

**AFFILIATED INTEREST AND SUBSIDIARY TRANSACTIONS REPORT  
FRONTIER COMMUNICATIONS NORTHWEST INC. (WASHINGTON)  
AND ITS SUBSIDIARY FRONTIER COMMUNICATIONS WEST COAST INC.  
UNDER WAC 480-120-395**

**2010 REPORT YEAR**

1. By June 1 of each year, each telecommunications company subject to the provisions of chapter 80.16 RCW must file a report summarizing all transactions, except for transactions provided at tariff rates, that occurred between the company and its affiliated interests, and the company and its subsidiaries, during the period January 1 through December 31 of the preceding year.
2. The information required in this subsection must be for total company, total state of Washington, and Washington intrastate. The report must include a corporate organization chart of the company and its affiliated interests and subsidiaries.

**ANSWER:** See Exhibit 2.

3. When total company transactions with an affiliated interest or a subsidiary are less than \$100,000 for the reporting period, the company must provide the name of the affiliated interest or subsidiary participating in the transactions and the total dollar amounts of the transactions.

**ANSWER:** None.

When total company transactions with an affiliated interest or subsidiary equal or exceed \$100,000 for the reporting period, the company must provide:

- a. A balance sheet and income statement for such affiliated interest;

**ANSWER:** The balance sheets and income statements for Frontier Communications Corporate Services Inc., Frontier Communications of the Carolinas Inc., Frontier Communications of the Southwest Inc., Frontier Communications Online and Long Distance Inc., Frontier Communications West Coast Inc., Frontier Midstates Inc. and Frontier North Inc. are attached as Exhibit 3.a.

- b. A description of the products or services provided to or from the company and each such affiliated interest or subsidiary;

**ANSWER:**

- Frontier Communications Northwest Inc. provided no products or services to Frontier Communications Corporate Services Inc.
- Frontier Communications Corporate Services Inc. provided corporate services such as accounting, marketing, sales administration, and engineering to the Frontier telephone companies which includes Frontier Communications Northwest Inc.
- Frontier Communications Northwest Inc. provided general, administrative, network and operational functions to Frontier Communications of the Carolinas Inc.

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- Frontier Communications of the Carolinas Inc. provided general, administrative, network and operational functions to Frontier Communications Northwest Inc.
  - Frontier Communications Northwest Inc. provided general, administrative, network and operational functions to Frontier Communications of the Southwest Inc.
  - Frontier Communications of the Southwest Inc. provided general, administrative, network and operational functions to Frontier Communications Northwest Inc.
  - Frontier Communications Northwest Inc. provided general, administrative, network and operational functions to Frontier Communications Online and Long Distance Inc.
  - Frontier Communications Online and Long Distance Inc. provided long distance, internet access services (including dial-up, DSL and FTTP) and internet support services to Frontier Communications Northwest Inc.
  - Frontier Communications Northwest Inc. provided general, administrative, network and operational functions to Frontier Communications West Coast Inc.
  - Frontier Communications West Coast Inc. provided general, administrative, network and operational functions to Frontier Communications Northwest Inc.
  - Frontier Communications Northwest Inc. provided general, administrative, network and operational functions to Frontier Midstates Inc.
  - Frontier Midstates Inc. provided general, administrative, network and operational functions to Frontier Communications Northwest Inc.
  - Frontier Communications Northwest Inc. provided general, administrative, network and operational functions to Frontier North Inc.
  - Frontier North Inc. provided general, administrative, network and operational functions to Frontier Communications Northwest Inc.
- c. A description of the pricing basis or costing method, and procedures for allocating costs for such products or services, and the amount and accounts charged during the year;

**ANSWER:**

**Pricing basis or costing method:**

Services

Tariffed Rates – If a service provided between affiliates is covered by a tariff on file with a federal or state commission, the transaction is recorded at that tariffed rate.

Publicly Filed Agreements – If a service provided between affiliates is a non-tariffed service covered by a publicly filed agreement, then the transaction is recorded using the rates found in the publicly filed agreement.

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Prevailing Price – If a prevailing price exists for a service transferred between affiliates, then the purchasing entity records the transaction at the prevailing price.

Lower of Fair Market Value or Fully Distributed Cost – If neither a tariff rate, publicly filed agreement nor a prevailing price applies, then services purchased from an affiliate are recorded at the lower of fair market value or fully distributed cost.

Higher of Fair Market Value or Fully Distributed Cost - If neither a tariff rate, publicly filed agreement nor a prevailing price applies, then services sold to an affiliate are recorded at the higher of fair market value or fully distributed cost.

Fully Distributed Cost - Affiliates which exist solely to provide services to Frontier's corporate family will continue to bill at fully distributed cost.

Assets

Tariffed Rates - Assets sold or transferred between affiliates pursuant to existing tariffs, including a tariff filed with a state commission, are recorded in the appropriate revenue accounts at the tariff rate.

Prevailing Price - Non-tariffed assets sold or transferred between affiliates that qualify for prevailing price valuation are recorded at the prevailing price.

Lower of Fair Market Value or Net Book Cost - All other assets purchased from affiliates are recorded at no more than the lower of fair market value or net book cost.

Higher of Fair Market Value or Net Book Cost - All other assets sold or transferred to an affiliate are recorded at least at the higher of fair market value or net book cost.

**Procedures for allocating costs for such products or services:**

Frontier Communications Northwest Inc. accounts for costs according to the Uniform System of Accounts (USOA) reflected in FCC Part 32 that includes rules related to accounting for affiliate transactions. Frontier Communications Northwest Inc. also accounts for transactions in accordance with FCC Part 64.

**The amount and accounts charged during the year:**

See Exhibit 3.c.

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- d. A description of the terms of any loans between the company and each such affiliated interest or subsidiary and a listing of the year-end loan amounts and maximum loan amounts outstanding during the year;

**ANSWER:** None.

- e. A description of the terms and total amount of any obligation or liability assumed by the company for each such affiliated interest or subsidiary;

**ANSWER:** None.

- f. A description of the activities of each such affiliated interest or subsidiary with which the company has transactions; and

**ANSWER:**

- Frontier Communications Corporate Services Inc. - This affiliate provides corporate services such as accounting, marketing, sales administration, and engineering for Frontier Telephone Companies.
  - Frontier Communications of the Carolinas Inc. – This affiliate is a telephone operating company that provides voice and data.
  - Frontier Communications of the Southwest Inc. - This affiliate is a telephone operating company that provides voice and data.
  - Frontier Communications Online and Long Distance Inc. - This affiliate provides internet and toll services.
  - Frontier Communications West Coast Inc. - This affiliate is a telephone operating company that provides voice and data.
  - Frontier Midstates Inc. - This affiliate is a telephone operating company that provides voice and data.
  - Frontier North Inc. - This affiliate is a telephone operating company that provides voice and data.
- g. A list of all common officers and directors between the company and each such affiliated interest or subsidiary, along with their titles in each organization.

**ANSWER:** See Exhibit 3.g.