

PRICING

Verizon North Inc.
State: Indiana-G
Study ID: Special Construction

LAPP A.1
Period: 12 Months
File: IN0301711

1	Total Monthly Asset Cost	\$2,049.73
2	Total Monthly Engineering/Installation Cost	\$4,159.73
3	Total Monthly Expenses	\$236.40
4	Total Non-Capitalized Expenses/Software	\$0.00
5		
6	Total Incremental Monthly Cost (1)+(2)+(3)+(4)	\$6,445.86
7	Forecasted Units	1
8		
9	Incremental Monthly Cost Per Unit (6)/(7)	\$6,445.86
10		
11		
12	Proposed Non-Recurring Charge (NRC) Per Unit	\$79,490.00
13		
14	Present Value of Incremental Cost	\$73,240.98
15	Discounted at 10.20% for 12 months	
16		
17		
18	Minimum Revenue Requirement Per Unit (12)-(14)	\$6,249.02
19		
20		
21		
22		
23		
24		

Verizon North Inc.
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INCREMENTAL MONTHLY COSTS

LAPP A.2

Period: 12 Months

File: IN0301711

		#2212.00	#2423.20	#2232.21	#2423.20	#
	TOTAL	COE	OSP	Circuit Eq.	Addn'l OSP	Other Acct 2
1 ASSET:						
2 Equipment Investment (Loaded)	\$23,139.04	\$0.00	\$23,139.04	\$0.00	\$0.00	\$0.00
3 Net Salvage %		0.00%	0.00%	0.00%	0.00%	0.00%
4 Net Salvage (2)x(3)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5 Net Investment (2)-(4)	\$23,139.04	\$0.00	\$23,139.04	\$0.00	\$0.00	\$0.00
6 Capital Recovery Months		\$0.00	\$12.00	\$0.00	\$0.00	\$0.00
7 MONTHLY S.L. DEPRECIATION (5)/(6)	<u>\$1,928.25</u>	<u>\$0.00</u>	<u>\$1,928.25</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
8						
9 Monthly Capital Recovery at 9.15%	\$2,025.15	\$0.00	\$2,025.15	\$0.00	\$0.00	\$0.00
10 MONTHLY RETURN (9)-(7)	<u>\$96.90</u>	<u>\$0.00</u>	<u>\$96.90</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
11						
12 Tax Factor at 38.17% Comp. Tax Rate		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
13 MONTHLY INCOME TAX (2)x(12)	<u>\$24.57</u>	<u>\$0.00</u>	<u>\$24.57</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
14						
15 TOT MONTHLY ASSET COST (7)+(10)+(13)	<u>\$2,049.73</u>	<u>\$0.00</u>	<u>\$2,049.73</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
16						
17 ENGINEERING & INSTALLATION:						
18 Engineering & Installation Investment	\$46,958.56	\$0.00	\$46,958.56	\$0.00	\$0.00	\$0.00
19 Net Salvage %		0.00%	0.00%	0.00%	0.00%	0.00%
20 Net Salvage (18)x(19)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
21 Net Investment (18)-(20)	\$46,958.56	\$0.00	\$46,958.56	\$0.00	\$0.00	\$0.00
22 Capital Recovery Months		\$0.00	\$12.00	\$0.00	\$0.00	\$0.00
23 MONTHLY S.L. DEPRECIATION (21)/(22)	<u>\$3,913.21</u>	<u>\$0.00</u>	<u>\$3,913.21</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
24						
25 Monthly Capital Recovery at 9.15%	\$4,109.86	\$0.00	\$4,109.86	\$0.00	\$0.00	\$0.00
26 MONTHLY RETURN (25)-(23)	<u>\$196.65</u>	<u>\$0.00</u>	<u>\$196.65</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
27						
28 Tax Factor at 38.17% Comp. Tax Rate		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
29 MONTHLY INCOME TAX (18)x(28)	<u>\$49.87</u>	<u>\$0.00</u>	<u>\$49.87</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
30						
31 TOT MONTHLY E&I COST (23)+(26)+(29)	<u>\$4,159.73</u>	<u>\$0.00</u>	<u>\$4,159.73</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
32						
33 MONTHLY EXPENSES:						
34 PV Total Investment (2)+(18)	\$70,097.60	\$0.00	\$70,097.60	\$0.00	\$0.00	\$0.00
35 Plant Specific (M/R) Factors:		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
36 Plant Specific (34)*(35) /12	\$12.73	\$0.00	\$12.73	\$0.00	\$0.00	\$0.00
37						
38 Total Plant Specific	\$12.73	\$0.00	\$12.73	\$0.00	\$0.00	\$0.00
39 Customer Oper. 1.691% *(34) /12	\$98.77	\$0.00	\$98.77	\$0.00	\$0.00	\$0.00
40 Property Tax 0.814% *(34) /12	\$47.55	\$0.00	\$47.55	\$0.00	\$0.00	\$0.00
41 Plant Non-Spec. 0.000% *(34) /12	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
42 Corporate Oper. 0.000% *(34) /12	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
43 Misc. Loadings 0.000% *(34) /12	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
44 Other Taxes 0.000% *(34) /12	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
45						
46 TOTAL MONTHLY EXPENSES (38)..(44)	<u>\$159.05</u>	<u>\$0.00</u>	<u>\$159.05</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
47						
48 SUBTOTAL MO. COST (15)+(31)+(46)	<u>\$6,368.51</u>	<u>\$0.00</u>	<u>\$6,368.51</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
49						
50 Non Capitalized Expenses	\$0.00					
51 Eff. Gross Rec. Tax 1.215% * (48+50)	\$77.35					
52 TOTAL MONTHLY COST (48)+(50)+(51)	<u>\$6,445.86</u>					

