# NPV of Synergy / Integration

ltem	<u>(\$M)</u>	<u>(\$M)</u>
Enterprise Solutions Group (ESG) Revenues (net COS and related Capital)		
Small-Medium Business (SMB) Revenues (net COS and related Capital)		
Wireless Revenues (net COS)		
IT - Systems Upgrade (expense and capital) IT - Hardware Upgrade (expense and capital)		
IT - Savings (expense and capital)		
Network - Benchmark Capex Catch-up Network - PL to On-Net Capex Carrying Charges		
Network - Transport/Vendor/LD Savings		
Network - Avoided Capital (Enterprise Advance (EA), Global Network Services (GNS), etc.)		
Wholesale Operations Savings		
Headcount Reductions (Including Severance & Other Integration)		

Total

#### VZ Share of Syn

A	В	С	D	E	F	G	н	I	J	К	L	М	N	0 P
1 MCI Acquisition - Savings to Verizon (20	006-2009)													
2													-	
3 <u>Item</u>	Total Verizon	Errata	4-21 Filing	2006	2007	2008	2009	Notes						
4 (\$'s in millions, nominal)														
5									VZ Factor	(Referenc	ed rows an	e added togethe	er)	
6 Enterprise Solutions Group (ESG) Revenues (net COS)								SynDisplay2! Row 16 + Row 6)*\$J6	VE I dotor	(110101010			9	
7 Small-Medium Business(SMB) Revenues (net COS)								SynDisplay2! Row 19 + Row 9)*\$J7						
8 Wireless Revenues (net COS)								SynDisplay2! Row 21 + Row 11)						
Success-Based Capital Carrying Charges								See Below (row 50 + 120)						
10								See Below (10w 30 + 120)						
11 IT - Systems Upgrade (expense and capital)														
12 IT - Hardware Upgrade (expense and capital)														
13 IT - Savings (expense and capital)														
13 TT - Savings (expense and capital)														
14 Network Denehmerk Coney Octob un														
15 Network - Benchmark Capex Catch-up														
16 Network - Private Line to On-Net Capex Carrying Charg	jes							See Below						
17 Network - Transport/Vendor/Long Distance Savings Network - Avoided Capital (Enterprise Advance (EA), G	lah al							SynDisplay2! Row 48 + Row 50		SynDispla	y2! Row 50			
Network - Avoided Capital (Enterprise Advance (EA), G	IODAI													
18 Network Services (GNS), etc.)								<- See Below (Row 96)		SynDisplay	y2! Row 48			
19								Total Transpo	ort/Vendor/	Long Distar	nce Saving	s		
20 Wholesale Operations Savings														
21														
22 Headcount reductions								See Below						
23														
24 Severance & Other Integration								See Below						
25														
26 Total														
27														
28 Success-Based Capital Carrying Charges - Calculation:	ESG GTM							Supermul Dour 297						
29 30	SMB		+ +				1	Synergy! Row 387 Synergy! Row 389						
31	Total							-/ - 0/						
32 33														
33	% ESG GTM to Total		+ +											
35	% SMB to Total													
36 37	% success-based Capi	tal		-				Synergy! Row 468						
37	ESG GTM & SMB s-b	Capital	+ +				1	1						
39														

