

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

PRICING

LAPP A.1
Period: 12 Months
File: TX04-02309

1	Total Monthly Asset Cost	\$96.71
2	Total Monthly Engineering/Installation Cost	\$1,267.11
3	Total Monthly Expenses	\$35.36
4	Total Non-Capitalized Expenses/Software	\$0.00
5		
6	Total Incremental Monthly Cost (1)+(2)+(3)+(4)	\$1,399.18
7	Forecasted Units	1
8		
9	Incremental Monthly Cost Per Unit (6)/(7)	\$1,399.18
10		
11		
12	Proposed Non-Recurring Charge (NRC) Per Unit	<u>\$18,213.00</u>
13		
14		
15		
16		
17		
18	Monthly Credit for NRC Per Unit (12)	\$15,866.30
19		
20		
21		
22		
23	Margin Amount	\$2,346.70

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INCREMENTAL MONTHLY COSTS

LAPP A.2

Period: 12 Months

File: TX04-02309

	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)	\$1,078.76	\$0.00	\$1,078.76	\$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)	\$1,078.76	\$0.00	\$1,078.76	\$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>\$89.90</u>	<u>\$0.00</u>	<u>\$89.90</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
8						
9 Monthly Capital Recovery at 10.58%	\$95.13	\$0.00	\$95.13	\$0.00	\$0.00	\$0.00
10 MONTHLY RETURN (9)-(7)	<u>\$5.23</u>	<u>\$0.00</u>	<u>\$5.23</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>\$1.58</u>	<u>\$0.00</u>	<u>\$1.58</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
14						
15 TOT MONTHLY ASSET COST (7)+(10)+(13)	<u>\$96.71</u>	<u>\$0.00</u>	<u>\$96.71</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
16						
17 ENGINEERING & INSTALLATION:						
18 Engineering & Installation Investment	\$14,133.65	\$0.00	\$14,133.65	\$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)	\$14,133.65	\$0.00	\$14,133.65	\$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>\$1,177.80</u>	<u>\$0.00</u>	<u>\$1,177.80</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
24						
25 Monthly Capital Recovery at 10.58%	\$1,246.39	\$0.00	\$1,246.39	\$0.00	\$0.00	\$0.00
26 MONTHLY RETURN (25)-(23)	<u>\$68.58</u>	<u>\$0.00</u>	<u>\$68.58</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>\$20.72</u>	<u>\$0.00</u>	<u>\$20.72</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
30						
31 TOT MONTHLY E&I COST (23)+(26)+(29)	<u>\$1,267.11</u>	<u>\$0.00</u>	<u>\$1,267.11</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
32						
33 MONTHLY EXPENSES:						
34 PV Total Investment (2)+(18)	\$15,212.41	\$0.00	\$15,212.41	\$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	\$2.01	\$0.00	\$2.01	\$0.00	\$0.00	\$0.00
37						
38 Total Plant Specific	\$2.01	\$0.00	\$2.01	\$0.00	\$0.00	\$0.00
39 Customer Oper. 1.804% *(34) /12	\$22.87	\$0.00	\$22.87	\$0.00	\$0.00	\$0.00
40 Property Tax 0.827% *(34) /12	\$10.48	\$0.00	\$10.48	\$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>\$35.36</u>	<u>\$0.00</u>	<u>\$35.36</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
47						
48 SUBTOTAL MO. COST (15)+(31)+(46)	<u>\$1,399.18</u>	<u>\$0.00</u>	<u>\$1,399.18</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>\$1,399.18</u>					

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Asset/Engineering & Installation Investment

LAPP A.3
 File: TX04-02309
 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	\$452.45	\$0.00	\$0.00	\$0.00	\$0.00	\$452.45
6. Min Matl 89.514% x(5)	\$405.00	\$0.00	\$0.00	\$0.00	\$0.00	\$405.00
7. Supply 25.810% x(5+6)	\$221.31	\$0.00	\$0.00	\$0.00	\$0.00	\$221.31
8. Total OSP Asset	\$1,078.76	\$0.00	\$0.00	\$0.00	\$0.00	\$1,078.76
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						\$1,078.76
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	\$5,392.26	\$0.00	\$0.00	\$0.00	\$0.00	\$5,392.26
27. Engineering	\$741.60	\$0.00	\$0.00	\$0.00	\$0.00	\$741.60
28. Vendor-Installation	\$7,999.79	\$0.00	\$0.00	\$0.00	\$0.00	\$7,999.79
29. Total OSP E&I	\$14,133.65	\$0.00	\$0.00	\$0.00	\$0.00	\$14,133.65
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						\$14,133.65
43. TOTAL ASSET, ENGINEERING AND INSTALLATION INVESTMENT						\$15,212.41

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