Verizon North Inc.
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Asset/Engineering & Installation Investment

LAPP A.3
File: IN0301711
PV at 9.15%

	Year 1	Year 2	Year 3	Year 4	Year 5	
1. COE-Investment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2. Min Matl 4.818% x(1)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
3. Supply 13.580% x(1+2)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4. Total COE Asset	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5. OSP-Investment	\$10,410.00	\$0.00	\$0.00	\$0.00	\$0.00	\$10,410.00
6. Min Matl 78.967% x(5)	\$8,220.46	\$0.00	\$0.00	\$0.00	\$0.00	\$8,220.46
7. Supply 24.200% x(5+6)	\$4,508.57	\$0.00	\$0.00	\$0.00	\$0.00	\$4,508.57
8. Total OSP Asset	\$23,139.04	\$0.00	\$0.00	\$0.00	\$0.00	\$23,139.04
9. CKT EQ-Investment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10. Min Matl 4.818% x(9)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11. Supply 13.580% x(9+10)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
12. Total CKT Asset	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
13. Addn'l OSP-Investment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
14. Min Matl 0.000% x(13)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
15. Supply 0.000% x(13+14)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
16. Total Addn'l OSP Asset	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
17. OTH2-Investment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
18. Min Matl 0.000% x(17)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
19. Supply 0.000% x(17+18)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20. Total OTH2 Asset	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
21. TOTAL ASSET INVESTMENT						\$23,139.04
22. COE-Installation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
23. Engineering	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
24. Vendor-Installation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
25. Total COE E&I	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
26. OSP-Installation	\$40,796.60	\$0.00	\$0.00	\$0.00	\$0.00	\$40,796.60
27. Engineering	\$6,161.96	\$0.00	\$0.00	\$0.00	\$0.00	\$6,161.96
28. Vendor-Installation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
29. Total OSP E&I	\$46,958.56	\$0.00	\$0.00	\$0.00	\$0.00	\$46,958.56
30. CKT EQ-Instl	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
31. Engineering	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
32. Vendor-Installation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
33. Total CKT EQ E&I	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
34. Addn'l OSP-Installation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
35. Engineering	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
36. Vendor-Installation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
37. Total Addn'l OSP E&I	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
38. OTH2-Installation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
39. Engineering	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
40. Vendor-Installation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
41. Total OTH2 E&I	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
42. TOTAL ENGINEERING AND INSTALLATION INVESTMENT						\$46,958.56
43. TOTAL ASSET, ENGINEERING AND INSTALLATION INVESTMENT						\$70,097.60

Verizon North Inc.

