

Verizon - East  
PIC Change Cost Study

Average PIC Change - Per Line								
Line	ACTIVITY DESCRIPTION	Average Time Per Line (minutes)	Activity Occur %	Adjusted Time per Line (minutes)	Job Function Code	Labor Rate per Minute	Activity Cost per Line	
	B	C	D	E=(C*D)	F	G	H=E*G	
<b>Consumer Sales and Solution Center (CSSC) / Business Service Center (BSC)</b>								
1	Process end-user initiated PIC Change.	4.09	65%	2.66	2E70/2870	\$0.70	\$1.85	
<b>Equal Access Point of Contact (EAPOC)</b>								
2	Process carrier initiated PIC Change requests and correct fallout error conditions.	2.52	9%	0.23	2306/2870	\$0.71	\$0.17	
<b>Staff &amp; Systems Support</b>								
3	PIC Interface Specialist: Provide user support and interface with carriers.	0.04	35%	0.01	230E	\$0.93	\$0.01	
4	PIC System Administration Specialist: Perform system testing, develop system specifications and provide IT support.	0.04	71%	0.03	230E	\$0.86	\$0.03	
5	PIC Methods Staff Support: Provide methods and procedures and support to CSSC/BSCs.	0.01	20%	0.002	287E	\$0.73	\$0.001	
6	XEA - Software Engineers: IT support.	0.12	100%	0.12	1550	\$1.02	\$0.12	
7	XEA - Vendor Consultants: IT support.		100%				\$0.20	
8	Switch Manager - Software Engineers: IT support.	0.02	100%	0.02	1550	\$1.02	\$0.03	
9	MTAC CARE - Vendor Consultants: IT support.		100%				\$0.03	
10	NJ Local EAMI - Software Engineer: IT support.	0.01	100%	0.01	1550	\$1.02	\$0.01	
11	C&P Local EAMI - Software Engineer: IT support.	0.002	100%	0.002	1550	\$1.02	\$0.002	
11	MARCH - Software Engineer: IT support.	0.04	11%	0.005	1550	\$1.02	\$0.005	
12	<b>TOTAL</b>						<b>\$0.43</b>	
<b>Recent Change Memory Administration Center (RCMAC)</b>								
13	Process PIC Change fallouts from MARCH.	4.00	0.25%	0.01	4372	\$0.78	\$0.01	
<b>SUB-TOTALS:</b>								
14	CSSC/BSC						\$1.85	
15	EAPOC						\$0.17	
16	Staff & Systems Support						\$0.43	
17	RCMAC						\$0.01	
18	Computer Investments						\$0.31	
19	Bill Entry						\$0.08	
20	Service Order Processing						\$0.13	
<b>With OVERHEAD LOADING<sup>1</sup>:</b>								
			= Sub-totals * OL of 1.4591					
21	CSSC/BSC						\$2.70	
22	EAPOC						\$0.24	
23	Staff & Systems Support						\$0.63	
24	RCMAC						\$0.01	
25	Computer Investments						\$0.46	
26	Bill Entry						\$0.11	
27	Service Order Processing						\$0.18	
<b>With REVENUE LOADING<sup>2</sup>:</b>								
			=Sub-totals with OL * RL of 1.0844					
28	CSSC/BSC						\$2.92	
29	EAPOC						\$0.26	
30	Staff & Systems Support						\$0.68	
31	RCMAC						\$0.01	
32	Computer Investments						\$0.49	
33	Bill Entry						\$0.12	
34	Service Order Processing						\$0.20	
35	<b>TOTAL COST PER PIC CHANGE (Sum L28 to L34):</b>						<b>\$4.69</b>	
36	<b>PIC FREEZE COST PER PIC CHANGE (Separate Study):</b>						<b>\$0.72</b>	
37	<b>PIC SLAM COST PER PIC CHANGE (Separate Study):</b>						<b>\$0.06</b>	
38	<b>LOADED COST PER PIC CHANGE (Sum L35 to L37):</b>						<b>\$5.47</b>	
1	The Common Overhead Loading includes various types of marketing, corporate operations and general support expenses and is developed on the basis of company total expenses.							
2	The Gross Revenue Loading is a composite of the Gross Receipts Tax levied on Verizon's revenues by some states, the Regulatory Assessment Fees levied by state and federal regulators for management of our product and service revenues, and the uncollectible revenues written off in a given year.							

