

Exhibit No. ___ (KMF-10)
Docket No. UT-040788
Witness: Kathleen M. Folsom

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

VERIZON NORTHWEST INC.,

Respondent.

DOCKET NO. UT-040788

EXHIBIT TO TESTIMONY
(INTERIM CASE)
OF
Kathleen M. Folsom

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Response to Data Request No. 43
(with e-mail supplemental)

July 14, 2004

Docket No. UT-040788 – Interim Rate Relief
WUTC Staff Data Requests to Verizon No. 43
June 18, 2004

Interim Rate Relief Data Request:

WUTC STAFF DATA REQUEST NO. 43:

For each of the calendar years 2001, 2002, and 2003, please provide a statement of cash flows for Verizon Northwest Inc. and for Verizon Northwest Inc.'s Washington state operations. For any line items described as "other," please provide a description and dollar amount, for all individual items greater than \$25,000.

RESPONSE:

Verizon objects to this data request on the ground that it is unduly burdensome. While Verizon will provide a statement of cash flows for 2001, 2002 and 2003, including aggregate numbers for the "other" category, it cannot provide a breakdown on the basis of whether an "other" entry exceeds \$25,000 without considerable effort. Verizon's records do not itemize entries in the "other" category on the basis of whether an entry exceeds \$25,000.

Please see Attachment 43 for Verizon Northwest Inc.'s statement of cash flows for the years 2001 to 2003. Statement of cash flows is not produced at the state level; therefore, it is not available for Washington.

Prepared By: Jane Lee

Date: June 16, 2004

Witness: James Vander Weide, Nancy Heuring

Verizon Response to WUTC Staff Interim Data Request No. 43
UT-040788

Attachment 43

Verizon Northwest Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31
(Dollars in Millions)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before cumulative effect of accounting change	\$ 77.8	\$ 174.3
Adjustments to reconcile income before cumulative effect of accounting change to net cash provided by operating activities:		
Depreciation	237.4	249.0
Deferred income taxes, net	6.1	28.6
Employee retirement benefits	65.8	(8.4)
Provision for uncollectible accounts	5.2	46.2
Changes in current assets and liabilities:		
Accounts receivable	9.2	(4.6)
Material and supplies	(3.1)	4.9
Other current assets	(4.9)	2.5
Accounts payable and accrued liabilities	26.1	(44.9)
Other current liabilities	12.9	(1.9)
Other, net	(21.2)	(20.3)
Net cash provided by operating activities	<u>411.3</u>	<u>425.4</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures (including capitalized network software)	(178.7)	(232.5)
Purchases of short-term investments	(41.1)	(33.9)
Proceeds from sale of short-term investments	33.9	34.2
Investment in unconsolidated business	---	(9.7)
Net change in note receivable from affiliate	(13.9)	---
Other, net	---	(.2)
Net cash used in investing activities	<u>(199.8)</u>	<u>(242.1)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments of borrowings and capital lease obligations	(.9)	(.9)
Net change in notes payable to affiliates	11.2	(57.4)
Dividends paid	(221.8)	(135.0)
Capital contribution from parent	---	9.9
Net cash used in financing activities	<u>(211.5)</u>	<u>(183.4)</u>
NET CHANGE IN CASH	<u>---</u>	<u>(.1)</u>
CASH, BEGINNING OF YEAR	<u>---</u>	<u>.1</u>
CASH, END OF YEAR	<u>\$ ---</u>	<u>\$ ---</u>

See Notes to Consolidated Financial Statements.

