

Exhibit No. \_\_\_ (PMS-3)  
Docket No. UT-040788  
Witness: Paula M. Strain

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  
OF  
PAULA M. STRAIN  
REGARDING INTERIM RATE RELIEF

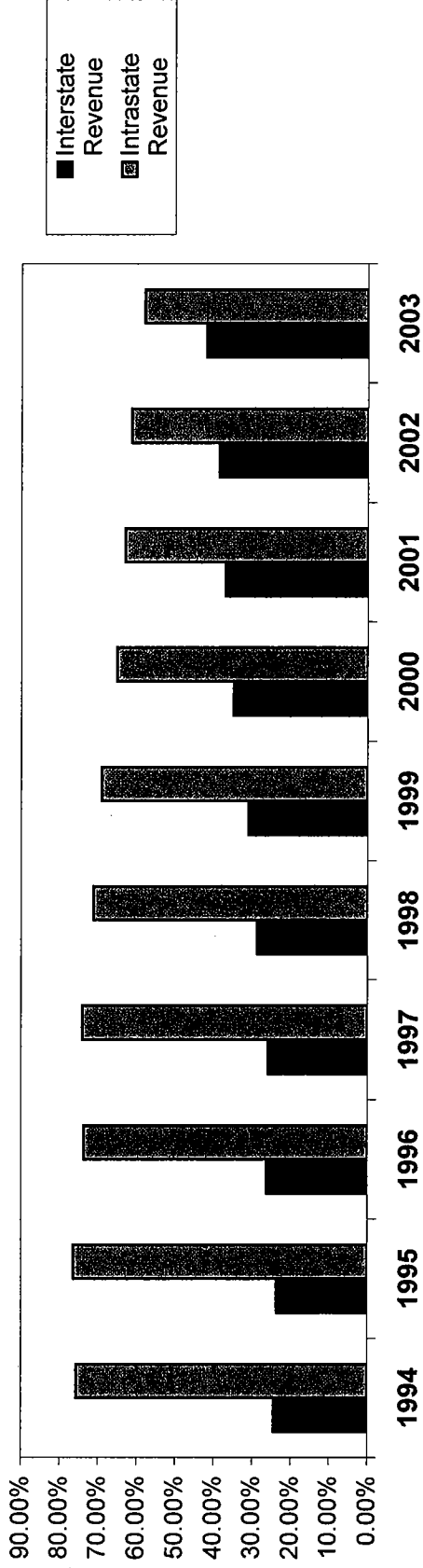
STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

Summarization of Verizon Northwest Quarterly Compliance  
Reports for Washington, Intrastate, and Interstate  
Verizon Response to Public Counsel Data Request No. 6