Verizon - East  
PIC Change Cost Study

Manual PIC Change - Per Line

Line	ACTIVITY DESCRIPTION	Average Time Per Line (minutes)	Activity Occur %	Adjusted Time per Line (minutes)	Job Function Code	Labor Rate per Minute	Activity Cost per Line
	B	C	D	E=(C*D)	F	G	H=E*G
<b>Consumer Sales and Solution Center (CSSC) / Business Service Center (BSC)</b>							
1	Process end-user initiated PIC Change.	4.09	100%	4.09	2E70/2870	\$0.70	\$2.84
<b>Equal Access Point of Contact (EAPOC)</b>							
2	Process carrier initiated PIC Change requests and correct fallout error conditions.	2.52	0%	0.00	2306/2870	\$0.71	\$0.00
<b>Staff &amp; Systems Support</b>							
3	PIC Interface Specialist: Provide user support and interface with carriers.	0.04	35%	0.01	230E	\$0.93	\$0.01
4	PIC System Administration Specialist: Perform system testing, develop system specifications and provide IT support.	0.04	71%	0.03	230E	\$0.86	\$0.03
5	PIC Methods Staff Support: Provide methods and procedures and support to CSSC/BSCs.	0.01	20%	0.002	287E	\$0.73	\$0.001
6	XEA - Software Engineers: IT support.	0.12	100%	0.12	1550	\$1.02	\$0.12
7	XEA - Vendor Consultants: IT support.		100%				\$0.20
8	Switch Manager - Software Engineers: IT support.	0.02	100%	0.02	1550	\$1.02	\$0.03
9	MTAC CARE - Vendor Consultants: IT support.		100%				\$0.03
10	NJ Local EAMI - Software Engineer: IT support.	0.01	100%	0.01	1550	\$1.02	\$0.01
11	C&P Local EAMI - Software Engineer: IT support.	0.002	100%	0.002	1550	\$1.02	\$0.002
11	MARCH - Software Engineer: IT support.	0.04	11%	0.005	1550	\$1.02	\$0.005
12	<b>TOTAL</b>						<b>\$0.43</b>
<b>Recent Change Memory Administration Center (RCMAC)</b>							
13	Process PIC Change fallouts from MARCH.	4.00	0.25%	0.01	4372	\$0.78	\$0.01
<b>SUB-TOTALS:</b>							
14	CSSC/BSC						\$2.84
15	EAPOC						\$0.00
16	Staff & Systems Support		65%				\$0.28
17	RCMAC		65%				\$0.01
18	Computer Investments		65%				\$0.20
19	Bill Entry		65%				\$0.05
20	Service Order Processing		65%				\$0.08
<b>With OVERHEAD LOADING<sup>1</sup>:</b> = Sub-totals * OL of 1.4591							
21	CSSC/BSC						\$4.14
22	EAPOC						\$0.00
23	Staff & Systems Support						\$0.41
24	RCMAC						\$0.01
25	Computer Investments						\$0.30
26	Bill Entry						\$0.07
27	Service Order Processing						\$0.12
<b>With REVENUE LOADING<sup>2</sup>:</b> =Sub-totals with OL * RL of 1.0844							
28	CSSC/BSC						\$4.49
29	EAPOC						\$0.00
30	Staff & Systems Support						\$0.44
31	RCMAC						\$0.01
32	Computer Investments						\$0.32
33	Bill Entry						\$0.08
34	Service Order Processing						\$0.13
35	<b>TOTAL COST PER PIC CHANGE (Sum L28 to L34):</b>						<b>\$5.47</b>
36	<b>PIC FREEZE COST PER PIC CHANGE (Separate Study):</b>						<b>\$0.72</b>
37	<b>PIC SLAM COST PER PIC CHANGE (Separate Study):</b>						<b>\$0.06</b>
38	<b>LOADED COST PER PIC CHANGE (Sum L35 to L37):</b>						<b>\$6.25</b>

<sup>1</sup> The Common Overhead Loading includes various types of marketing, corporate operations and general support expenses and is developed on the basis of company total expenses.

<sup>2</sup> The Gross Revenue Loading is a composite of the Gross Receipts Tax levied on Verizon's revenues by some states, the Regulatory Assessment Fees levied by state and federal regulators for management of our product and service revenues, and the uncollectible revenues written off in a given year.

Verizon - East  
PIC Change Cost Study

Mechanized PIC Change - Per Line

Line	ACTIVITY DESCRIPTION	Average Time Per Line (minutes)	Activity Occur %	Adjusted Time per Line (minutes)	Job Function Code	Labor Rate per Minute	Activity Cost per Line
	B	C	D	E=(C*D)	F	G	H=E*G
<b>Consumer Sales and Solution Center (CSSC) / Business Service Center (BSC)</b>							
1	Process end-user initiated PIC Change.	4.09	0%	0.00	2E70/2870	\$0.70	\$0.00
<b>Equal Access Point of Contact (EAPOC)</b>							
2	Process carrier initiated PIC Change requests and correct fallout error conditions.	2.52	27%	0.67	2306/2870	\$0.71	\$0.48
<b>Staff &amp; Systems Support</b>							
3	PIC Interface Specialist: Provide user support and interface with carriers.	0.04	35%	0.01	230E	\$0.93	\$0.01
4	PIC System Administration Specialist: Perform system testing, develop system specifications and provide IT support.	0.04	71%	0.03	230E	\$0.86	\$0.03
5	PIC Methods Staff Support: Provide methods and procedures and support to CSSC/BSCs.	0.01	20%	0.002	287E	\$0.73	\$0.001
6	XEA - Software Engineers: IT support.	0.12	100%	0.12	1550	\$1.02	\$0.12
7	XEA - Vendor Consultants: IT support.		100%				\$0.20
8	Switch Manager - Software Engineers: IT support.	0.02	100%	0.02	1550	\$1.02	\$0.03
9	MTAC CARE - Vendor Consultants: IT support.		100%				\$0.03
10	NJ Local EAMI - Software Engineer: IT support.	0.01	100%	0.01	1550	\$1.02	\$0.01
11	C&P Local EAMI - Software Engineer: IT support.	0.002	100%	0.002	1550	\$1.02	\$0.002
11	MARCH - Software Engineer: IT support.	0.04	11%	0.005	1550	\$1.02	\$0.005
12	<b>TOTAL</b>						<b>\$0.43</b>
<b>Recent Change Memory Administration Center (RCMAC)</b>							
13	Process PIC Change fallouts from MARCH.	4.00	0.25%	0.01	4372	\$0.78	\$0.01
<b>SUB-TOTALS:</b>							
14	CSSC/BSC						\$0.00
15	EAPOC						\$0.48
16	Staff & Systems Support		35%				\$0.15
17	RCMAC		35%				\$0.00
18	Computer Investments		35%				\$0.11
19	Bill Entry		35%				\$0.03
20	Service Order Processing		35%				\$0.04
<b>With OVERHEAD LOADING<sup>1</sup>:</b>							
= Sub-totals * OL of 1.4591							
21	CSSC/BSC						\$0.00
22	EAPOC						\$0.70
23	Staff & Systems Support						\$0.22
24	RCMAC						\$0.00
25	Computer Investments						\$0.16
26	Bill Entry						\$0.04
27	Service Order Processing						\$0.06
<b>With REVENUE LOADING<sup>2</sup>:</b>							
=Sub-totals with OL * RL of 1.0844							
28	CSSC/BSC						\$0.00
29	EAPOC						\$0.76
30	Staff & Systems Support						\$0.24
31	RCMAC						\$0.00
32	Computer Investments						\$0.17
33	Bill Entry						\$0.04
34	Service Order Processing						\$0.07
35	<b>TOTAL COST PER PIC CHANGE (Sum L28 to L34):</b>						<b>\$1.28</b>
36	<b>PIC FREEZE COST PER PIC CHANGE (Separate Study):</b>						<b>\$0.72</b>
37	<b>PIC SLAM COST PER PIC CHANGE (Separate Study):</b>						<b>\$0.06</b>
38	<b>LOADED COST PER PIC CHANGE (Sum L35 to L37):</b>						<b>\$2.06</b>

