

Exhibit No. __ (KMF-13)
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. 11
(including supplemental response)

July 14, 2004

Data Request No. 11 (General)

Please:

- a) Identify the number of employees of Verizon Northwest Inc. that have had their pay decreased or jobs eliminated as a result of the financial condition the Company describes in its interim rate relief case, *e.g.*, Mr. Banta's testimony in Exhibit No. ___ (SMB-2T). State the annual revenue impact of any such actions, and produce the documents that show the connection between the pay decrease or job elimination and that financial condition.
- b) Please identify any construction budget item of Verizon Northwest Inc. that has been deferred or eliminated in response to the financial condition the Company describes in its interim rate relief case, *e.g.*, Mr. Banta's testimony in Exhibit No. ___ (SMB-2T). Produce the documents that show the connection between the construction item deferred or eliminated and that financial condition.
- c) Please identify and quantify the annual economic impact of any cost cutting measure other than those identified in item a) or b) that were done in response to the financial condition the Company describes in its interim rate relief case, *e.g.*, Mr. Banta's testimony in Exhibit No. ___ (SMB-2T), and produce the documents that show the connection between the cost cutting measure and that financial condition.

RESPONSE:

- a) The number of employees leaving the Company due to the Management Voluntary Separation Program made further headcount reductions unnecessary. This program alone reduced headcount by approximately 160 Washington employees.
- b) The current view for the 2004 capital budget has dropped significantly below the original view and is 28% lower than the 2003 amount. Verizon is currently in the process of reexamining its capital expenditures and estimates a further reduction in capital spending of approximately 15%. These specific programs will be supplied when finalized.
- c) See Response to 11(b).

Up to this point, Verizon's other operations (Idaho/Oregon/Washington interstate) that make up Verizon Northwest Inc. have subsidized Washington intrastate operations. However, this situation should not continue under Washington law.

Prepared By: Gregg Diamond
Date: May 17, 2004

Supplemental Data Request No. 11

Please complete your response to Staff Data Request #11 to include, as requested (the requested matter is set forth in quotes from DR #11):

- a) Please provide "the annual revenue impact of any such actions, and produce the documents that show the connection between the pay decrease or job elimination and that financial condition" [i.e. the financial condition referred to in Mr. Banta's interim rate relief testimony].
- b) Please "produce the documents that show the connection between the construction item deferred or eliminated and that financial condition" [i.e. the financial condition referred to in Mr. Banta's interim rate relief testimony].
- c) Please "produce the documents that show the connection between the cost cutting measure and that financial condition" [i.e. the financial condition referred to in Mr. Banta's interim rate relief testimony].

SUPPLEMENTAL RESPONSE:

- a) As noted in the original response, the take-rate from the MVSP accomplished the required head count reductions. The MVSP process started at approximately the same time as the issuance of the Commission's access order and ran through November 2003. Verizon Northwest waited for the results of this program before deciding whether further action was required. Given the MVSP's end results, further action was not required in this area. Thus, there are no specific documents showing a connection between MVSP job eliminations and the financial condition as requested in the data request. The support for the annual savings associated with the MVSP was provided in the General Rate Case Workpaper P20.1 and P20.1.1 (Book 2 of 6, tab 4). In addition, Verizon's response to WUTC Staff Data Request 234 addressed the results of the MVSP.
- b) As noted in the original response, the reduction in capital spending occurred in two steps: Business as usual 2004 budget planning and a further assessment of incremental reductions. The 2004 budget planning process ran during the last several months of 2003 and Verizon Northwest waited for the results before deciding whether further action was required. Thus, there are no specific documents showing a connection between the reduced level of the 2004 budget and the financial condition as requested in the data request. In addition, the current view for the 2004 budget is 13% lower than the 2003 amount (not 28% lower as stated in the original response), and Verizon estimates a further reduction in capital spending of approximately 10% (not

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Related to Interim Rate Relief Case
June 2, 2004

the approximately 15% as stated in the original response). Verizon will produce the requested documents showing the connection for the second step of reductions when completed.

c) Not applicable.

Prepared By: Gregg Diamond
Date: June 2, 2004
Witness: Steve Banta