

**AVOIDED COST / RESALE DISCOUNT STUDY - 2003 EXPENSES**  
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WP6	Avoided Percent Sales - Acct 6612	Avoided Percent calculation of Sales expenses.
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**AVOIDED COST / RESALE DISCOUNT STUDY - 2003 EXPENSES**  
**Retail Avoided by Account Summary**  
**Illinois State**

**USING VERIZON OPERATORS      NOT USING VERIZON OPERATORS**

Line A	Account B	Account Description C	Regulated		% Avoided F=E/D	Avoided Amount G=WP3, Col J or L	% Avoided H=G/D
			Intrastate Amount D=WP3, WP2	Avoided Amount E=WP3			
11	5XXX	Revenue					
13	6533	Customer Repair Center Testing	\$ 3,347,495				
14	6611	Product Line Management	\$ 3,095,233				
15	6612	Marketing Sales	\$ 4,983,403				
16	6220	Operator Systems	\$ 64,436				
17	6621,6622	Call Completion/Number Svcs.	\$ 4,813,635				
18	6623	Customer Services & Billing	\$ 23,633,541				
19		Direct Expenses (Lines 14 - 19)	\$ 39,937,743				
21	530x	Uncollectible Revenue					
<b>23</b>		<b>Discount Percentages</b>			<b>11.40%</b>		<b>13.11%</b>

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**AVOIDED COST / RESALE DISCOUNT STUDY - 2003 EXPENSES**  
**Regulated Intrastate Revenues**  
**Total Illinois**

<b>Line #</b>	<b>Account</b>	<b>Description</b>	<b>Amount</b>	<b>Regulated %</b>	<b>Intrastate %</b>	<b>Regulated Intrastate Revenues</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G = D*E*F</b>

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**AVOIDED COST / RESALE DISCOUNT STUDY - 2003 EXPENSES**  
**Calculation of Regulated Intrastate Avoided Expenses**  
**Total Illinois**