<sup>1</sup> The Common Overhead Loading includes various types of marketing, corporate operations and general support expenses and is developed on the basis of company total expenses.

<sup>2</sup> The Gross Revenue Loading is a composite of the Gross Receipts Tax levied on Verizon's revenues by some states, the Regulatory Assessment Fees levied by state and federal regulators for management of our product and service revenues, and the uncollectible revenues written off in a given year.

**Verizon - East  
PIC Change Cost Study**

***PIC CHANGE - % Activity Occurrence***

Line	Item	Amount	Source
	A	B	C
	<u><i>CSSC/BSC and EAPOC - % related to PIC Transactions</i></u>		
1	CSSC/BSC Initiated PIC Change Volume	5,333,587	Tab 8.1: PIC Change Volumes
2	Carrier Initiated PIC Change Volume	2,863,392	Tab 8.1: PIC Change Volumes
3	Total PIC Change Volume - Vz East	8,196,979	L1 + L2
4	% of Manual PIC Changes handled by CSSC/BSC	<b>100%</b>	L1 / L1
5	% of Total PIC Changes handled by CSSC/BSC	<b>65%</b>	L1 / L3
6	Total EAPOC Volume	760,917	Tab 3.2 EAPOC
7	% of Mechanized PIC Changes handled by EAPOC	<b>27%</b>	L6 / L2
8	% of Total PIC Changes handled by EAPOC	<b>9%</b>	L6 / L3
	<u><i>Staff Support - % Time on PIC Support</i></u>		
7	PIC Interface Specialist	<b>35%</b>	Department Estimate
8	PIC System Administration Specialist	<b>71%</b>	Department Estimate
9	PIC Methods Staff Support	<b>20%</b>	Department Estimate
	<u><i>Systems Support - % System for PIC Usage</i></u>		
10	XEA	<b>100%</b>	Systems Design
11	Switch Manager	<b>100%</b>	Systems Design
12	MTAC CARE	<b>100%</b>	Systems Design
13	NJ Local EAMI	<b>100%</b>	Systems Design
14	C&P Local EAMI	<b>100%</b>	Systems Design
15	MARCH	<b>11%</b>	MARCH Production Reports

**Verizon - East  
PIC Change Cost Study**

**ATTACHMENT B  
Exhibit Verizon East PIC Cost  
Workpaper 3.1**

**PIC CHANGE - SERVICE CENTER WORK TIME**

Line	Activity	Avrg Time (min) <sup>1</sup>	Avrg Time Per Line	Typical Occ% <sup>2</sup>	Typical Time Per Line	Res to Bus % <sup>3</sup>	Weighted Avrg Time Per Line
	A	B	C=B/#Lines	D	E=C*D	F	G=E*F
<u>Consumer Sales &amp; Solution Center (CSSC)</u>							
2	1 Line	4.68	4.68	81.0%	3.79		
3	2 Lines	6.97	3.48	19.0%	0.66		
4	5 Lines	11.85	2.37	0.0%	0.00		
5				100%	4.45	67%	2.96
<u>Business Service Center (BSC)</u>							
6	1 Line	6.94	6.94	19.7%	1.37		
7	2 Lines	8.46	4.23	23.5%	0.99		
8	5 Lines	12.13	2.43	14.6%	0.35		
9	10 Lines	17.75	1.77	6.7%	0.12		
10	15+ Lines	22.21	1.48	35.6%	0.53		
11				100%	3.36	33%	1.12
12	<u>Service Centers Average</u>						<b>4.09</b>

Notes:

1. Average Time based on region-wide Service Center survey results.
2. Typical Occurrences based on BTN counts from ALIS database (Residence) and Bus BTN Report (Business).
3. Residence to Business split based on access line counts from the 2003 ALIS Database.

**Verizon - East  
PIC Change Cost Study**

**ATTACHMENT B  
Exhibit Verizon East PIC Cost  
Workpaper 3.2**

**PIC CHANGE - EAPOC WORK TIME**

Line	Item A	Avg Time per Line (min) <sup>1</sup> B	Volume <sup>2</sup> C	% Typical Occurrence D = C/C5
	<u>Equal Access Point of Contact (EAPOC)</u>			
1	EAPOC - North		421,167	<b>55%</b>
2	EAPOC - South		339,750	<b>45%</b>
3	Total (Sum L 1 + L 2)	<b>2.52</b>	760,917	100%

Notes:

1. Average Time per Line per EAPOC Subject Matter Experts
2. Volumes per EAPOC Production Reports - fBA-North and South Jan-Dec 2001