#### VZ Share of Syn

								-				
40	Α	В	С	D	E	F G	Н	I	J K	L	M N O	Р
40				cap add								-
41				PP&E								
43				Depr exp								-
44				Depr Res								-
42 43 44 45 46 47 48 49 50				Net PP&E		1 1						1
46												
47		Rate of Return		8.68%								
48		Net-to-Gross Multiplier										
49												
50												
51												-
52												-
54	Network - Private Line to On-Net Capex Carrying Charges Calculation:											-
55	Network - I made Eine to on Net oapex oanying onarges oaleutation.											
55 56 57 58 59				cap add				SynDisplay2! Row 55				-
57				PP&E								-
58				Depr exp								
59				Depr Res								
60				Net PP&E								_
61												
62 63 64		Rate of Return		8.68%		<u>↓</u>						+
64		Net-to-Gross Multiplier										+
65						<u> </u>			<u> </u>			+
65 66 67 68												+
67												+
68												+
69						1 1						1
70	Headcount / Non-wage Synergy:											1
71	Headcount / Non-wage Synergy:	2006	2007	<u>2008</u>	<u>2009</u>							
72	Enterprise Markets Mass Markets (Retail)					Synergy_G&ASavings'! Row 1	1 * 100%					
73	Mass Markets (Retail)											
74	International & Wholesale					Synergy_G&ASavings'! Row 3 Synergy_G&ASavings'! Row 4	5 <sup>-</sup> 20%					+
75	Network					Synergy_G&ASavings'! Row 4	20%					+
70	Information Technology Telecom SG&A					100% Attrib to MCI						+
78	Corporate SG&A					100% Attrib to MCI		1				+
79	Other SG&A											+
80	Total											+
81									1			1
82	(see 100% and 20% factors at WA WUTC Synergy Calc 8-5.xls, Sheet "WAHeads"											1
83												
84	Severance / Other Integration: Enterprise Markets		0007									<u> </u>
85	Severance / Other Integration:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	Supermy CRACE in cell B	* 1008/					+
80	Enterprise Markets Mass Markets (Retail)					Synergy_G&ASavings'! Row 1	0 100%					+
88	International & Wholesale					Syneray G&ASavinas'l Row 3	3 * 20%					
89	Network					Synergy_G&ASavings'! Row 3 Synergy_G&ASavings'! Row 5	1 * 20%					
90	Network The Second Network Network Information Technology					=;;;_===;=						-
91	Telecom SG&A											
92	Corporate SG&A											
93	Other SG&A											
94	Total											<u> </u>
95	Enterprise Advance (EA) & Clobal Network Conviese (CNIC) Avaided Investment	nov Corruing Chorges Co	loulation:									+
90	Enterprise Advance (EA) & Global Network Services (GNS) - Avoided Investment - Ca	Dex Carrying Charges Ca	inculation:			l						+
98				cap add		<u> </u>		SynDisplay2! Row 58 + 59				+
98 99 100 101 102 103 104 105				PP&E								+
100				Depr exp								1
101				Depr Res								1
102				Net PP&E								
103												
104		Rate of Return		8.68%								<u> </u>
105		Net-to-Gross Multiplier				l						+
106 107						<u>↓                                    </u>						+
107		-		+ +		<u>+</u>		1	L			+
	Wireless Success-based Capital - Capex Carrying Charges Calculation:											+
110												+
111				cap add		1 1		SynDisplay2! Row 58 + 59				+
112				PP&E								1
113				Depr exp								
114		-		Depr Res	-							
115				Net PP&E				1				<u> </u>
<u>t.</u>				8.68%								<u> </u>
116						1 1		1	1	1		1
116 117		Rate of Return		0.00%								-
116 117 118		Rate of Return Net-to-Gross Multiplier		0.00%								-
111 112 113 114 115 116 117 118 119 120				0.00%								

VZ-WA

	A	В	C D	E	F	G	Н І	J	К	L	М
1	MCI Acquisition - Savings to Verizon WA (2006-2	2009)									
2			- not for inclusion in testimony - back-up only -								
			•								
		Total									
3	ltem	Verizon WA	2006	2007	2008	2009					
		Venzon WA	2000	2001	2000	2003					
	(\$'s in millions, nominal)										<u> </u>
5	500 D										<u> </u>
	ESG Revenues (net COS)										
	SMB Revenues (net COS)			1	1	1	Combined capital carrying charges:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
8	Success-Based Capital Carrying Charges						Success-based Capital (ESG only)				
9							Depr/Pre-Tax COC on Cap Spend				
	IT - Systems Upgrade (expense and capital)						Prop, PInt & Equipmt				
11	IT - Hardware Upgrade (expense and capital)						Depreciation Expense				
	IT - Savings (expense and capital)						Depreciation Reserve				
13							Net P P & E				
14	Network - Benchmark Capex Catch-up										
	Network - Private Line to On-Net Capex Carrying Charges						ESG % Regulated				
	Network - Transport/Vendor/Long Distance Savings						SMB % Regulated				
	Network - Avoided Capital (EA, GNS, etc.)						Sind /or regulated				
18											
-	Wholesale Operations Savings										
	Wholesale Operations Savings										
20	Headcount reductions										
	Headcount reductions										<u> </u>
22											ļ
	Severance & Other Integration										
24											ļ
25	Transactions Costs (Allocated)										
26											
27	Total										
28											
29 30				Do Not Inco	porate into De	claration					<u> </u>
31					Cost Allocatio		Estimated Transaction Costs Detail:				
32				VZ		Intra Reg	Bear Stearns				
33 34							State Regulatory (Milch) Debevoise				<u> </u>
34							Antitrust review (Thorne)				
36							Legal (Glover)				
37							HR-Legal (Brafman)				<u> </u>
38 39							E&Y/Other accountants Appraiser				
40							Public Relations firm (Thonis)				
41							Other fees				
42							Total estimated trans. Costs	I			

VZ Intrastate Regulated

## Annual Synergies For Intrastate Regulated Services

<u>Item</u> (\$'s in millions, nominal)	2006 <u>VZ- WA</u>	2007 <u>VZ- WA</u>	2008 <u>VZ- WA</u>	2009 <u>VZ- WA</u>
ESG Revenues (net COS)				
SMB Revenues (net COS)				
Success-Based Capital Carrying Charges				
Sub-total Revenue Synergies				
Network - Private Line to On-Net Capex Carrying Charges				
Network - Transport/Vendor/Long Distance Savings				
Headcount reductions				
Severance & Other Integration				
Transaction Costs (Allocated)				
Sub-Total Expense Synergies				
Total				

### 4 yr NPV

### Verizon Washington Net Present Value Calculation

ltem		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>					
(\$'s in millions)	Year =	1	2	3	4					
Net Revenue Synergies to Intrastate Se	rvices									
Discount Rate	8.68%						<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net Present Value (NPV)						Calc. >				
Net Expense Synergies to Intrastate Se	rvices									
Discount Rate	8.68%						<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net Present Value (NPV)										