense impact of the write-off. This correction eliminates the rate base impact of the write-off. The rate base correction should be adopted if the Phase 2A PBOP expense correction is adopted.	Concur with Overland	
35	RB	REG-37	10 - 22, S10 - 3		Restructure Reserve (RB) - Reduce net plant to eliminate unsupported and unreasonable jurisdictional adjustment.	Pacific Bell's recorded plant balances include a jurisdictional adjustment for the impact of a 1993 restructuring reserve. The FCC and CPUC accounting treatment of the restructuring reserve was identical. Therefore, there is no basis for the recorded jurisdictional adjustment. Pacific Bell admits it cannot support the jurisdictional adjustment recorded on its books or explain what the adjustment represents..	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

Index	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	TURN Position
36	RB	REG-38	10 - 23		Accumulated Reserve for Depreciation (RB) - Adjust depreciation reserve to reflect depreciation expense corrections.	Directly related to depreciation expense corrections. This correction adjusts rate base to reflect impact of depreciation expense corrections on accumulated reserve for depreciation.	Concur with Overland	
37	RB	REG-39	9 - 23		Accumulated Deferred Income Tax (RB) - Adjust accumulated deferred income taxes to reflect the CPUC's flow-through income tax accounting policy.	The rate base correction should reflect the resolution of the income tax normalization issue in Phase 2A.	Concur with Overland	
38	RB	REG-40	9 - 21		Excess Deferred Income Tax (RB) - Adjust Accumulated deferred income taxes to correct accounting error.	This correction is directly related to the income statement correction for excess deferred income tax amortization. The rate base correction should be made if the income statement correction is adopted.	Concur with Overland	
ORA	RB				Remove ADSL Development Costs		See corresponding description of income statement adjustment above.	Pacific Bell should not be allowed to recover development costs through NRF rates, then transfer the ADSL service so that future revenues from that service are not reflected in the IEMR. Instead, the ADSL development costs should be removed from the IEMR during the audit period.

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

60a	RB	NR-01	20 - 20	GO Reply 10	Depreciation Expense Timing Adjustment (RB) - The allocation between regulated and non-regulated activities was not correct on a year-to-date basis. This entry corrects this error.	Contrary to the cost attribution hierarchy adopted by the CPUC in D.91-07-056 (Finding of Fact 11), when correcting a depreciation expense error in December 1999, Pacific Bell employed current regulated / non-regulated allocation ratios which were not reflective of the actual ratios in use at the time when the errors were originally recorded.	Concur with Overland	
70a	RB	REG-43; Supp 6	S6 - 1	GH Open 2	LNP Capital Costs (RB) - Reduce net plant to correct a separations error.	The plant costs recovered through the FCC LNP tariff should be directly assigned to the interstate jurisdiction.	Concur with Overland	The costs incurred prior to May 1998 should have been deferred as a regulatory asset pursuant to FAS 71 requirements. Pacific Bell had sufficient information to estimate the probable amount of cost recovery in early 1996.
71a	RB	REG-44; Supp 10	10 - 17, S10 - 1	GH Open 3	AFUDC (RB) - Reduce net plant to correct an accounting error. The AFUDC rates used by Pacific Bell were overstated.	The CPUC basis AFUDC charged to plant during the audit period was excessive. Pacific Bell's AFUDC rate calculations violated Resolution RF-4. Pacific Bell's practice of imputing negative capital sources in its AFUDC rate calculations does not have any basis in regulatory, finance or accounting theory. This correction is directly related to the AFUDC depreciation correction.	Concur with Overland	

R.01-09-001 / I.01-09-002
Joint Schedule of Overland Consulting, Inc.'s, ORA's, and TURN's
Position on Adjustments (as requested by ALJ Sarah Thomas)
9/20/2002

72	RB	REG-45; Supp 10	S10 - 2	GH Open 3	PBOP Pre-Funding Plant Adj. (RB) - Reduce net plant to eliminate unsupported and unreasonable jurisdictional adjustment.	Pacific Bell's recorded plant balances include a jurisdictional adjustment for the capitalized portion of contributions it made to its PBOP trusts in 1989 and 1990, prior to the adoption of FAS 106. The proper FCC and CPUC basis accounting for the contributions was identical Therefore, there is no basis for the jurisdictional adjustment and it should be eliminated. Pacific Bell properly charged the contributions to expense for FCC purposes. Pacific Bell improperly accounted for contributions as prepaid PBOP assets for CPUC purposes. Pacific Bell's CPUC basis accounting violated CPUC accounting policy and was inconsistent with its accounting for similar contributions made to other PBOP trusts.	Concur with Overland	

APPENDIX D

APPENDIX D

UNDISPUTED AUDIT ADJUSTMENTS			
Issue	Amount of Adjustment		
	1997	1998	1999
Revenues and Other Operating Income Adjustments			
Bellcore Dividends Index #2[1]	$3,883,507		
Gain on Sale of Bellcore Index #4	9,122,587		
Operating Expenses			
ACN Shutdown Costs Index #8	17,846,219	4,284,040	2,226,486
ISP-Bound Traffic Separations Index #12	(11,329,359)		
Depreciation Accounting			
Equal Access IEMR Ratemaking Adjustment Index #20		(6,477,055)	
Affiliate Transactions[2]			
SBC Operations Merger Conforming Expense Index #39			1,656,603
SBC Operations Secondary Allocation of Parent Management Fees Index #42		291,835	270,743

[1] Index numbers cross-reference to the chart entitled "Joint Exhibit of Overland Consulting, Inc., ORA, TURN and Pacific Bell Showing Impact of Audit Corrections on Pacific Bell's Reported IEMR Results for 1997-1999," Appendix A hereto.