**Verizon - East  
PIC Change Cost Study**

**PIC CHANGE - STAFF AND SYSTEMS SUPPORT WORK TIME/COST**

Line	Item	Amount	Source
	A	B	C
<u><i>PIC Interface Specialist</i></u>			
1	Vz-East headcount (FTE)	5	Wholesale - Access Systems Interface and PIC
2	Productive minutes per headcount per year	109,920	Tab 7.2: Prodv Hrs
3	Annual productive labor time (minutes)	549,600	L1 x L2
4	Total Inter/IntraLATA PIC Changes	13,359,026	Tab 8.1: PIC Change Volumes
5	Labor time (minutes) per PIC Change	<b>0.04</b>	L3 / L4
<u><i>PIC System Administration Specialist</i></u>			
6	Vz-East headcount (FTE)	5	Wholesale - Access Systems Interface and PIC
7	Annual productive labor time (minutes)	549,600	L6 x L2
8	Labor time (minutes) per PIC Change	<b>0.04</b>	L7 / L4
<u><i>PIC Methods Staff Support</i></u>			
9	Vz-East headcount (FTE)	1	Retail - Sales Operations Support/Compliance
10	Annual productive labor time (minutes)	109,920	L9 x L2
11	Labor time (minutes) per PIC Change	<b>0.01</b>	L10 / L4
<u><i>XEA - IT Support</i></u>			
12	Vz East Software Engineer headcount (FTE)	14	
13	Annual productive labor time (minutes)	1,538,880	L12 x L2
14	Labor time (minutes) per PIC Change	<b>0.12</b>	L13 / L4
15	Annual Vendor Maintenance Contract	\$ 2,700,000	TCS Consultants
16	Cost per PIC Change	<b>\$ 0.20</b>	L15 / L4
<u><i>Switch Manager - IT Support</i></u>			
17	Vz East Software Engineer headcount (FTE)	3	Production Support - Network Operations Systems
18	Annual productive labor time (minutes)	329,760	L17 x L2
19	Labor time (minutes) per PIC Change	<b>0.02</b>	L18 / L4
<u><i>MTAC CARE - IT Support</i></u>			
20	Annual Vendor Maintenance Contract	\$ 377,820	Rapid, LLC
21	Cost per PIC Change	<b>\$ 0.03</b>	L20 / L4
<u><i>NJ Local EAM</i></u>			
22	Vz East Software Engineer headcount (FTE)	1	
23	Annual productive labor time (minutes)	109,920	L22 x L2
24	Labor time (minutes) per PIC Change	<b>0.01</b>	L23 / L4
<u><i>C&amp;P Local EAM</i></u>			
25	Vz East Software Engineer headcount (FTE)	0.25	MDVW Accounts Process
26	Annual productive labor time (minutes)	27,480	L25 x L2
27	Labor time (minutes) per PIC Change	<b>0.002</b>	L26 / L4
<u><i>MARCH</i></u>			
28	Vz East Software Engineer headcount (FTE)	5	MARCH Application Support
29	Annual productive labor time (minutes)	549,600	L28 x L2
30	Labor time (minutes) per PIC Change	<b>0.04</b>	L29 / L4

FTE = Full Time Equivalent (department prorated estimate)

**Verizon - East  
PIC Change Cost Study**

**ATTACHMENT B  
Exhibit Verizon East PIC Cost  
Worksheet 4**

**PIC CHANGE - COMPUTER INVESTMENTS**

Line	Item A	Amount B	Source C
<u><i>XEA (Express Electronic Access)</i></u>			
1	2500 GIG DASD @ \$533 per GIG	\$ 1,332,500	Company IT Records
2	450 MIPS @\$8,300 per MIPS	\$ 3,735,000	Company IT Records
3	7,665 GIG of Tape @ \$400 per GIG	\$ 3,066,000	Company IT Records
4	Investment Related Cost Factor	28.09%	Tab 10.1: Invesmt Factor
5	Annualized Computer Cost	\$ 2,284,487	(L1 + L2 + L3) x L4
6	% PIC Change Related Usage	100.00%	Company IT Records
7	Adjusted XEA Cost	\$ 2,284,487	L5 x L6
8	Total Inter/IntraLATA PIC Changes	13,359,026	Tab 8.1: PIC Chng Volume
9	XEA Cost per PIC Transaction	<b>\$ 0.17</b>	L7 / L8
<u><i>Switch Manager</i></u>			
10	Unix Servers	\$ 400,000	Company IT Records
11	Annualized Servers Cost	\$ 112,350	L10 x L4
12	Annual Hardware Upgrades/Replacements	\$ 200,000	Company IT Records
13	Return on Investment (for Upgrades)	\$ 22,500	L12 x Cost of Money
14	Composite Income Tax Factor	5.24%	Effective Tax Rate Calculation
15	Composite Income Tax on Investment Return (for Upgrades)	\$ 10,483	L12 x L14
16	Annual Hardware & Software Maintenance Contracts	\$ 75,000	Company IT Records
17	Switch Manager Cost	\$ 420,332	L11 + L12 + L13 + L15 + L16
18	% PIC Change Related Usage	100%	Company IT Records
19	Switch Manager Cost per PIC Transaction	<b>\$ 0.03</b>	(L17x L18) / L8
<u><i>MTAC CARE</i></u>			
20	Annual System Upgrades/Enhancements	\$ 302,000	Company IT Records
21	Return on Investment (for Upgrades)	\$ 33,975	L20 x Cost of Money
22	Composite Income Tax on Investment Return (for Upgrades)	\$ 15,829	L20 x L14
23	MTAC CARE Cost	\$ 351,804	L20 + L21 + L22
24	% PIC Change Related Usage	100%	Company IT Records
25	MTAC CARE Cost per PIC Transaction	<b>\$ 0.03</b>	(L23 X L24) / L8
<u><i>MARCH</i></u>			
26	Annualized equipment and operating system software	\$ 4,189,212	Company IT Records
27	Annual maintenance, software and support contract on application software	\$ 5,000,000	Company IT Records
28	Return on Investment (for Upgrades)	\$ 562,500	L 27 x Cost of Money
29	Composite Income Tax on Investment Return (for Upgrades)	\$ 262,073	L27 x L14
30	MARCH Cost	\$ 10,013,785	L26 + L27 + L28 + L29
31	% PIC Change Related Usage	11%	MARCH Production Reports
32	MARCH Cost per PIC Transaction	<b>\$ 0.08</b>	(L30 X L31) / L8
32	Total Computer Investments Cost per PIC Transaction	<b>\$ 0.31</b>	L9 + L19 +25 + L31