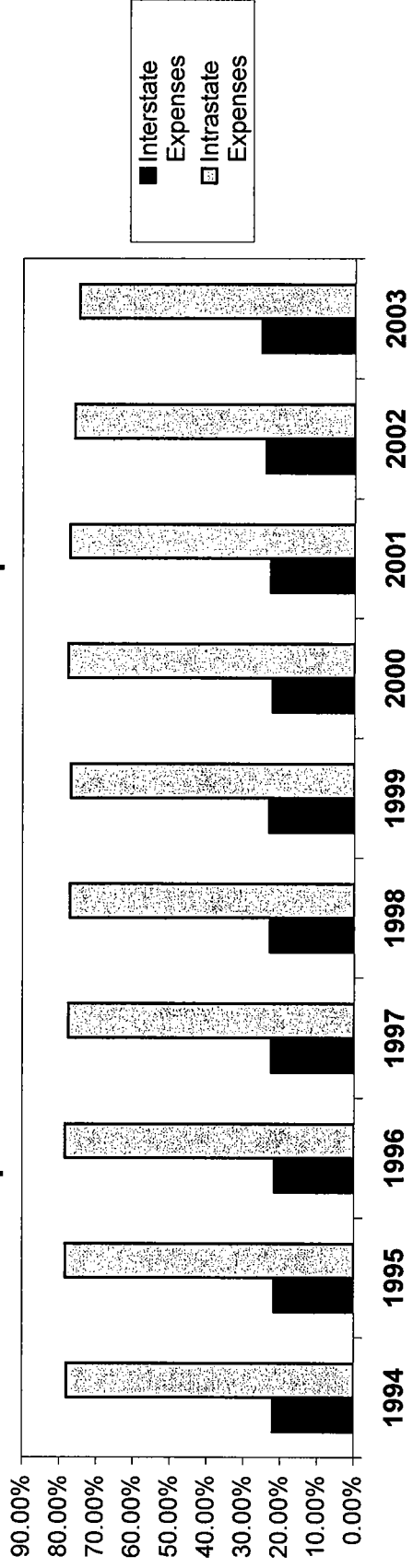
July 14, 2004

### Verizon Northwest Inc. - Washington Operations

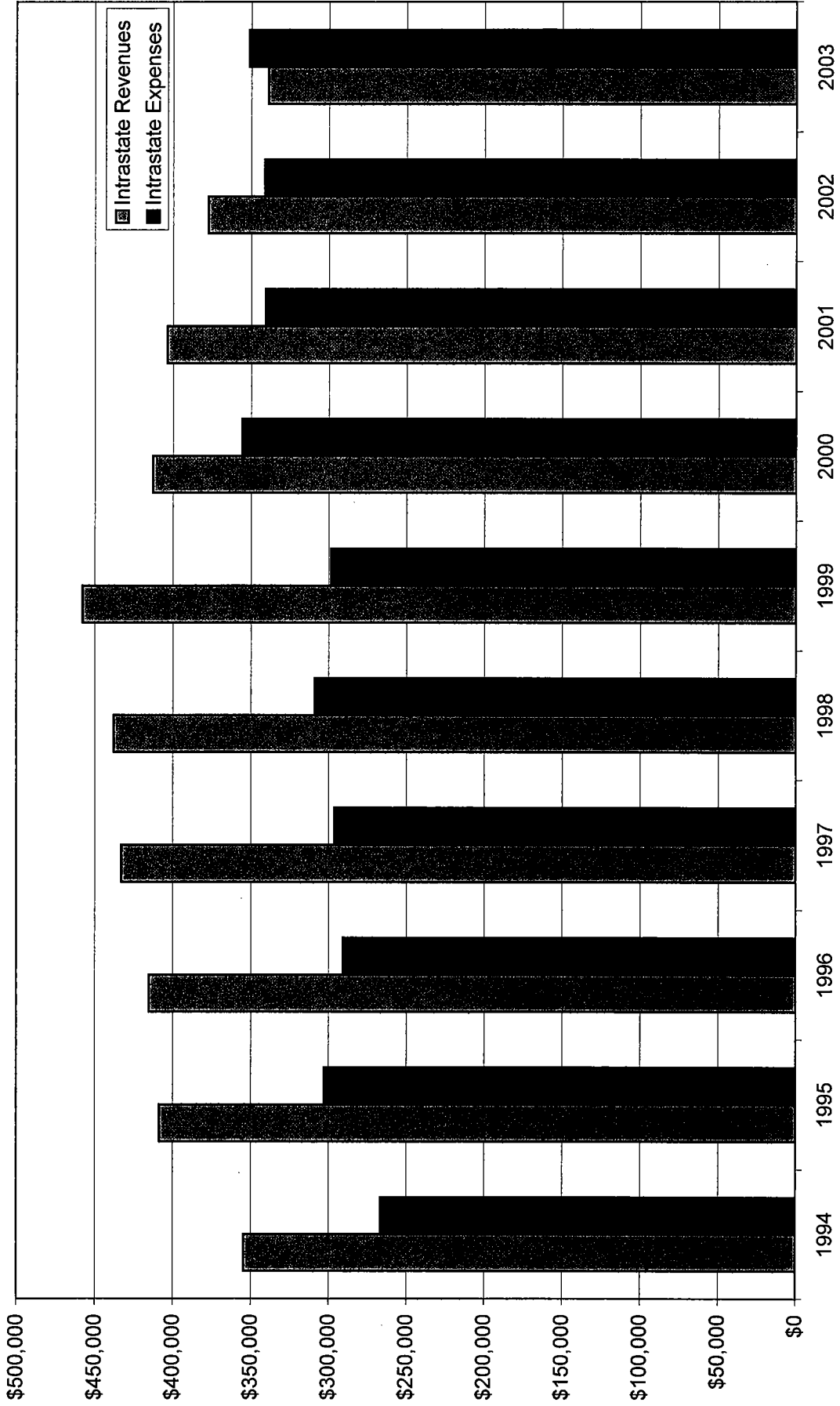
#### Comparison of Interstate and Intrastate Revenues

