

Verizon Southwest TXG
State: Texas-G
Study ID: Special Construction - DS3

PRICING

LAPP A.1
Period: 12 Months
File: TX04-02322

1	Total Monthly Asset Cost	\$179.30
2	Total Monthly Engineering/Installation Cost	\$850.83
3	Total Monthly Expenses	\$26.71
4	Total Non-Capitalized Expenses/Software	<u>\$0.00</u>
5		
6	Total Incremental Monthly Cost (1)+(2)+(3)+(4)	\$1,056.84
7	Forecasted Units	<u>1</u>
8		
9	Incremental Monthly Cost Per Unit (6)/(7)	\$1,056.84
10		
11		
12	Proposed Non-Recurring Charge (NRC) Per Unit	<u><u>\$13,860.00</u></u>
13		
14		
15		
16		
17		
18	Present Value of Monthly Cost	\$11,984.25
19		
20		
21		
22	Margin Amount	\$1,875.75

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INCREMENTAL MONTHLY COSTS

LAPP A.2

Period: 12 Months

File: TX04-02322

	TOTAL	#2212.00 COE	#2423.20 OSP	#2232.21 Circuit Eq.	#2423.20 Addn'l OSP	# Other Acct 2
1 ASSET:						
2 Equipment Investment (Loaded)	\$1,999.93	\$0.00	\$1,999.93	\$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)	\$1,999.93	\$0.00	\$1,999.93	\$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>\$166.66</u>	<u>\$0.00</u>	<u>\$166.66</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
8						
9 Monthly Capital Recovery at 10.58%	\$176.37	\$0.00	\$176.37	\$0.00	\$0.00	\$0.00
10 MONTHLY RETURN (9)-(7)	<u>\$9.70</u>	<u>\$0.00</u>	<u>\$9.70</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
11						
12 Tax Factor at 35.00% Comp. Tax Rate		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
13 MONTHLY INCOME TAX (2)x(12)	<u>\$2.93</u>	<u>\$0.00</u>	<u>\$2.93</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
14						
15 TOT MONTHLY ASSET COST (7)+(10)+(13)	<u>\$179.30</u>	<u>\$0.00</u>	<u>\$179.30</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
16						
17 ENGINEERING & INSTALLATION:						
18 Engineering & Installation Investment	\$9,490.42	\$0.00	\$9,490.42	\$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)	\$9,490.42	\$0.00	\$9,490.42	\$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>\$790.87</u>	<u>\$0.00</u>	<u>\$790.87</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
24						
25 Monthly Capital Recovery at 10.58%	\$836.92	\$0.00	\$836.92	\$0.00	\$0.00	\$0.00
26 MONTHLY RETURN (25)-(23)	<u>\$46.05</u>	<u>\$0.00</u>	<u>\$46.05</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
27						
28 Tax Factor at 35.00% Comp. Tax Rate		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
29 MONTHLY INCOME TAX (18)x(28)	<u>\$13.91</u>	<u>\$0.00</u>	<u>\$13.91</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
30						
31 TOT MONTHLY E&I COST (23)+(26)+(29)	<u>\$850.83</u>	<u>\$0.00</u>	<u>\$850.83</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
32						
33 MONTHLY EXPENSES:						
34 PV Total Investment (2)+(18)	\$11,490.35	\$0.00	\$11,490.35	\$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	\$1.52	\$0.00	\$1.52	\$0.00	\$0.00	\$0.00
37						
38 Total Plant Specific	\$1.52	\$0.00	\$1.52	\$0.00	\$0.00	\$0.00
39 Customer Oper. 1.804% *(34) /12	\$17.28	\$0.00	\$17.28	\$0.00	\$0.00	\$0.00
40 Property Tax 0.827% *(34) /12	\$7.91	\$0.00	\$7.91	\$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>\$26.71</u>	<u>\$0.00</u>	<u>\$26.71</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
47						
48 SUBTOTAL MO. COST (15)+(31)+(46)	<u>\$1,056.84</u>	<u>\$0.00</u>	<u>\$1,056.84</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 0.000% * (48+50)	\$0.00					
52 TOTAL MONTHLY COST (48)+(50)+(51)	<u>\$1,056.84</u>					

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Asset/Engineering & Installation Investment