**VERIZON - EAST  
BILL ENTRY COST**

**PLANNING PERIOD: 2000-2004      VERIZON - EAST  
CRIS BILLING**

<b>LINE</b>	<b>COST ELEMENT</b>	<b>AMOUNT</b>
1	ERROR CORRECTION	\$0.00008
2	CUSTOMER ACCOUNTS PROCESSING	\$0.00016
3	BILL PRODUCTION	\$0.00079
4	BILL INQUIRY	\$0.00115
5	REMITTANCE	\$0.00007
6	COLLECTIONS/TREATMENT	\$0.00127
7	POSTAGE	\$0.00036
8	CAPITAL EXPENSES	\$0.00076
9	TOTAL DIRECT COST	\$0.00464
10	INFORMATION MANAGEMENT	\$0.00139
11	CAPITAL EXPENSES	\$0.00145
12	OTHER SHARED	\$0.00023
13	TOTAL SHARED COST	\$0.00307
14	TOTAL COST PER BILL ENTRY	\$0.00771
15	AVERAGE BILL ENTRY LINES PER PIC CHANGE	10
16	<b>BILL ENTRY COST PER PIC CHANGE</b>	<b>\$0.08</b>

Data trended from base year 1998

**VERIZON - East**  
**SERVICE ORDER SYSTEMS COST**

<b>Line</b>	<b>Item</b>	<b>Amount</b>
A	B	C
1	Verizon - East SOP Volume Count	29,212,876
2	Verizon - East SOP/BOSS Systems Cost	\$ 15,155,648.87
3	Systems Cost Per Order (L1 / L2)	\$0.52
4	Average # of Telephone Lines per Customer	4.1
5	<b>Systems Cost per Line (L3 / L4)</b>	<b>\$0.13</b>

Source:

Volume Count: VZ East SOP and BOSS Counts Jan-Dec 2000

Systems Cost:

VZ East Accts 6124 (General Purpose Computer Expense) Dollars Jan-Dec 2000

VZ East Acct 6724 (Information Management Expense) Dollars Jan-Dec 2000

Average Number of Telephone Lines per Customer: Tab 8.2 ALIS L11

**Verizon - East  
PIC Change Cost Study**

**ATTACHMENT B  
Exhibit Verizon East PIC Cost  
Workpaper 7.1**

**DIRECTLY ASSIGNED LABOR RATES - VERIZON EAST**

	Functional Organization/Title	Job Function Code (JFC)	DC	DE	MA	MD	ME	NH	NJ	NY	PA	RI	VA	VT	WV	NSI**	2003 Average Labor Rate/Hr	Labor Rate per Minute
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S=R/60
1	Consumer Sales & Solution Center (CSSC)	2E70	\$38.69	\$38.91	\$40.72	\$41.04			\$44.98	\$46.54	\$42.79		\$39.66		\$40.82		\$41.57	\$0.69
2	Business Service Center (BSC)	2870	\$43.45		\$42.56	\$43.63	\$42.16	\$37.63	\$41.21	\$44.84	\$43.32	\$40.49		\$40.30			\$41.96	\$0.70
3	Equal Access Point of Contact (EAPOC) - North	2306			\$42.56												\$42.56	\$0.71
4	Equal Access Point of Contact (EAPOC) - South	2870									\$43.32						\$43.32	\$0.72
5	PIC Interface Specialist	230E			\$57.72	\$51.73								\$57.72			\$55.72	\$0.93
6	PIC System Administration Specialist	230E									\$51.73						\$51.73	\$0.86
7	PIC Methods Staff Support	287E			\$43.96												\$43.96	\$0.73
8	Information Technologies (IT)	1550														\$61.40	\$61.40	\$1.02
9	Recent Change Memory Administration Center (RCMAC)	4372	\$37.34	\$42.60	\$55.75	\$42.56	\$50.76	\$48.93	\$48.78	\$61.06	\$43.03		\$42.26		\$39.59		\$46.61	\$0.78

Line	Item	Amount	Source
A	B	C	D
	<b><u>CSSC/BSC Weighted Average</u></b>		
10	CSSC Regional-average Rate per Minute	\$0.69	L1
11	BSC Regional-average Rate per Minute	\$0.70	L2
12	% Residence Access Lines	67%	Tab 8.2: ALIS, L7
13	% Business Access Lines	33%	Tab 8.2: ALIS, L8
14	CSSC/BSC Weighted Average Labor Rate	<b>\$0.70</b>	(L10 x L12)+(L11x L13)
	<b><u>EAPOC Weighted Average</u></b>		
15	EAPOC North (MA) Labor Rate per Minute	\$0.71	L3
16	EAPOC South (PA) Labor Rate per Minute	\$0.72	L4
17	% EAPOC Production Volume - North	55%	Tab 3.2: EAPOC, L1
18	% EAPOC Production Volume - South	45%	Tab 3.2: EAPOC, L2
19	EAPOC Weighted Average Labor Rate	<b>\$0.71</b>	(L15 x L17)+(L16 x L18)

\* Labor Rates are averages of states/company where personnel is located, based on Year 2002; there is no increase in non-management labor rates for 2003, while management labor rates are trended at 1.04% to 2003.

\*\* NSI = Network Services Incorporated, Inc.