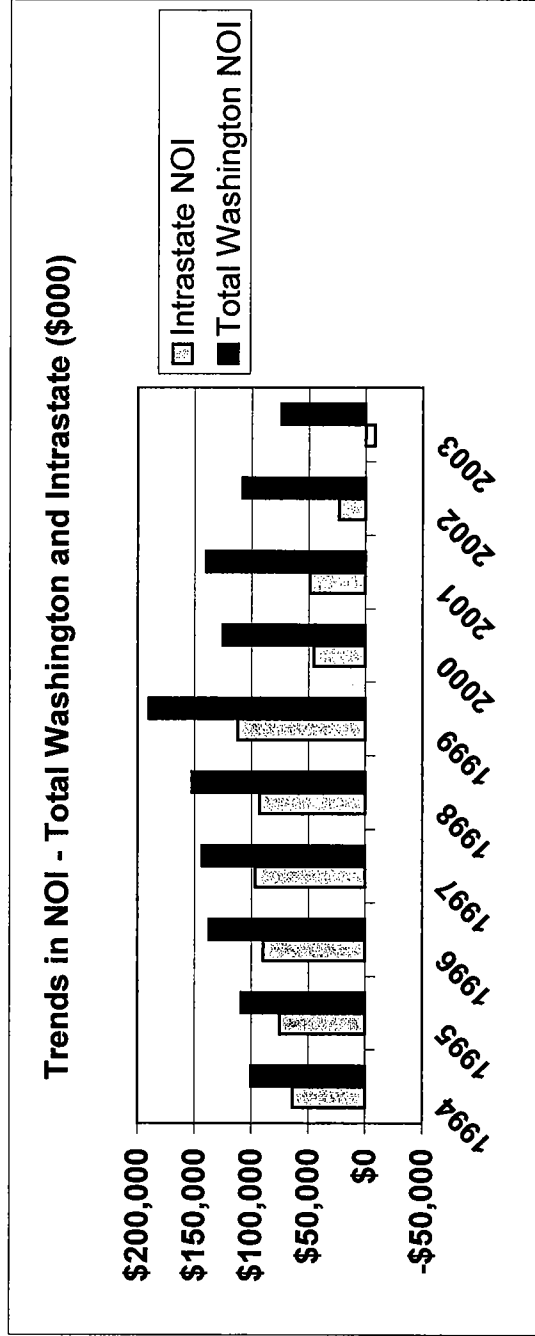
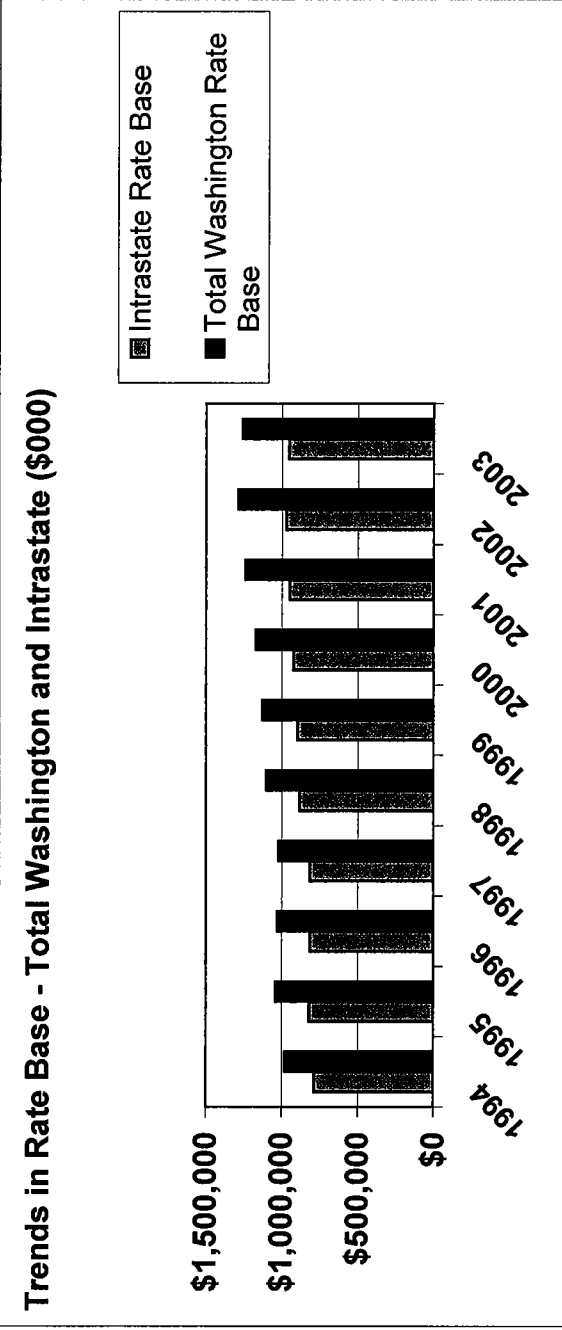