LINE A	Account B	Account Description C	Total Company Expenses D	Regulated % E	Regulated Expenses F = D x E	OTHER ADJUSTMENT G	Adjusted Regulated Expense H =F-G	Intrastate % I	Regulated Intrastate Expenses J = H x I	Avoided % K	AVOIDED EXPENSES L = J x K	Avoided Assumptions M
9	611200	MOTOR VEHICLE EXPENSE	582,452	90.05%	\$ 524,506	\$ -	\$ 524,506	76.45%	\$ 400,977			Non-Avoided:Network Support Expense
10	611300	AIRCRAFT EXPENSE	84,932	98.82%	\$ 83,933	\$ -	\$ 83,933	76.45%	\$ 64,165			Non-Avoided:Network Support Expense
11	611400	SPECIAL PURPOSE VEHICLE	200,333	92.00%	\$ 184,306	\$ -	\$ 184,306	76.45%	\$ 140,899			Non-Avoided:Network Support Expense
12	612100	LAND & BUILDINGS EXP	12,780,091	96.04%	\$ 12,274,048	\$ -	\$ 12,274,048	76.36%	\$ 9,372,979			Non-Avoided:Network Support Expense
13	612200	FURNITURE & ARTWORK EXP	197,158	86.36%	\$ 170,273	\$ -	\$ 170,273	76.36%	\$ 130,027			Non-Avoided:Network Support Expense
14	612300	OFFICE EQUIP EXP	1,120,256	86.62%	\$ 970,348	\$ -	\$ 970,348	76.36%	\$ 740,998			Non-Avoided:Network Support Expense
15	612400	GNL PURPOSE COMPUTER EXP	13,168,926	93.04%	\$ 12,252,931	\$ -	\$ 12,252,931	76.36%	\$ 9,356,853			Non-Avoided:Network Support Expense
16	621100	ANALOG ELECTRONIC EXP	-	0.00%	\$ -	\$ -	\$ -	78.97%	\$ -			Non-Avoided:Network Operations Expense
17	621200	DIGITAL ELECTRONIC EXP	9,014,683	100.00%	\$ 9,014,683	\$ -	\$ 9,014,683	78.97%	\$ 7,118,708			Non-Avoided:Network Operations Expense
18	622000	OPERATOR SYSTEMS	93,539	87.23%	\$ 81,597	\$ -	\$ 81,597	78.97%	\$ 64,436			Only if Resellers decline use of Verizon Operators
19	623100	RADIO SYSTEMS EXP	9,359	100.00%	\$ 9,359	\$ -	\$ 9,359	78.97%	\$ 7,391			Non-Avoided:Network Operations Expense
20	623200	CIRCUIT EQUIP EXP	4,205,035	100.00%	\$ 4,205,035	\$ -	\$ 4,205,035	78.97%	\$ 3,320,629			Non-Avoided:Network Operations Expense
21	635100	PUBLIC TEL TERM EQUIP EXP	411,381	0.00%	\$ -	\$ -	\$ -	74.91%	\$ -			Non-Avoided:Network Operations Expense
22	636200	OTHER TERMINAL EQUIP EXP	8,213,973	20.28%	\$ 1,665,995	\$ -	\$ 1,665,995	74.91%	\$ 1,247,996			Non-Avoided:Network Operations Expense
23	641100	POLES	218,868	100.00%	\$ 218,868	\$ -	\$ 218,868	75.11%	\$ 164,399			Non-Avoided:Network Operations Expense
24	642100	AERIAL CABLE EXP	7,628,131	100.00%	\$ 7,628,131	\$ -	\$ 7,628,131	75.11%	\$ 5,729,752			Non-Avoided:Network Operations Expense
25	642200	UNDERGROUND CABLE EXP	487,006	100.00%	\$ 487,006	\$ -	\$ 487,006	75.11%	\$ 365,807			Non-Avoided:Network Operations Expense
26	642300	BURIED CABLE EXP	14,957,001	100.00%	\$ 14,957,001	\$ -	\$ 14,957,001	75.11%	\$ 11,234,719			Non-Avoided:Network Operations Expense
27	642400	SUBMARINE CABLE EXP	1,312	100.00%	\$ 1,312	\$ -	\$ 1,312	75.11%	\$ 985			Non-Avoided:Network Operations Expense
28	642500	Deep Sea Cable Expense	-		\$ -	\$ -	\$ -	75.11%	\$ -			Non-Avoided:Network Operations Expense
29	642600	INTRA-BUILDING CABLE EXP	25,259	100.00%	\$ 25,259	\$ -	\$ 25,259	75.11%	\$ 18,973			Non-Avoided:Network Operations Expense
30	643100	AERIAL WIRE	23,145	100.00%	\$ 23,145	\$ -	\$ 23,145	75.11%	\$ 17,385			Non-Avoided:Network Operations Expense
31	644100	CONDUIT SYSTEMS EXP	14,760	100.00%	\$ 14,760	\$ -	\$ 14,760	75.11%	\$ 11,086			Non-Avoided:Network Operations Expense
32	651200	PROVISIONING EXP	(178,508)	45.51%	\$ (81,231)	\$ -	\$ (81,231)	76.54%	\$ (62,177)			Non-Avoided:Network Operations Expense
33	653100	POWER	336,959	100.00%	\$ 336,959	\$ -	\$ 336,959	76.80%	\$ 258,778		Information Deemed Proprietary	Non-Avoided:Network Operations Expense
34	653200	NETWORK ADMIN EXP	3,274,564	99.85%	\$ 3,269,563	\$ -	\$ 3,269,563	76.80%	\$ 2,510,955			Non-Avoided:Network Operations Expense
35	653300	TESTING	5,086,811	85.69%	\$ 4,358,838	\$ -	\$ 4,358,838	76.80%	\$ 3,347,495			See WP4
36	653400	PLANT OPER ADMIN EXP	6,702,592	88.41%	\$ 5,925,523	\$ -	\$ 5,925,523	76.80%	\$ 4,550,676			Non-Avoided:Network Operations Expense
37	653500	ENGINEERING EXP	2,989,624	75.85%	\$ 2,267,714	\$ -	\$ 2,267,714	76.80%	\$ 1,741,556			Non-Avoided:Network Operations Expense
38	661100	PRODUCT/MARKET MGMT	4,844,880	89.22%	\$ 4,322,776	\$ -	\$ 4,322,776	71.60%	\$ 3,095,233			See WP5
39	661200	SALES	7,800,376	89.22%	\$ 6,959,776	\$ -	\$ 6,959,776	71.60%	\$ 4,983,403			See WP6
40	661300	PRODUCT ADVERTISING	1,102,369	83.68%	\$ 922,472	\$ -	\$ 922,472	71.60%	\$ 660,517			Not Avoided: Non-Incremental Costs
41	662100	CALL COMPLETION SVCS	2,941,365	98.64%	\$ 2,901,360	\$ -	\$ 2,901,360	77.70%	\$ 2,254,350			Only if Resellers decline use of Verizon Operators
42	662200	NUMBER SERVICES	4,132,019	79.71%	\$ 3,293,812	\$ -	\$ 3,293,812	77.70%	\$ 2,559,285			Only if Resellers decline use of Verizon Operators