Verizon - East  
PIC Change Cost Study

**ANNUAL PRODUCTIVE HOURS**

Source: Service Costs

<u>LINE</u>	<u>DESCRIPTION</u>	<u>VALUE</u>	<u>SOURCE</u>
1	DAYS PER YEAR	365	
2	WEEKENDS	104	(52 WEEKS) * (2 DAYS)
3	HOLIDAYS AND PERSONAL DAYS	14	Corporate policy for except NY and NE which have 15
4	VACATION DAYS	15	Assumption of average vacation
5	SICK DAYS	3	Assumption of average sick days per year
6	TOTAL NONPRODUCTIVE DAYS	136	SUM OF LINES 2 THROUGH 5
7	TOTAL PRODUCTIVE DAYS	229	LINE 1 - LINE 6
8	WORK HOURS PER DAY	8.0	
9	PRODUCTIVE HOURS PER YEAR	1,832	LINE 7 * LINE 8
10	PRODUCTIVE MINUTES PER YEAR	<b>109,920</b>	LINE 9 * 60

**Verizon - East  
PIC Change Cost Study**

**ATTACHMENT B  
Exhibit Verizon East PIC Cost  
Workpaper 8.1**

**PIC CHANGE VOLUMES**

Source: SAR Reporting System - January to December 2003

Jurisdiction	Carrier Initiated			CSSC/BSC Initiated			Total G=E+F	Total InterLATA H=B+E	Grand Total I=D+G
	InterLATA B	IntraLATA C	Total D=B+C	InterLATA E	IntraLATA F	Total G=E+F			
A	B	C	D=B+C	E	F	G=E+F	H=B+E	I=D+G	
<b>Verizon East</b>	<b>2,863,392</b>	2,209,357	5,072,749	<b>5,333,587</b>	2,952,690	8,286,277	<b>8,196,979</b>	13,359,026	

**Verizon - East  
PIC Change Cost Study**

**ATTACHMENT B  
Exhibit Verizon East PIC Cost  
Workpaper 8.2**

***VZ-East - Access Lines in Service - December 2003***

Source: ALIS database - Vz East 2003 Access Line Count

Line	Item A	Source B	Amount C
1	Residential Primary Access Lines	ALIS	17,537,439
2	Residential Secondary Access Lines	ALIS	3,329,552
3	Percent Residential with 1 Line	$(L1 - L2) / L1$	<b>81.0%</b>
4	Percent Residential with 2 Lines	$L2 / L1$	<b>19.0%</b>
5	Average # of Lines per Residential Customer	$(L1+L2) / L1$	<b>1.19</b>
6	Average # of Lines per Business Customer	Tab 8.3 L5	9.89
7	Total Residential Access Lines	ALIS	20,872,066
8	Total Business Access Lines	ALIS	10,485,482
9	Percent Residential Access Lines	$L7 / (L7+L8)$	<b>66.6%</b>
10	Percent Business Access Lines	$L8 / (L7+L8)$	<b>33.4%</b>
11	Average # of Lines per Res/Bus Customer	$(L5*L9)+(L6*L10)$	<b>4.1</b>

**Verizon - East  
PIC Change Cost Study**

**ATTACHMENT B  
Exhibit Verizon East PIC Cost  
Workpaper 8.3**

***Vz-East: Business Lines per BTN (excludes Official, Wats, Reseller & Public)***

NUMBER OF CUSTOMERS BY LINES PER BTN:											
Line	1	2	3	4	5	6	7	8	9	10	11
A	B	C	D	E	F	G	H	I	J	K	L
1	1,718,570	913,317	640,700	491,352	357,498	306,727	230,106	213,988	163,659	156,921	119,610
NUMBER OF LINES (L1 x # of Lines):											
2	1,718,570	1,826,634	1,922,100	1,965,408	1,787,490	1,840,362	1,610,742	1,711,904	1,472,931	1,569,210	1,315,710
NUMBER OF CUSTOMERS PER CATEGORY:											
	<u>1 Line</u>	<u>2-4 Lines</u>	<u>5-9 Lines</u>	<u>10-14 Lines</u>	<u>15+ Lines</u>	<u>Total Csrs</u>					
3	1,718,570	2,045,369	1,271,978	580,452	3,101,327	8,717,696					
AVERAGE % OF CUSTOMERS PER CATEGORY (L3 / Total Csrs):											
4	<b>19.7%</b>	<b>23.5%</b>	<b>14.6%</b>	<b>6.7%</b>	<b>35.6%</b>	<b>100%</b>					
AVERAGE NUMBER OF LINES PER BUSINESS CUSTOMER (Total L2 / Total L1):											
5	<b>9.89</b>										

Source: Line information was generated based on information from the MDW database. - Jun 99

**Verizon - East  
PIC Change Cost Study**

**ATTACHMENT B  
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Workpaper 8.3**

12	13	14	15	16	17	18	19	20	21+	TOTAL
M	N	O	P	Q	R	S	T	U	V	W
118,970	95,154	89,797	83,737	82,186	69,159	67,663	59,998	61,827	2,676,757	8,717,696
1,427,640	1,237,002	1,257,158	1,256,055	1,314,976	1,175,703	1,217,934	1,139,962	1,236,540	56,211,897	86,215,928

**Verizon - East  
PIC Change Cost Study**

**INPUT FACTORS**

Line A	Factor B	Value C	Source D
1	<b>Cost of Money</b>	11.25%	Service Costs
3	<b>Investment-related Cost Factor</b>	28.09%	Tab 10.1 Investmt Factor
4	<b>Common Overhead</b>	1.4591	Tab 9.2 OH Loading
4	<b>Gross Revenue Loading</b>	1.0844	Tab 9.3 Rev Loading
5	<b>Labor Trend Factor</b>	1.04	(See Note)

**Note:**

Labor trend is based on forecasted Verizon management and non-management annual salary increases as proposed by salary compensation guidelines and negotiated changes to labor contracts respectively. In Vz-East, there is no increase in non-management labor trend projected from 2002 to 2003.