[2] Undisputed affiliate transactions issues also appear in Pacific's Exh. 2B:362A.

UNDISPUTED AUDIT ADJUSTMENTS			
Issue	Amount of Adjustment		
	1997	1998	1999
SBC Operations Call Center Depreciation and Merger Implementation Expense Index #43		237,025	
SBC Services, CFL and TRI Allocation of Parent Management Fees Index #45		265,789	216,392
Parent Political and Legislative Influence Expense Index #47	8,574,885	10,009,837	4,186,554
Parent Contributions, Memberships and Foundation Expense Index #52	161,013	657,620	3,067,831
Parent SFAS 106 Merger Conforming Expense Index #54			454,553
Parent Impact on Pacific Bell Directory – Contributions and Memberships Index #55a	75,500	259,236	195,782
Parent Impact on Pacific Bell Directory – Lobbying Expense Index #55e	389,744	729,081	881,323

UNDISPUTED AUDIT ADJUSTMENTS			
Issue	**Amount of Adjustment**		
	1997	**1998**	**1999**
Parent Impact on Pacific Bell Directory – Parent Management Fees Index #55j		1,145,479	1,248,344
Parent Impact on Pacific Bell Directory – Employee Transfer Fees Index #55k	58,754		
Parent Employee Transfer Fees Billed Back to Pacific Index #57	626,616		
Nevada Bell Net Directory Revenue Index #59			(11,253,000)
Regulated and Nonregulated Cost Allocations			
Nonregulated Tracking Code Assignment Error Index #64	7,398	4,250,163	3,237,874
Customer Premises Equipment Costs Index #67		10,097,537	3,467,830

APPENDIX E

APPENDIX E
Affiliate Transactions Audit Issues-
Next Triennial Review

1. Audit of the process Pacific uses for centralized tracking of legal matters. (Audit Report at 13-3, 14-25 to 14-26, Pacific's Opening Brief at 126-27).[3]
2. Audit of Pacific's claims that it analyzes costs using the Part 64 cost hierarchy (Audit Report at 12-3, Pacific's Opening Brief at 130-31.)
3. Audit of the enhancements that Pacific states will ensure proper Part 32 accounting classification of parent company costs. (Audit Report at 13-3, 13-17, 13-21; Pacific's Opening Brief at 132.)
4. Audit of the record-keeping and document retention efforts of the SBC shared service affiliates doing business with Pacific. (Audit Report at 15-2 to 15-3; Pacific's Opening Brief at 132-33.)
5. Audit of charges to affiliates for services provided by Pacific Bell. (Audit Report at 17-1 – 17-3 *et seq.;* Pacific's Opening Brief at 138-42.)[4]
6. Audit of fairness of Pacific's fully distributed cost rates. (Audit Report at 17-12 – 17-14; Pacific's Opening Brief at 140-41.)
7. Audit of whether Pacific Bell Directory is following Commission rules regarding purchases from AMDOCS, an SBC software subsidiary. (Audit Report at 18-2; Pacific's Opening Brief at 142.)
8. Audit to determine the correct levels of revenues and expenses to which the 10% mark-up for marketing services billings to unregulated affiliates should be applied. (Audit Report at 20-6; Pacific's Opening Brief at 169.)
9. Audit of Pacific's transactions involving its sharing of customer information, data bases and proprietary information with affiliates, and assessment of potential for cross subsidies relating to such transactions. (Audit Report at 12-3, 12-6,12-7, 15-1 and 21-10; *see generally* Pacific's Opening Brief at 142-47.)
10. Audit of Costs related to applying for InterLATA service (Audit Report at __; Pacific's Opening Brief at 174.)

(END OF APPENDIX E)

---

[3] To assist in identifying the issues, for each item, we identify where in the Audit Report it appears, and where Pacific discusses the matter in its post-hearing opening brief for Phase 2B.

[4] In completing this audit task, the auditors shall have access to all available material related to Ernest & Young's audit(s) of Pacific affiliate transactions.

Appendix F

Summary of Refund Owed to Ratepayers
Pacific Bell Intrastate Regulated Operations
Phases 2A and 2B

	1997 Sharable Earnings Owed to Ratepayers	1998 Sharable Earnings Owed to Ratepayers	TOTAL
Total Refund Amount	$0	$0	$0

Appendix G

Summary of Sharable Earnings
Pacific Bell Intrastate Regulated Operations
Phases 2A and 2B

		1997	1998	1999
1.	Adopted Net Operating Income	$940,582,874	$1,042,147,050	$1,319,938,296
2.	Adopted Rate Base	$9,256,981,069	$9,377,580,113	$9,444,160,582
3.	Rate of Return	10.16%	11.11%	13.98%
4.	Sharing Trigger	11.50%	11.50%	N/A
5.	ROR above Trigger	0.00%	0.00%	N/A
6.	Total Sharable Earnings: ROR above Trigger Times Adopted Rate Base (Row 5 x Row 2)	$0	$0	--
7.	Ceiling Rate of Return (15%)	15%	15%	--
8.	Sharable Earnings over Ceiling ROR ((Row 3 - Row 7) x Row 2)	$0	$0	--
9.	Sharable Earnings Between Trigger and Ceiling (Row 6 - Row 8)	$0	$0	--
10.	Ratepayer Portion (30%) of Sharable Earnings over Ceiling (Row 8 x 30%)	$0	$0	--
11.	Ratepayer Portion (50%) of Sharable Earnings between Trigger and Ceiling (Row 9 x 50%)	$0	$0	--
12.	Total Ratepayer Portion of Sharable Earnings (Row 10 + Row 11)	$0	$0	--
13.	Tax Gross-up Factor (1/(1-0.40746))	168.76%	168.76%	--
14.	**Ratepayer Amount With Gross-up (Row 12 x Row 13)**	**$0**	**$0**	--