#### Comparison of Interstate and Intrastate Expenses



**Verizon Northwest Inc.  
Trends in Revenues and Expenses  
Washington Intrastate Basis (\$000)**





**Verizon Northwest Inc.**  
**Revenues, Expenses and Rate Base**  
Washington Intrastate

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Operating Revenues</b>	354,621	408,492	415,287	432,834	437,773	457,810	412,884	403,772	377,524	338,996
<b>Operating Expenses/Tax</b>	266,553	302,877	290,878	296,291	308,954	298,581	355,785	340,786	341,339	351,369
<b>EBIT</b>	88,068	105,615	124,409	136,543	128,819	159,229	57,099	62,986	36,185	-12,373
<b>Income Taxes</b>	24,274	30,337	34,751	39,845	35,804	47,079	11,708	14,071	12,665	-4,331
<b>Net Operating Income</b>	63,794	75,278	89,658	96,698	93,015	112,150	45,391	48,915	23,520	-8,042
<b>Rate Base</b>	786,216	819,291	814,326	815,416	882,008	897,377	925,517	950,977	972,615	953,796
<b>Rate of Return</b>	8.11%	9.19%	11.01%	11.86%	10.55%	12.50%	4.90%	5.14%	2.42%	-0.84%
<b>WUTC Authorized ROR</b>	9.76%	9.76%	9.76%	9.76%	9.76%	9.76%	9.76%	9.76%	9.76%	9.76%

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Operating Revenues</b>	75.60%	76.30%	73.70%	74.09%	71.22%	69.00%	65.09%	63.03%	61.31%	57.98%
<b>Operating Expenses/Tax</b>	77.98%	78.26%	78.35%	77.48%	77.06%	76.86%	77.68%	77.19%	75.90%	74.66%
<b>EBIT</b>	69.21%	71.17%	64.73%	67.68%	60.26%	57.89%	32.38%	31.63%	21.80%	-10.85%
<b>Income Taxes</b>	90.33%	76.41%	62.91%	67.91%	58.03%	55.41%	23.04%	23.74%	21.80%	-10.85%
<b>Net Operating Income</b>	63.55%	69.26%	65.46%	67.58%	61.16%	59.00%	36.17%	34.98%	21.80%	-10.85%
<b>Rate Base</b>	80.01%	78.71%	79.09%	79.90%	80.18%	79.60%	78.98%	76.71%	75.62%	75.61%

NOTE: All figures are year end 12/31 except 1994 and 2003, which reflect the 12 months ended September 30. Revenues in 2000 through 2003 do not include directory advertising retention revenues.

SOURCE: Quarterly Compliance Reports filed with the WUTC by GTE Northwest Inc. and Verizon Northwest Inc.

**Verizon Northwest Inc.  
Revenues, Expenses and Rate Base  
Washington Interstate**

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Operating Revenues</b>	114,464	126,891	148,182	151,354	176,912	205,721	221,434	236,828	238,206	245,666
<b>Operating Expenses/Tax:</b>	75,278	84,115	80,385	86,141	91,956	89,904	102,207	100,686	108,381	119,282
<b>EBIT</b>	39,186	42,776	67,797	65,213	84,956	115,817	119,227	136,142	129,825	126,382
<b>Income Taxes</b>	2,599	9,365	20,488	18,825	25,896	37,890	39,113	45,206	45,438	44,234
<b>Net Operating Income</b>	36,587	33,411	47,309	46,388	59,060	77,927	80,114	90,936	84,387	82,148
<b>Rate Base</b>	196,395	221,622	215,346	205,141	218,084	230,042	246,377	288,665	313,636	307,589
<b>Rate of Return</b>	18.63%	15.08%	21.97%	22.61%	27.08%	33.88%	32.52%	31.50%	26.91%	26.71%

NOTES: All figures are year end 12/31 except 1994 and 2003, which reflect the 12 months ended September 30.