**Verizon - East  
PIC Change Cost Study**

**ATTACHMENT B  
Exhibit Verizon East PIC Cost  
Workpaper 9.2**

**MARKETING, CORPORATE OPERATIONS & GENERAL SUPPORT OVERHEAD FOR PIC CHANGE STUDIES -Verizon East**

All Data from ARMIS 43-01 for 2003 (Subject to Separations) (Dollars in \$000)

	Customer Operations Marketing 1140 <b>A</b>	Corporate Operations 1160 <b>B</b>	Depreciation and Amortization 1180 <b>C</b>	Support Plant Depr. & Amort. <b>D = (E/F) x C</b>	Support Plant 1620 <b>E</b>	Total Plant in Service 1690 <b>F</b>	Total Operating Expense 1190 <b>G</b>
Washington, D.C.	\$ 27,444	\$ 104,915	\$ 197,187	\$ 59,812	\$ 651,854	\$ 2,149,024	\$ 485,337
Maryland	\$ 75,159	\$ 421,539	\$ 623,518	\$ 70,329	\$ 877,992	\$ 7,784,062	\$ 1,784,715
Virginia	\$ 79,776	\$ 403,321	\$ 604,028	\$ 61,258	\$ 814,594	\$ 8,032,266	\$ 1,719,868
West Virginia	\$ 18,337	\$ 117,751	\$ 166,779	\$ 17,937	\$ 241,919	\$ 2,249,311	\$ 470,379
Delaware	\$ 10,621	\$ 58,817	\$ 83,814	\$ 7,791	\$ 107,026	\$ 1,151,352	\$ 249,010
Pennsylvania	\$ 108,027	\$ 664,277	\$ 991,710	\$ 114,910	\$ 1,482,670	\$ 12,795,892	\$ 2,849,140
New Jersey	\$ 123,764	\$ 808,477	\$ 956,334	\$ 133,764	\$ 1,762,008	\$ 12,597,302	\$ 3,007,485
Maine	\$ 17,529	\$ 94,175	\$ 125,399	\$ 8,835	\$ 128,163	\$ 1,819,062	\$ 398,598
Massachusetts	\$ 88,954	\$ 550,189	\$ 805,499	\$ 77,179	\$ 1,036,016	\$ 10,812,606	\$ 2,594,909
New Hampshire	\$ 13,892	\$ 97,333	\$ 142,105	\$ 9,970	\$ 146,523	\$ 2,088,393	\$ 404,812
Rhode Island	\$ 10,245	\$ 62,444	\$ 93,951	\$ 8,360	\$ 108,072	\$ 1,214,477	\$ 270,892
Vermont	\$ 6,584	\$ 48,729	\$ 71,922	\$ 4,879	\$ 70,461	\$ 1,038,762	\$ 195,603
New York	\$ 273,802	\$ 1,719,342	\$ 1,994,195	\$ 253,681	\$ 3,521,905	\$ 27,685,764	\$ 7,287,445
SUBTOTAL	\$ 854,134	\$ 5,151,309	\$ 6,856,441	\$ 828,706	\$ 10,949,203	\$ 91,418,273	\$ 21,718,193
USOA 2124 Inv. in PIC Study				(702.54)	\$ (9,282)		
<b>TOTAL VERIZON EAST</b>	\$ 854,134	\$ 5,151,309	\$ 6,856,441	\$ 828,004	\$ 10,939,921	\$ 91,418,273	\$ 21,718,193

**Overhead Loading** (Column A + Column B + Column D) / ( Column G - Column A - Column B - Column D)

<b>45.91%</b>
---------------

**Verizon - East  
PIC Change Cost Study**

**ATTACHMENT B  
Exhibit Verizon East PIC Cost  
Workpaper 9.3**

**REVENUE LOADING FACTOR FOR TAXES & UNCOLLECTIBLES FOR PIC CHANGE STUDIES**

All Data from ARMIS 43-01 for 2003 (Subject to Separations) (Dollars in \$000)

ARMIS ROW NUMBER	Uncollectibles 1060 <b>A</b>	Total Other Taxes 1490 <b>B</b>	Total Operating Revenues 1090 <b>C</b>
Washington, D.C.	\$ 2,390	\$ 53,487	\$ 605,362
Maryland	\$ 41,803	\$ 149,016	\$ 2,158,600
Virginia	\$ 41,858	\$ 88,714	\$ 2,096,212
West Virginia	\$ 8,378	\$ 39,181	\$ 586,058
Delaware	\$ 3,278	\$ 12,601	\$ 324,476
Pennsylvania	\$ 60,061	\$ 133,831	\$ 3,199,471
New Jersey	\$ 18,614	\$ 120,262	\$ 3,396,629
Maine	\$ 10,152	\$ 22,428	\$ 461,383
Massachusetts	\$ 60,908	\$ 54,070	\$ 2,448,425
New Hampshire	\$ 9,843	\$ (4,081)	\$ 435,509
Rhode Island	\$ 6,930	\$ 11,804	\$ 286,608
Vermont	\$ 5,019	\$ 7,168	\$ 223,919
New York	\$ 182,814	\$ 654,218	\$ 6,839,866
<b>TOTAL VERIZON EAST</b>	<b>\$ 452,048</b>	<b>\$ 1,342,699</b>	<b>\$ 23,062,518</b>