Appendix H

Financial Summary of Adopted Adjustments
Pacific Bell Intrastate Regulated Operations
Phases 2A and 2B

		1997	1998	1999	Reference
1.	Net Operating Income Reported by Pacific Bell	$652,499,328	$922,472,419	$962,198,083	Exhibit Phase 2A: 400, p. 11.
2.	Adopted Adjustments: **Phase 2A**	($7,924,000)	($107,415,000)	$234,474,000	Appendix I of today's Decision.
3.	Adopted Adjustments: **Phase 2B**	$296,007,546	$227,089,631	$123,266,213	Appendix I of today's Decision.
4.	Adopted Net Operating Income	$940,582,874	$1,042,147,050	$1,319,938,296	
5.	Rate Base Reported by Pacific Bell	$10,057,145,000	$10,170,675,000	$9,963,603,000	Exhibit Phase 2A: 404, Attach. 11-21.
6.	Adopted Adjustments: **Phase 2A**	-	$43,446,454	$132,371,666	Appendix J of today's Decision.
7.	Adopted Adjustments: **Phase 2B**	($800,163,931)	($836,541,341)	($651,814,084)	Appendix J of today's Decision.
8.	Adopted Rate Base	$9,256,981,069	$9,377,580,113	$9,444,160,582	
9.	Rate of Return Reported by Pacific Bell	6.49%	9.07%	9.66%	Exhibit Phase 2A: 400, p. 11.
10.	Adopted Adjustments: **Phase 2A**	-0.08%	-1.03%	2.26%	Note 1, Line 21.
11.	Adopted Adjustments: **Phase 2B**	3.75%	3.07%	2.06%	Note 1, Line 22.
12.	**Adopted Rate of Return**	**10.16%**	**11.11%**	**13.98%**	Line 4/Line 8, or Line 9 + Line 10 + Line 11.

Note 1: ROR Impact of Adopted Adjustments

		1997	1998	1991	
13.	ROR Impact of Phase 2A Adjustments	-0.08%	-1.09%	2.20%	((Line 1 + Line 2)/(Line 5 + Line 6)) - (Line 1/Line 5).
14.	ROR Impact of Phase 2B Adjustments	3.76%	3.25%	2.00%	((Line 1 + Line 3)/(Line 5 + Line 7)) - (Line 1/Line 5).
15.	Subtotal	3.68%	2.16%	4.20%	Line 13 + Line 14
16.	Proportionate Impact - Phase 2A	-2.17%	-50.46%	52.38%	Line 13/Line 15
17.	Proportionate Impact - Phase 2B	102.17%	150.46%	47.62%	Line 14/Line 15
18.	Adopted Rate of Return	10.16%	11.11%	13.98%	Line 12
19.	Reported Rate of Return	6.49%	9.07%	9.66%	Line 9
20.	Difference	3.67%	2.04%	4.32%	Line 18 - Line 19
21.	Difference Attributable to Phase 2A Adjustments	-0.08%	-1.03%	2.26%	Line 16 x Line 20
22.	Difference Attributable to Phase 2B Adjustments	3.75%	3.07%	2.06%	Line 17 x Line 20
23.	Total	3.67%	2.04%	4.32%	Line 21 + Line 22

Appendix I

Summary of Adopted Adjustments to Net Operating Income (NOI) - Pacific Bell Intrastate Regulated Operations
Phases 2A and 2B