**AVOIDED COST / RESALE DISCOUNT STUDY - 2003 EXPENSES**  
**Calculation of Regulated Intrastate Avoided Expenses**  
**Total Illinois**

LINE A	Account B	Account Description C	Total Company Expenses D	Regulated % E	Regulated Expenses F = D x E	OTHER ADJUSTMENT G	Adjusted Regulated Expense H =F-G	Intrastate % I	Regulated Intrastate Expenses J = H x I	Avoided % K	AVOIDED EXPENSES L = J x K	Avoided Assumptions M
43	662300	Finance Ops Only (WP 8)		84.33%	\$ -	\$ -	\$ -	77.70%	\$ -			See WP8
44	662300	6623 w/o Finance Ops		84.33%	\$ -	\$ -	\$ -	77.70%	\$ -			See WP7
45	662300	CUSTOMER SVCS & BILLING	36,069,642	84.33%	-	\$ -	-	77.70%	-			
46	671100	EXECUTIVE		91.26%	\$ -	\$ -	\$ -	76.32%	\$ -			Not Avoided: Non-Incremental Costs
47	671200	PLANNING		91.26%	\$ -	\$ -	\$ -	76.32%	\$ -			Not Avoided: Non-Incremental Costs
48	672100	ACCOUNTING & FINANCE		91.26%	\$ -	\$ -	\$ -	76.32%	\$ -			Not Avoided: Non-Incremental Costs
49	672200	EXTERNAL RELATIONS		91.26%	\$ -	\$ -	\$ -	76.32%	\$ -			Not Avoided: Non-Incremental Costs
50	672300	HUMAN RESOURCES		91.26%	\$ -	\$ -	\$ -	76.32%	\$ -			Not Avoided: Non-Incremental Costs
51	672400	INFORMATION MANAGEMENT		91.26%	\$ -	\$ -	\$ -	76.32%	\$ -			Not Avoided: Non-Incremental Costs
52	672500	LEGAL		91.26%	\$ -	\$ -	\$ -	76.32%	\$ -			Not Avoided: Non-Incremental Costs
53	672600	PROCUREMENT		91.26%	\$ -	\$ -	\$ -	76.32%	\$ -			Not Avoided: Non-Incremental Costs
54	672700	RESEARCH & DEVELOPMENT		91.26%	\$ -	\$ -	\$ -	76.32%	\$ -			Not Avoided: Non-Incremental Costs
55	672800	OTHER GENERAL & ADM		91.26%	\$ -	\$ (6,000)	\$ 6,000	76.32%	\$ 4,579			Not Avoided: Non-Incremental Costs
56	530x00	UNCOLLECTIBLES		93.82%	\$ -	\$ -	\$ -	85.49%	\$ -			See WP9

**AVOIDED COST / RESALE DISCOUNT STUDY - 2003 EXPENSES**  
**Percent Avoided - Account 6533 Testing**  
**Total Illinois**

<b>Line #</b>	<b>Regulatory Account</b>	<b>Account Description</b>	<b>EOY 2003 Totals</b>	<b>Retail</b>	<b>Wholesale</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D=Financial DB</b>	<b>E*</b>	<b>F**</b>

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**AVOIDED COST / RESALE DISCOUNT STUDY - 2003 EXPENSES**  
**Percent Avoided - Product Management Account 6611**  
**Total Verizon**

<b>Line #</b>	<b>Category</b>	<b>VZ-East Headcount</b>	<b>Ratio to Total Headcount</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>

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See Exhibit JW-1a for Headcount Study

**AVOIDED COST / RESALE DISCOUNT STUDY - 2003 EXPENSES**  
**Percent Avoided - Sales Account 6612**  
**Total Verizon**

<b>Line #</b>	<b>LOB (Line of Business)</b>	<b>Long Description</b>	<b>EOY 2003 Totals</b>	<b>Retail</b>	<b>Wholesale</b>	<b>Unspecified as Retail or Wholesale *</b>
<b>A</b>		<b>B</b>	<b>C=Financial DB</b>	<b>D</b>	<b>E</b>	<b>F</b>