State: Indiana-G

Study ID: Special Construction

Financial & Operational Parameters

LAPP A.4

File: IN0301711

1.	Cost of Money (Return on Rate Base)	9.15%		
2.	Return on Equity	10.74%	ROE Weighting	56.09%
3.	Preferred Stock Rate	0.00%	PS Weighting	0.00%
4.	Long Term Debt Rate	7.11%	LTD Weighting	43.91%
5.	Short Term Debt Rate	0.00%	STD Weighting	0.00%
6.	Statutory Federal Income Tax Rate	35.00%		
7.	State Income Tax Rate	4.50%		
8.	Composite Income Tax Rate	38.17%		
9.	Statutory Gross Receipts Tax Rate	1.20%	Effective GRT	1.21%
10.	Labor Rate Inflation Percentage	0.00%		
11.	Direct Admin. - Customer Operations Annual Charge Factor			1.69%
12.	- Property Tax Expense Annual Charge Factor			0.81%
13.	Indirect Admin. - Plant Non-Specific Annual Charge Factor			1.84%
14.	- Corporate Operations Annual Charge Factor			1.14%
15.	- Misc. Expense Annual Charge Factor			1.67%
16.	- Other Tax Expense Annual Charge Factor			0.47%
17.	Central Office Equipment Life		Economic: 10	Book: 12
18.	Central Office Equipment MACRS Tax Factor			78.91%
19.	Central Office Equipment Plant Specific Expense Factor			3.56%
20.	Central Office Equipment Net Salvage Percentage	0.00%		2.00%
21.	Outside Plant Equipment Book Life			25
22.	Outside Plant Equipment MACRS Tax Factor			54.25%
23.	Outside Plant Equipment Plant Specific Expense Factor			0.22%
24.	Outside Plant Equipment Net Salvage Percentage			-11.00%
25.	Circuit Equipment Life		8	9
26.	Circuit Equipment MACRS Tax Factor			78.91%
27.	Circuit Equipment Plant Specific Expense Factor			0.77%
28.	Circuit Equipment Net Salvage Percentage	0.00%		2.00%
29.	Addn'l OSP Investm. Life	0		0
30.	Addn'l OSP Investm. Plant Specific Expense Factor			0.00%
31.	Addn'l OSP Investm. Net Salvage Percentage	0.00%		0.00%
32.	Other Acct 2 Life	0		0
33.	Other Acct 2 Plant Specific Expense Factor			0.00%
34.	Other Acct 2 Net Salvage Percentage	0.00%		0.00%
35.	COE Minor Materials Load Factor			4.82%
36.	COE Supply Factor			13.58%
37.	OSP Minor Materials Load Factor			78.97%
38.	OSP Supply Factor			24.20%
39.	Circuit Equipment Minor Materials Load Factor			4.82%
40.	Circuit Equipment Supply Factor			13.58%
41.	Addn'l OSP Investm. Minor Materials Load Factor			0.00%
42.	Addn'l OSP Investm. Supply Factor			0.00%
43.	Other Acct 2 Minor Materials Load Factor			0.00%
44.	Other Acct 2 Supply Factor			0.00%
45.	Central Office Equipment Installation Direct Labor Rate			\$44.23
46.	Central Office Equipment Engineering Direct Labor Rate			\$61.41
47.	Outside Plant Installation Direct Labor Rate			\$46.15
48.	Outside Plant Engineering Direct Labor Rate			\$52.22
49.	Circuit Equipment Installation Direct Labor Rate			\$44.23
50.	Circuit Equipment Engineering Direct Labor Rate			\$61.41
51.	Database Direct Labor Rate			\$37.58

Verizon North Inc.
Indiana-G
MCI/Adelphia Communications
IN0301711

Non-Loaded Cost Analysis

	<u>Material</u>	<u>Install</u>	<u>Engineer</u>	<u>Contract</u>	<u>Non-Capital Expense</u>
Special Construction					
Central Office Equipment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Outside Plant	\$10,410.00	\$40,796.60	\$6,161.96	\$0.00	
Circuit Equipment	\$0.00	\$0.00	\$0.00	\$0.00	
Total	\$10,410.00	\$40,796.60	\$6,161.96	\$0.00	\$0.00

Costs determined by LAPP

Revenue Analysis

	<u>Proposed MRC</u>	<u>Monthly Cost</u>	<u>Proposed NRC</u>	<u>Non-Recurring Cost</u>
Special Construction	\$0.00	\$0.00	\$79,490.00	\$79,490.00
x 1Month	\$0.00	\$0.00	\$79,490.00	\$79,490.00
x 1 Service	\$0.00	\$0.00	\$79,490.00	\$79,490.00
TOTAL	\$0.00	\$0.00	\$79,490.00	\$79,490.00
Total Revenue			\$79,490.00	
Total Cost			\$73,355.72	
Contribution			\$6,134.28	
Margin			7.72%	

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