	Adopted Adjustments to NOI [1]	1997	1998	1999	Total	Reference
						References to Phase 2A Decision except as noted.
	Phase 2A					
1.	Pension Trust Fund Withdrawal	-	-	$40,737,000	$40,737,000	Exhibit Phase 2A: 409, Table 7 of 7
3.	SFAS 106 - VEBA 3 to VEBA 5 Transfer	$5,829,000	($5,829,000)	-	$0	Appendix H, Lines 7 & 14
5.	Income Tax Flow Through - Phase 2A Issues	($13,753,000)	($101,586,000)	$193,737,000	$78,398,000	Appendix I, Column L
6.	**Subtotal Phase 2A**	($7,924,000)	($107,415,000)	$234,474,000	$119,135,000	
						References to Phase 2B Decision, Appendix A, except as noted.
	Phase 2B					
7.	SBC Ops. SFAS 106 Merger Conforming Expense	-	-	$1,656,603	$1,656,603	Index No. 39
8.	AMDOC Awards SBC Operations	-	-	$252,655	$252,655	Index No. 40
9.	SBC Ops. Excess Executive Compensation	-	$481,010	$625,082	$1,106,092	Index No. 41
10.	SBC Ops. Sec. Allocation of Parent Mgt. Fees	-	$291,835	$270,743	$562,578	Index No. 42
11.	SBC Ops. Call Ctr. Deprec., Merger Implement. Expense	-	$237,025	-	$237,025	Index No. 43
12.	SBC Srvcs. Excess Executive Compensation	-	$162,893	$134,581	$297,474	Index No. 44
13.	SBC Srvcs., CFL, TRI Sec. Alloc. of Parent Mgt. Fees	-	$265,789	$216,392	$482,181	Index No. 45
14.	Parent Excess Executive Compensation	$1,472,683	$6,834,760	$7,089,914	$15,397,357	Index No. 46
15.	Parent Political and Legislative Influence Expense	$8,574,885	$10,009,837	$4,186,554	$22,771,276	Index No. 47
16.	Parent Legal Expense	-	$438,876	$212,061	$650,937	Index No. 48
17.	Parent Public Relations & Corp. Sponsorship Expense	$1,700,568	$8,583,357	$8,818,057	$19,101,982	Index No. 49
18.	Parent Corporate Development Expense	-	$3,068,824	$3,506,106	$6,574,930	Index No. 50
19.	Parent Strategic Planning Expense	$1,675,592	$532,041	$409,813	$2,617,446	Index No. 51
20.	Parent Contributions, Memberships, Foundation Expense	$161,013	$657,620	($3,067,831)	($2,249,198)	Index No. 52
21.	Parent Out of Period Expense	($3,442,873)	$3,360,784	-	($82,089)	Index No. 53
22.	Parent Merger Conforming Expense	-	-	$454,553	$454,553	Index No. 54
23.	Parent Impact of Adjustmts. on Billings to PacBell Direct.	$770,974	$3,914,927	$4,453,797	$9,139,698	Index No. 55
24.	MSI USA Excess Executive Comp. Billed Directly	-	-	$2,001,766	$2,001,766	Index No. 56
25.	Parent PB Employee Transfer Fees Billed to PacBell	$626,616	-	-	$626,616	Index No. 57
26.	Nevada Bell Net Directory Revenue	-	-	($11,253,000)	($11,253,000)	Index No. 59
27.	TRI Expense	-	$11,127,125	$9,225,599	$20,352,724	Line No. 21
28.	Depreciation Expense Timing Adjustment	-	-	$1,728,488	$1,728,488	Index No. 60b
29.	Advertising Direct Assignment and Common Allocations	-	$1,930,885	$1,752,588	$3,683,473	Index No. 61
30.	Customer Service Non-Productive Salary Allocations				$0	Index No. 62
31.	Affiliate Marketing Services Revenue	-	$3,235,271	$13,689,808	$16,925,079	Index No. 63
32.	Non-regulated Tracking Code Direct Assignment Errors	$7,398	$4,250,163	$3,237,874	$7,495,435	Index No. 64
33.	National-Local Strategy Implementation	-	-	$3,695,373	$3,695,373	Index No. 65
34.	1997 Corporate Sponsorship Costs	$1,014,546	-	-	$1,014,546	Index No. 66
35.	Customer Premise Equipment Costs	-	$10,097,537	$3,467,830	$13,565,367	Index No. 67
36.	Unsupported Contingent Liabilities - Revenues	$23,976,238	-	-	$23,976,238	Index No. 1
37.	Bellcore Dividends	$3,883,507	-	-	$3,883,507	Index No. 2
38.	Uncollect. Revenues - RCRMS (PacBell repts. flows thru)	$53,533,000	-	-	$53,533,000	Index No. 3
39.	Gain on Sale of Bellcore	$9,122,587	-	-	$9,122,587	Index No. 4
40.	Local Number Portability Costs	$51,313,964	$27,904,486	$22,306,761	$101,525,211	Index No. 5
41.	Local Competition Costs	$24,278,763	$4,718,957	-	$28,997,720	Index No. 6
42.	Merger Savings	-	$2,488,668	2,488,668	$4,977,336	Index No. 7
43.	Advanced Communications Network	$17,846,219	$4,284,040	$2,226,486	$24,356,745	Index No. 8
44.	Software Buy-Out Agreement	-	-	$26,347,581	$26,347,581	Index No. 9
45.	Unsupported Contingent Liabilities - Operating Expense	$52,834,609	$1,134,101	$6,971,314	$60,940,024	Index No. 10
46.	Incentive Pay Accrual	$20,355,921	($24,140,020)	$20,775,097	$16,990,998	Index No. 11
47.	ISP-Bound Traffic Separations	($11,329,359)	-	-	($11,329,359)	Index No. 12
48.	Uncollectible Settlements - RCRMS	$16,614,105	$7,809,938	$511,880	$24,935,922	Index No. 13
49.	SFAS 112	$5,684,918	-	-	$5,684,918	Index No. 16
50.	Intrabuilding Cable Amortization	$19,473,832	$16,611,028	-	$36,084,860	Index No. 17
51.	SAVR Delayed Retirements	$5,906,945	4,236,207	-	$10,143,152	Index No. 18
52.	SAVR Reverse Retirements	$271,567	615,253	$2,344,456	$3,231,276	Index No. 19
53.	Equal Access IEMR Ratemaking Adjustment	-	(6,477,055)	-	($6,477,055)	Index No. 20
54.	Ameritech Income Tax Misclassification	-	-	$8,001,866	$8,001,866	Index No. 22
55.	Excess Deferred Income Tax	-	$29,624,090	$29,671,332	$59,295,422	Index No. 24
56.	Sales and Use Tax Accrual	$460,647	$457,024	($1,425,307)	($507,636)	Index No. 25
57.	Employment Tax Error	-	-	$4,345,305	$4,345,305	Index No. 26
58.	PIU Accrual	($8,694,340)	-	-	($8,694,340)	Index No. 68
59.	USOA Re-write Turnaround Accrual	($13,701,303)	-	-	($13,701,303)	Index No. 69
60.	LNP Depreciation	$687,346	$1,586,822	$2,516,517	$4,790,685	Index No. 70b
61.	AFUDC	$105,472	$388,706	$507,214	$1,001,392	Index No. 71
62.	Marketing Telephone Services In Out-Of-Territory Areas	$1,496,506	$1,249,827	$3,814,637	$6,560,970	Line No. 57
63.	Income Tax Flow Through - Phase 2B Issues	$9,325,000	$85,117,000	($64,903,000)	$29,539,000	App. K, Column M
64.	**Subtotal Phase 2B**	296,007,546	227,089,631	$123,266,213	$646,363,390	
65.	**Total Phase 2A and 2B**	**$288,083,546**	**$119,674,631**	**$357,740,213**	**$765,498,390**	