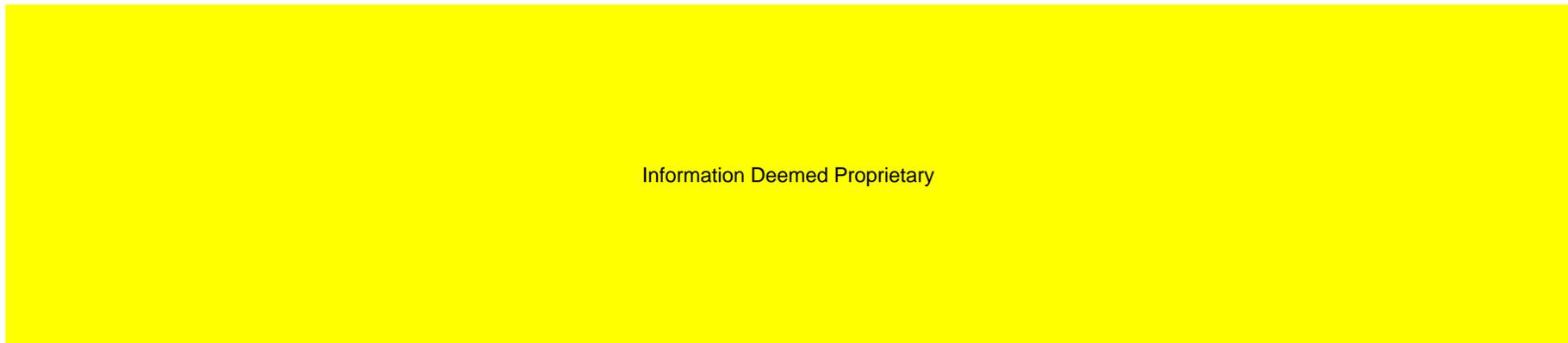
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**AVOIDED COST / RESALE DISCOUNT STUDY - 2003 EXPENSES**  
**Percent Avoided Customer Service - Account 6623 WITHOUT Billing Operations**  
**Total Verizon**

USOA Account 6623 contains expenses for two primary functions: Customer Service and Billing Operations. The Financial Accounting Systems provide a short description of sub-accounts that flow to the USOA 6623. For the Customer Services functions, Verizon sorts these account descriptions into Retail, Wholesale, and Unspecified Categories. Retail would be evident of costs associated with Endusers, Business/Residence Customers, Public PayPhone Customers, i.e., anything with a Retail-related word in the description. Wholesale descriptions contain terms like IXC (Interexchange Carriers), ICSC (Interconnection Service Center), CA (Carrier Access), etc. Unspecified would be anything that in general would provide administrative services for either retail or wholesale services, or for Billing Operations that will be determined in the secondary analysis for USOA 6623.

**Amount Assigned to:**

<b>Line #</b>	<b>Acct #</b>	<b>Regulatory Account</b>	<b>EOY 2003 Totals</b>	<b>Retail</b>	<b>Wholesale</b>	<b>Unspecified as Retail or Wholesale</b>	<b>6623 Direct Customer Service</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D=Financial DB</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H = E + F</b>



**AVOIDED COST / RESALE DISCOUNT STUDY - 2003 EXPENSES**  
**Billing Operations Expense in Account 6623**  
**Illinois State and Total Verizon**

*-Assumptions: Service Costs obtained the Billing Operations Costs for 2002 Billing Operations, therefore, a relationship of 2002 Billing to Total 6623 is developed to allocate 2003 dollars to Billing within the 6623 Account.*

Line	Jurisdiction	Total 6623 Expense (2002)	2002 Billing Operations Expenses Based on 2002 Access Lines	Billing Ops to Total 6623 for 2002	Total 6623 Expense (2003)	2003 Estimated Billing Operations Expenses
A	B	C=General Ledger	D=Billing Cost Team	E=D/C	F=General Ledger	G=F*E
9	IL	\$36,353,328	Information Deemed Proprietary			

*-The above Billing Operations Costs are to be allocated between wholesale and retail services with the following %s:*

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**AVOIDED COST / RESALE DISCOUNT STUDY - 2003 EXPENSES**

**Uncollectibles Avoided**

-Since Uncollectibles are booked using GAAP accounting rules, actual and accrued uncollectibles do not match in any one given year. A value may be accrued and not written off until years later. Therefore, Verizon developed the assumption of what portion of the uncollectibles is actually retail related by looking at a history of uncollectibles.

**36 Month Uncollectible Analysis**

Line #	Item Description	Source:	Uncollectibles (\$000)			
			2003	2002	2001	2001-2003
A	B	C	D	E	F	G=D+E+F

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