LAPP A.3
 File: TX04-02322
 PV at 10.58%

	Year 1	Year 2	Year 3	Year 4	Year 5	PV at 10.58%
1. COE-Investment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2. Min Matl 4.810% x(1)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
3. Supply 13.060% 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	\$838.80	\$0.00	\$0.00	\$0.00	\$0.00	\$838.80
6. Min Matl 89.514% x(5)	\$750.84	\$0.00	\$0.00	\$0.00	\$0.00	\$750.84
7. Supply 25.810% x(5+6)	\$410.29	\$0.00	\$0.00	\$0.00	\$0.00	\$410.29
8. Total OSP Asset	\$1,999.93	\$0.00	\$0.00	\$0.00	\$0.00	\$1,999.93
9. CKT EQ-Investment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10. Min Matl 4.810% x(9)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11. Supply 13.060% 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						\$1,999.93
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	\$4,400.58	\$0.00	\$0.00	\$0.00	\$0.00	\$4,400.58
27. Engineering	\$1,236.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,236.00
28. Vendor-Installation	\$3,853.84	\$0.00	\$0.00	\$0.00	\$0.00	\$3,853.84
29. Total OSP E&I	\$9,490.42	\$0.00	\$0.00	\$0.00	\$0.00	\$9,490.42
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						\$9,490.42
43. TOTAL ASSET, ENGINEERING AND INSTALLATION INVESTMENT						\$11,490.35

Study ID: Special Construction - DS3

1.	Cost of Money (Return on Rate Base)	10.58%		
2.	Return on Equity	13.36%	ROE Weighting	55.51%
3.	Preferred Stock Rate	0.00%	PS Weighting	0.00%
4.	Long Term Debt Rate	7.11%	LTD Weighting	44.49%
5.	Short Term Debt Rate	0.00%	STD Weighting	0.00%
6.	Statutory Federal Income Tax Rate	35.00%		
7.	State Income Tax Rate	0.00%		
8.	Composite Income Tax Rate	35.00%		
9.	Statutory Gross Receipts Tax Rate	0.00%	Effective GRT	0.00%
10.	Labor Rate Inflation Percentage	0.00%		
11.	Direct Admin. - Customer Operations Annual Charge Factor			1.80%
12.	- Property Tax Expense Annual Charge Factor			0.83%
13.	Indirect Admin. - Plant Non-Specific Annual Charge Factor			2.33%
14.	- Corporate Operations Annual Charge Factor			2.55%
15.	- Misc. Expense Annual Charge Factor			1.58%
16.	- Other Tax Expense Annual Charge Factor			0.19%
17.	Central Office Equipment Book Life			10
18.	Central Office Equipment MACRS Tax Factor			76.28%
19.	Central Office Equipment Plant Specific Expense Factor			3.69%
20.	Central Office Equipment Net Salvage Percentage			0.00%
21.	Outside Plant Equipment Book Life			20
22.	Outside Plant Equipment MACRS Tax Factor			50.13%
23.	Outside Plant Equipment Plant Specific Expense Factor			0.16%
24.	Outside Plant Equipment Net Salvage Percentage			-10.00%
25.	Circuit Equipment Book Life			8
26.	Circuit Equipment MACRS Tax Factor			76.28%
27.	Circuit Equipment Plant Specific Expense Factor			0.42%
28.	Circuit Equipment Net Salvage Percentage			0.00%
29.	Add'l OSP Investm. Book Life			0
30.	Add'l OSP Investm. Plant Specific Expense Factor			0.00%
31.	Add'l OSP Investm. Net Salvage Percentage			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			4.81%
36.	COE Supply Factor			13.06%
37.	OSP Minor Materials Load Factor			89.51%
38.	OSP Supply Factor			25.81%
39.	Circuit Equipment Minor Materials Load Factor			4.81%
40.	Circuit Equipment Supply Factor			13.06%
41.	Add'l OSP Investm. Minor Materials Load Factor			0.00%
42.	Add'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			\$57.24
46.	Central Office Equipment Engineering Direct Labor Rate			\$64.66
47.	Outside Plant Installation Direct Labor Rate			\$61.98
48.	Outside Plant Engineering Direct Labor Rate			\$82.40
49.	Circuit Equipment Installation Direct Labor Rate			\$57.24
50.	Circuit Equipment Engineering Direct Labor Rate			\$64.66
51.	Database Direct Labor Rate			\$30.15