Note 1: All amounts are after-tax (normalized) revenues or expenses, except for the adjustment for flow-through tax accounting, which represents the effect of using flow-through tax accounting instead of normalized tax accounting with respect to Phase 2A and 2B issues that do not result in an audit adjustment.

Note 2: No TBO adjustment for 1997 because the SFAS 106 costs recognized for CPUC purposes during 1997 equaled tax-deductible contributions (which exceeded the SFAS 106 accrual), making it unnecessary to revise SFAS 106 costs reported during 1997 to reflect the corrected TBO.

Appendix J

Summary of Adopted Adjustments to Rate Base
Pacific Bell Intrastate Regulated Operations
Phases 2A and 2B

Adopted Adjustments to Rate Base	1997	1998	1999	Total	Reference
Phase 2A					
Accumulated Deferred Income Tax (Note 1)	$0	$43,446,454 (Note 2)	$132,371,666 (Note 3)	$175,818,120	See footnotes 1, 2, and 3 below.
Subtotal Phase 2A	$0	$43,446,454	$132,371,666	$175,818,120	
Phase 2B					
SFAS 106 Accrued Liability	$124,000	($5,998,000)	$5,352,000	($522,000)	Phase 2B Decision, Appendix A, Index No. 31
SFAS 112 Accrued Liability	($213,204,405)	($236,462,847)	($255,430,427)	($705,097,679)	Phase 2B Decision, Appendix A, Index No. 29
Vacation Liability	($51,867,976)	($51,359,429)	($45,735,145)	($148,962,550)	Phase 2B Decision, Appendix A, Index No. 30
Accrued Contingent Liability	($28,039,000)	($20,106,000)	($7,800,000)	($55,945,000)	Phase 2B Decision, Appendix A, Index No. 32
Depreciation Expense Timing Adjustment	$0	$0	$2,917,083	$2,917,083	Phase 2B Decision, Appendix A, Index No. 60a
Cash Working Capital	($511,550,000)	($530,735,000)	($378,865,000)	($1,421,150,000)	Phase 2B Decision, Appendix A, Index No. 27
Prepaid Directory Expense	$93,805,000	$83,904,000	$71,382,000	$249,091,000	Phase 2B Decision, Appendix A, Index No. 28
Restructure Reserve	($29,070,727)	($29,024,711)	($28,975,159)	($87,070,597)	Phase 2B Decision, Appendix A, Index No. 35
Accumulated Reserve for Depreciation	$14,069,957	$36,308,845	$46,060,404	$96,439,206	Phase 2B Decision, Appendix A, Index No. 36
Excess Deferred Income Tax	$0	$12,800,000	$38,400,000	$51,200,000	Phase 2B Decision, Appendix A, Index No. 38
LNP Rate Base	($14,315,457)	($32,338,163)	($42,836,992)	($89,490,612)	Phase 2B Decision, Appendix A, Line No. 70
AFUDC	($2,327,000)	($8,370,000)	($12,964,000)	($23,661,000)	Phase 2B Decision, Appendix A, Index No. 71
PBOP Pre-Funding Plant Adj.				$0	Phase 2B Decision, Appendix A, Index No. 72
Accumulated Deferred Income Tax	($57,788,323)	($55,160,036)	($43,318,848)	($156,267,207)	Phase 2B Decision, Appendix A, Index No. 37
Subtotal Phase 2B	($800,163,931)	($836,541,341)	($651,814,084)	($2,288,519,356)	
Total Phase 2A and 2B	**($800,163,931)**	**($793,094,887)**	**($519,442,418)**	**($2,112,701,236)**	

Note 1: All of the Phase 2A adjustment to accumulated deferred income tax relates to the CHCF-B. The source of the information is Overland Exhibit Phase 2A: 404, Volume 2, Attachment 9-10.