Verizon Northwest Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31
(Dollars in Millions)

	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ 174.3	\$ 183.7	\$ 237.9
Adjustments to reconcile net income to net cash provided by			
Operating activities:			
Depreciation and amortization	249.0	249.2	237.1
Equity loss from affiliate	---	26.1	.8
Deferred income taxes, net	28.6	28.8	47.4
Employee retirement benefits	(8.4)	(16.3)	(98.2)
Provision for uncollectible accounts	46.2	18.6	13.5
Changes in current assets and liabilities:			
Accounts receivable	(4.6)	(1.3)	39.1
Material and supplies	4.9	2.1	(1.1)
Other current assets	2.5	(3.7)	(20.9)
Accounts payable and accrued liabilities	(44.9)	27.2	(7.5)
Other current liabilities	(1.9)	20.3	19.0
Other items, net	(20.3)	5.6	8.9
Net cash provided by operating activities	425.4	540.3	476.0
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of short-term investments	(33.9)	(34.2)	(19.0)
Proceeds from sale of short-term investments	34.2	30.1	---
Capital expenditures	(232.5)	(289.4)	(355.1)
Investment in unconsolidated business	(9.7)	(18.0)	---
Other, net	(.2)	1.3	10.8
Net cash used in investing activities	(242.1)	(310.2)	(363.3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayments of borrowings and capital lease obligations	(.9)	(201.6)	(1.6)
Net change in notes payable to affiliates	(57.4)	134.2	98.9
Dividends paid	(135.0)	(181.0)	(211.0)
Capital contribution from parent	9.9	18.0	---
Net cash used in financing activities	(183.4)	(230.4)	(113.7)
NET CHANGE IN CASH	(.1)	(.3)	(1.0)
CASH, BEGINNING OF YEAR	.1	.4	1.4
CASH, END OF YEAR	\$ ---	\$.1	\$.4

See Notes to Consolidated Financial Statements.

Balance at end of year	155.9	137.8	60.4
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REINVESTED EARNINGS			
Balance at beginning of year	95.8	82.0	23.8
Net income	183.7	237.9	286.2
Dividends declared	(181.0)	(147.0)	(228.0)
Dividend paid in connection with merger	---	(77.0)	---
Other	---	(.1)	---
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Balance at end of year	98.5	95.8	82.0
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TOTAL SHAREOWNER'S INVESTMENT	\$ 702.4	\$ 681.6	\$ 590.4
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See Notes to Consolidated Financial Statements.

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Verizon Northwest Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31
(Dollars in Millions)

	2001	2000	1999
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CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 183.7	\$ 237.9	\$ 286.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	249.2	237.1	219.3
Equity loss from affiliate	26.1	.8	---
Deferred income taxes, net	28.8	47.4	44.7
Employee retirement benefits	(16.3)	(98.2)	(68.7)
Provision for uncollectible accounts	18.6	13.5	18.8
Loss on sale of assets	---	.5	---
Changes in current assets and liabilities:			
Accounts receivable	(1.3)	39.1	(94.6)
Material and supplies	2.1	(1.1)	(1.8)
Other assets	(3.7)	(20.9)	3.3
Accounts payable and accrued liabilities	27.2	(7.5)	(11.7)
Other current liabilities	20.3	19.0	(4.8)
Other items, net	5.6	8.4	6.7
Net cash provided by operating activities	540.3	476.0	397.4
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CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of short-term investments	(34.2)	(19.0)	---
Proceeds from sale of short-term investments	30.1	---	---
Capital expenditures	(289.4)	(355.1)	(246.4)
Investment in unconsolidated business	(18.0)	---	---
Other, net	1.3	10.8	.8
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Net cash used in investing activities	(310.2)	(363.3)	(245.6)
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CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayments of borrowings and capital lease obligations	(201.6)	(1.6)	(125.9)
Net change in note payable to affiliate	134.2	98.9	159.1
Dividends paid	(181.0)	(211.0)	(184.0)
Capital contribution from parent	18.0	---	---
Net cash used in financing activities	(230.4)	(113.7)	(150.8)
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NET CHANGE IN CASH	(.3)	(1.0)	1.0
CASH, BEGINNING OF YEAR	.4	1.4	.4
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CASH, END OF YEAR	\$.1	\$.4	\$ 1.4
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See Notes to Consolidated Financial Statements.

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