Revenue Loading (Column A + Column B) / Column C

**0.0778**

**Grossed-Up Revenue Loading Factor** **1.0844**

**Verizon - East  
PIC Change Cost Study**

**ATTACHMENT B  
Exhibit Verizon East PIC Cost  
Workpaper 10.1**

**INVESTMENT RELATED COST FACTORS**

Line	Account	Category	Source	Value
A	B		C	D
<b>Capital Cost Factors for General Purpose Computer</b>				
1	2124	Capital Cost - Depreciation	Tab 10.3: CapCost Factor, Col. D	0.1619
2	2124	Capital Cost - RIT	Tab 10.3: CapCost Factor, Col. G	0.0798
3	2124	Capital Cost - Other Tax	Service Costs	0.0072
4	2124	Network Factor	Service Costs Estimate	0.0320
5	2124	Marketing	Service Costs	-
6	2124	Other Support	Service Costs	-
7	2124	TOTAL	Sum Lines 1 through 6	<b>0.2809</b>

**WEIGHTED AVERAGE CAPITAL COST**

<u>LINE</u>	<u>Weighted</u> <u>fBA (Note 1)</u>
1 DEBT	0.40
2 EQUITY	0.60
3 COST of DEBT	7.0%
4 COST of EQUITY	14.1%
5 COST OF MONEY (Note 2]	11.25%
6 WEIGHTED STATE INCOME TAX	5.05%
7 WEIGHTED FED. DEDUCTION@35%	1.77%
8 COMBINED INC. TAX (Note 3)	38.28%

**Notes:**

- 1 Weighted on basis of Revenue Producing Investments
- 2  $(L1 * L3) + (L2 * L4)$
- 3  $.35 + L6 - L7$

**REGIONAL**  
**Capital Cost Factors**

<b>Line</b>	<b>Account</b>	<b>Category</b>	<b>Depreciation</b>	<b>Cost of</b>	<b>Income</b>	<b>RIT</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>Money</b>	<b>Tax</b>	<b>G = E + F</b>
				<b>E</b>	<b>F</b>	
1	2124	General Purpose Computers	0.161896	0.054422	0.025356	0.079777

**CAPITAL COST FACTOR INPUT VARIABLES**

**COMMON INPUTS**

<b>LINE</b>	<b>ITEM</b>	<b>VALUE</b>
1	Original Cost	\$1,000.00
2	Debt Ratio	40.00%
3	Cost of Debt	7.00%
4	Cost of Equity	14.08%
5	Cost of Invested Capital	11.25%
6	Federal Income Tax Rate	35.00%
7	State Income Tax Rate	5.05%
8	Composite Income Tax Rate	38.28%
9	State	REGIONAL

**ACCOUNT SPECIFIC INPUTS**

<b>Line</b>	<b>Account</b>	<b>Category</b>	<b>Economic Life</b>	<b>REGIONAL Future Net Salvage</b>	<b>MACRS Revcovery Period</b>
10	2124	General Purpose Computers	6	3.0%	5

VERIZON  
 MACRS Depreciation Schedule -- Rates

Recovery Year	Recovery Period (Years)						
	3	5	7	10	15	20	39
1	0.33333	0.20000	0.14286	0.10000	0.05000	0.03750	0.01282
2	0.44444	0.32000	0.24490	0.18000	0.09500	0.07219	0.02564
3	0.14815	0.19200	0.17493	0.14400	0.08550	0.06677	0.02564
4	0.07407	0.11520	0.12495	0.11520	0.07695	0.06177	0.02564
5		0.11520	0.08925	0.09216	0.06926	0.05713	0.02564
6		0.05760	0.08925	0.07373	0.06233	0.05285	0.02564
7			0.08925	0.06554	0.05905	0.04888	0.02564
8			0.04462	0.06554	0.05905	0.04522	0.02564
9				0.06554	0.05905	0.04462	0.02564
10				0.06554	0.05905	0.04462	0.02564
11				0.03277	0.05905	0.04462	0.02564
12					0.05905	0.04462	0.02564
13					0.05905	0.04462	0.02564
14					0.05905	0.04462	0.02564
15					0.05905	0.04462	0.02564
16					0.02952	0.04462	0.02564
17						0.04462	0.02564
18						0.04462	0.02564
19						0.04462	0.02564
20						0.04462	0.02564
21						0.02231	0.02564
22							0.02564
23							0.02564
24							0.02564
25							0.02564
26							0.02564
27							0.02564
28							0.02564
29							0.02564
30							0.02564
31							0.02564
32							0.02564
33							0.02564
34							0.02564
35							0.02564
36							0.02564
37							0.02564
38							0.02564
39							0.02564
40							0.01282
Totals	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

Verizon East  
 REGIONAL  
 MACRS Depreciation Schedule -- Amounts  
 1996

**ATTACHMENT B**  
**Exhibit Verizon East PIC Cost**  
**Workpaper 10.5**

Recovery Year	Recovery Period (Years)						
	3	5	7	10	15	20	39
<b>sum</b>	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00
1	333.33	200.00	142.86	100.00	50.00	37.50	12.82
2	444.44	320.00	244.90	180.00	95.00	72.19	25.64
3	148.15	192.00	174.93	144.00	85.50	66.77	25.64
4	74.07	115.20	124.95	115.20	76.95	61.77	25.64
5		115.20	89.25	92.16	69.26	57.13	25.64
6		57.60	89.25	73.73	62.33	52.85	25.64
7			89.25	65.54	59.05	48.88	25.64
8			44.62	65.54	59.05	45.22	25.64
9				65.54	59.05	44.62	25.64
10				65.54	59.05	44.62	25.64
11				32.77	59.05	44.62	25.64
12					59.05	44.62	25.64
13					59.05	44.62	25.64
14					59.05	44.62	25.64
15					59.05	44.62	25.64
16					29.52	44.62	25.64
17						44.62	25.64
18						44.62	25.64
19						44.62	25.64
20						44.62	25.64
21						22.31	25.64
22							25.64
23							25.64
24							25.64
25							25.64
26							25.64
27							25.64
28							25.64
29							25.64
30							25.64
31							25.64
32							25.64
33							25.64
34							25.64
35							25.64
36							25.64
37							25.64
38							25.64
39							25.64
40							12.82