Note 2: 43,446,454 = ((110,252,000 - 0)/2))*0.78813

Note 3: 132,371,666 = ((222,880,000 - 110,252,000)/2))*0.79471

Appendix K

PACIFIC BELL
Phases 2A and 2B
INCOME TAX FLOW-THROUGH ADJUSTMENT
YEAR 1997
($000)

		Recorded FCC BASIS Deferred (i.e., Normalized) Income Tax Expense					Jurisdictional Adjustments						Increase (Decrease) to Net Operating Income by Removing Deferred (i.e., Normalized) Income Tax Exp.	
		Federal Income Tax	State Income Tax	Total A+B	Separations Factor	Intrastate C x D	Federal	State	IEMR Adjustments	Total Intrastate E+F+G+H	Change in Deferred (i.e., Normalized) Income Tax Exp. Caused by Audit Adjustment	Deferred (i.e., Normalized) Income Tax Exp. Net of Audit Adjust. I+J	Phase 2A	Phase 2B
		A	B	C	D	E	F	G	H	I	J	K	L	M
1	Pension	132,186	36,908	169,094	0.7774	131,455	(122,619)	(34,036)		(25,200)		(25,200)	(25,200)	
2	SFAS 106	(29,474)	(8,166)	(37,640)	0.7774	(29,262)	46,155	12,968	(22,423)	7,438	4,009	11,447	11,447	
3	FCC vs. CPUC Depreciation		2,447	2,447	0.7774	1,902	0	1,982		3,884		3,884		3,884
4	Advanced Communications Network	17,910	4,962	22,872	0.7774	17,781				17,781		17,781		17,781
5	Capitalized Software	(5,421)	(1,502)	(6,923)	0.7774	(5,382)				(5,382)		(5,382)		(5,382)
6	State Income Tax Accrual			0	0.7774	0				0		0		0
7	Vacation Pay Accrual	(22,179)	(6,145)	(28,324)	0.7774	(22,019)	17,964	4,977		922		922		922
8	Team Award	(1,416)	(392)	(1,808)	0.7774	(1,406)	(3,133)	(868)		(5,407)		(5,407)		(5,407)
9	Transfer Pricing CPUC vs. FCC			0	0.7774	0	4,393	1,217		5,610		5,610		5,610
10	Restructuring Reserve			0	0.7774	0	36,751	10,443	(35,943)	11,251		11,251		11,251
11	Monthly Accrual and Reversal			0	0.7774	0	(36,802)	(10,227)		(47,029)		(47,029)		(47,029)
12	Contingent Liabilities			0	0.7774	0	(44,751)	(12,466)		(57,217)	52,819	(4,398)		(4,398)
13	Merger Refund Accrual	(64,783)	(17,949)	(82,732)	0.7774	(64,317)			80,253	15,936		15,936		15,936
14	Community Partnership	(15,931)	(4,414)	(20,345)	0.7774	(15,816)			16,295	479		479		479
15	Prior Year True Up	13,073	1,760	14,833	0.7774	11,531				11,531		11,531		11,531
16	Other Small Items	(22,438)	(5,971)	(28,409)	0.7774	(22,085)	(153)	(4,954)	396	(26,796)	30,943	4,147		4,147
17	Total	1,527	1,538	3,065		2,383	(102,195)	(30,964)	38,578	(92,198)	87,771	(4,428)	(13,753)	9,325
	Reference:	Note 1	Note 2		Note 3		Note 4	Note 5	Note 6		Note 7			

References

Note 1: Overland Exhibit Phase 2A: 402, Part 2, Attachment S9-1, p. 2.
Note 2: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p. 4.
Note 3: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p. 1.
Note 4: Overland Exhibit Phase 2A: 404, Attachment 9-6, p. 2, less Attachment 9-4, p. 1. Column Total of (102,195) = 47,103 (Attachment 9-6, p. 2) - 149,298 (Exhibit 404, Attachment 9-
Note 5: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-4, p. 2.
Note 6: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p.1.
Note 7: See supporting schedule in Appendix L.

Appendix K

PACIFIC BELL
Phases 2A and 2B
INCOME TAX FLOW-THROUGH CORRECTION
YEAR 1998
($000)

		Recorded FCC BASIS Deferred (i.e., Normalized) Income Tax Expense					Jurisdictional Adjustments						Increase (Decrease) to Net Operating Income by Removing Deferred (i.e., Normalized) Income Tax Exp.	
		Federal Income Tax	State Income Tax	Total A+B	Separations Factor	Intrastate C x D	Federal	State	IEMR Adjustments	Total Intrastate E+F+G+H	Change in Deferred (i.e., Normalized) Income Tax Exp. Caused by Audit Adjustment	Deferred (i.e., Normalized) Income Tax Exp. Net of Audit Adjust. I+J	Phase 2A	Phase 2B
		A	B	C	D	E	F	G	H	I	J	K	L	M
1	Pension	29,578	8,195	37,773	0.7713	29,134	(57,025)	(15,800)		(43,691)		(43,691)	(43,691)	
2	SFAS 106	7,198	1,994	9,192	0.7713	7,090	2,357	653	(162,985)	(152,885)	(4,009)	(156,894)	(156,894)	
3	CHCF-B	100,506	27,847	128,353	0.7713	98,999				98,999		98,999	98,999	
4	FCC vs. CPUC Depreciation		(16,356)	(16,356)	0.7713	(12,615)	0	13,464		849		849		849
5	Advanced Communications Network	(1,351)	(374)	(1,725)	0.7713	(1,330)				(1,330)		(1,330)		(1,330)
6	Capitalized Software	10,064	2,788	12,852	0.7713	9,913				9,913		9,913		9,913
7	State Income Tax Accrual	0	0	0	0.7713	0				0		0		0
8	Team Award	36,673	10,244	47,217	0.7713	36,418				36,418	(16,600)	19,819		19,819
9	Vacation Pay Accrual	215	59	274	0.7713	211	(3,420)			(3,209)		(3,209)		(3,209)
10	Restructuring Reserve			0	0.7713	0				0		0		0
11	Monthly Accrual and Reversal			0	0.7713	0	10,721	3,215		13,936		13,936		13,936
12	Contingent Liabilities			0	0.7713	0	5,142	1,433		6,575	780	7,355		7,355
13	Internet Contested Traffic MOU	(17,717)	(4,909)	(22,626)	0.7713	(17,451)				(17,451)		(17,451)		(17,451)
14	Transfer Pricing CPUC vs. FCC			0	0.7713	0	20,166	5,587		25,753		25,753		25,753
15	Merger Refund Accrual	12,381	3,481	15,862	0.7713	12,234			(11,437)	797		797		797
16	Community Partnership	2,125	589	2,714	0.7713	2,093			(2,527)	(434)		(434)		(434)
16	Prior Year True Up			0	0.7713	0				0		0		0
17	Tax Reserve			0	0.7713	0	30,047			30,047		30,047		30,047
18	Other Small Items	(21,139)	5,820	(15,319)	0.7713	(11,816)	4,774	(2,815)		(9,857)	8,930	(927)		(927)
19	Total	158,833	39,378	198,211		152,880	12,762	5,737	(176,949)	(5,570)	(10,899)	(16,469)	(101,586)	85,117
	Reference	Note 1	Note 2		Note 3		Note 4	Note 5	Note 6		Note 7			

References

Note 1: Overland Exhibit Phase 2A: 402, Part 2, Attachment S9-1, p. 3.
Note 2: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p. 6.
Note 3: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p. 1.
Note 4: Overland Exhibit Phase 2A: 404, Attachment 9-6, p. 2, less Attachment 9-4, p. 3. Column Total of 12,762 = 48,057 (Attachment 9-6, p. 2) - 35,295 (Exhibit 404, Attachment 9-4, p
Note 5: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-4, p. 4.
Note 6: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p 1.
Note 7: See supporting schedule in Appendix L.

Appendix K

PACIFIC BELL
Phases 2A and 2B
INCOME TAX FLOW-THROUGH CORRECTION
YEAR 1999
($000)

		Recorded FCC BASIS Deferred (i.e., Normalized) Income Tax Expense					Jurisdictional Adjustments						Increase (Decrease) to Net Operating Income by Removing Deferred (i.e., Normalized) Income Tax Exp.	
		Federal Income Tax	State Income Tax	Total A+B	Separations Factor	Intrastate C x D	Federal	State	IEMR Adjustments	Total Intrastate E+F+G+H	Change in Deferred (i.e., Normalized) Income Tax Exp Caused by Audit Adjustment	Deferred (i.e., Normalized) Income Tax Exp. Net of Audit Adjust. I+J	Phase 2A	Phase 2B
		A	B	C	D	E	F	G	H	I	J	K	L	M
1	Pension	181,445	32,369	213,814	0.7725	165,178	(80,101)	(13,905)		91,172		91,172	91,172	
2	SFAS 106	(34,441)	(9,072)	(43,513)	0.7725	(33,615)	2,791	758		(30,066)	28,012	(2,054)	(2,054)	
3	CHCF-B	106,977	28,447	135,424	0.7725	104,619				104,619		104,619	104,619	
4	FCC vs. CPUC Depreciation		(5,589)	(5,589)	0.7725	(4,318)		(18,515)		(22,833)		(22,833)		(22,833)
5	Advanced Communications Network	(49,885)	(13,036)	(62,901)	0.7725	(48,593)				(48,593)		(48,593)		(48,593)
6	Capitalized Software	18,499	3,969	22,468	0.7725	17,357				17,357		17,357		17,357
7	AIT Merger Severance Accrual	(8,111)	(2,247)	(10,358)	0.7725	(8,002)				(8,002)		(8,002)		(8,002)
8	Savings Plan Contribution	(22,810)	(5,170)	(27,980)	0.7725	(21,615)				(21,615)		(21,615)		(21,615)
9	State Income Tax Cash Basis	0		0	0.7725	0				0		0		0
10	Team Award	(25,551)	(8,649)	(34,200)	0.7725	(26,421)				(26,421)	14,286	(12,135)		(12,135)
11	Vacation Pay Accrual	(16,580)	(4,759)	(21,339)	0.7725	(16,485)	4,749	1,445		(10,291)		(10,291)		(10,291)
12	Restructuring Reserve			0	0.7725	0				0		0		0
13	Monthly Accrual and Reversal			0	0.7725	0	3,691	(9,863)		(6,172)		(6,172)		(6,172)
14	Contingent Liabilities			0	0.7725	0	9,813	1,957		11,770	4,794	16,564		16,564
15	Internet Contested Traffic MOU	(18,895)	(3,298)	(22,193)	0.7725	(17,145)				(17,145)		(17,145)		(17,145)
16	Transfer Pricing CPUC vs. FCC	(10,847)	(2,854)	(13,701)	0.7725	(10,584)	9,994	2,907		2,317		2,317		2,317
17	Merger Refund Accrual	22,303	4,584	26,887	0.7725	20,771			(13,810)	6,961		6,961		6,961
18	Community Partnership	1,696	44	1,740	0.7725	1,344			548	1,892		1,892		1,892
19	Prior Year True Up			0	0.7725	0				0		0		0
20	Tax Reserve	19,011		19,011	0.7725	14,687				14,687		14,687		14,687
21	Other Small Items	7,919	5,465	13,384	0.7725	10,340	(7,409)	(1,229)	(74)	1,628	20,477	22,105		22,105
22	Total	170,750	20,204	190,954		147,518	(36,472)	(36,445)	(13,336)	61,265	67,569	128,834	193,737	(64,903)
	Reference:	Note 1	Note 2		Note 3		Note 4	Note 5	Note 6		Note 7			

References

Note 1: Overland Exhibit Phase 2A: 402, Part 2, Attachment S9-1, p. 4.

Note 2: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p. 8.

Note 3: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p. 1.

Note 4: Overland Exhibit Phase 2A: 404, Attachment 9-6, p. 2, less Attachment 9-4, p. 5. Column Total of (36,472) = 229,618 (Attachment 9-6, p. 2) - 266,094 (Exhibit 404, Attachment 9-4, p. 5).

Note 5: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-4, p. 6.

Note 6: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p 1.

Note 7: See supporting schedule in Appendix L.

Appendix L

Pacific Bell - - Phases 2A and 2B
Reconciliation of Income Tax Normalization & Flow Through for Adopted Audit Adjustments Other than CHCF-B

		1997 Increase/(Decrease) to Pacific's NOI Intrastate Regulated Amounts			
Adjustment Description	**Reference [1]**	**Adopted Audit Adj.**	**Tax Rate**	**Normalized Tax Effect**	**After-Tax Effect**
SFAS 106: VEBA 3 Transfer	2A Decision, Appendix H, Line 7	9,838,000	40.746%	(4,008,591)	5,829,409
Unsupported Contingent Liabilities:					
Revenues	Index No. 1	40,463,493	40.746%	(16,487,255)	23,976,238
Operating Expense	Index No. 10	89,166,316	40.746%	(36,331,707)	52,834,609
Total Unsupported Contingent Liabilities		129,629,809		(52,818,962)	76,810,847
Other Small Items					
Local Competition	Index No. 6	40,974,049	40.746%	(16,695,286)	24,278,763
Incentive Pay Accrual	Index No. 11	34,353,665	40.746%	(13,997,744)	20,355,921
Uncollectible Settlements - RCRMS	Index No. 13	28,038,790	40.746%	(11,424,685)	16,614,105
SFAS 112	Index No. 16	9,594,151	40.746%	(3,909,233)	5,684,918
Sales and Use Tax	Index No. 25	777,410	40.746%	(316,763)	460,647
PIU Accrual	Index No. 68 (Index shows after tax.)	(14,673,001)	40.746%	5,978,661	(8,694,340)
USOA Rewrite Turnaround Accrual	Index No. 69 (Index shows after tax.)	(23,123,001)	40.746%	9,421,698	(13,701,303)
Total Other Small Items		75,942,063		(30,943,353)	44,998,710
TOTAL		215,409,872		(87,770,906)	127,638,966

		1998 Increase/(Decrease) to Pacific's NOI Intrastate Regulated Amounts			
Adjustment Description	**Reference [1]**	**Adopted Audit Adj.**	**Tax Rate**	**Normalized Tax Effect**	**After-Tax Effect**
SFAS 106: VEBA 3 Transfer	2A Decision, Appendix H, Line 14	(9,838,000)	40.746%	4,008,591	(5,829,409)
Contingent Liability Expense	Index No. 10	1,913,966	40.746%	(779,865)	1,134,101
Incentive Pay Accrual	Index No. 11	(40,739,899)	40.746%	16,599,879	(24,140,020)
Other Small Items					
Local Competition	Index No. 6	7,963,946	40.746%	(3,244,989)	4,718,957
Uncollectible Settlements - RCRMS	Index No. 13	13,180,440	40.746%	(5,370,502)	7,809,938
Sales and Use Tax	Index No. 25	771,297	40.746%	(314,273)	457,024
Total Other Small Items		21,915,683		(8,929,764)	12,985,919
TOTAL		(26,748,250)		10,898,842	(15,849,408)

		1999 Increase/(Decrease) to Pacific's NOI Intrastate Regulated Amounts			
Adjustment Description	**Reference [1]**	**Adopted Audit Adj.**	**Tax Rate**	**Normalized Tax Effect**	**After-Tax Effect**
Pension Trust Fund Withdrawal	Exhibit Phase 2A: 409, Table 7 of 7	68,749,000	40.746%	(28,012,468)	40,736,532
Contingent Liability Expense	Index No. 10	11,765,136	40.746%	(4,793,822)	6,971,314
Incentive Pay Accrual	Index No. 11	35,061,088	40.746%	(14,285,991)	20,775,097
Other Small Items					
Software Buy-Out Agreement	Index No. 9	44,465,490	40.746%	(18,117,909)	26,347,581
Uncollectible Settlements - RCRMS	Index No. 13	863,874	40.746%	(351,994)	511,880
Sales and Use Tax	Index No. 25	(2,405,419)	40.746%	980,112	(1,425,307)
Employment Tax Error	Index No. 26	7,333,353	40.746%	(2,988,048)	4,345,305
Total Other Small Items		50,257,298		(20,477,839)	29,779,459
TOTAL		165,832,522		(67,570,119)	98,262,403

Note 1: All References to Phase 2B Decision, Appendix A, except as noted.