SOURCE: Quarterly Compliance Reports filed with the WUTC by GTE Northwest Inc. and Verizon Northwest Inc.

<b>Interstate As a Percent of Total State</b>										
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Operating Revenues</b>	24.40%	23.70%	26.30%	25.91%	28.78%	31.00%	34.91%	36.97%	38.69%	42.02%
<b>Operating Expenses/Tax:</b>	22.02%	21.74%	21.65%	22.52%	22.94%	23.14%	22.32%	22.81%	24.10%	25.34%
<b>EBIT</b>	30.79%	28.83%	35.27%	32.32%	39.74%	42.11%	67.62%	68.37%	78.20%	110.85%
<b>Income Taxes</b>	9.67%	23.59%	37.09%	32.09%	41.97%	44.59%	76.96%	76.26%	78.20%	110.85%
<b>Net Operating Income</b>	36.45%	30.74%	34.54%	32.42%	38.84%	41.00%	63.83%	65.02%	78.20%	110.85%
<b>Rate Base</b>	19.99%	21.29%	20.91%	20.10%	19.82%	20.40%	21.02%	23.29%	24.38%	24.39%

**Verizon Northwest Inc.**  
**Revenues, Expenses and Rate Base**  
**Total Washington State**

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Operating Revenues</b>	469,085	535,383	563,469	584,188	614,685	663,531	634,318	640,600	615,730	584,661
<b>Operating Expenses/Tax</b>	341,831	386,992	371,263	382,432	400,910	388,485	457,992	441,472	449,720	470,652
<b>EBIT</b>	127,254	148,391	192,206	201,756	213,775	275,046	176,326	199,128	166,010	114,009
<b>Income Taxes</b>	26,873	39,702	55,239	58,670	61,700	84,969	50,821	59,277	58,103	39,903
<b>Net Operating Income</b>	100,381	108,689	136,967	143,086	152,075	190,077	125,505	139,851	107,907	74,106
<b>Rate Base</b>	982,611	1,040,913	1,029,672	1,020,557	1,100,092	1,127,419	1,171,894	1,239,642	1,286,251	1,261,385
<b>Rate of Return</b>	10.22%	10.44%	13.30%	14.02%	13.82%	16.86%	10.71%	11.28%	8.39%	5.87%

NOTE: All figures are year end 12/31 except 1994 and 2003, which reflect the 12 months ended September 30.  
SOURCE: Quarterly Compliance Reports filed with the WUTC by GTE Northwest Inc. and Verizon Northwest Inc.

Docket No. UT-040788  
Public Counsel Data Requests to Verizon No. 1-14  
June 4, 2004

**Data Request No. PC-6**

Does Verizon NW market and sell DSL and associated Internet services to its Washington subscribers?

- a. If yes, identify the revenues from these services and state whether they are included in the calculation of revenue deficiencies presented in this case.
- b. If no, identify any affiliated entities that do market these services.
- c. If no, identify the rates and charges that Verizon receives from the providers of such services.
- d. If no, identify the total amount of revenue from the rates and charges for these services during 2003 and state whether such revenues were included in the calculation of the revenue deficiencies in this case.
- e. If no, and if affiliated entities do market these services, state the net income of these entities during the year ended September 30, 2003.

**RESPONSE:**

No, Verizon Northwest does not market and sell DSL and associated Internet services to its Washington subscribers.

- a. Not applicable.
- b. GTE.NET LLC d/b/a Verizon Internet Solutions a/k/a Verizon OnLine is the Verizon affiliate that markets these services to Washington subscribers.
- c. See Attachment PC-6 for an excerpt from Verizon's F.C.C No. 20 Tariff, which gives the rates for Verizon's Tariffed DSL services.
- d. Total interstate revenues of \$3,299,084 were recorded by Verizon Northwest - Washington in connection with FCC-tariffed DSL loop services. All of these revenues are determined to be interstate in nature, therefore, were not included in the calculation of the revenue deficiencies in this case.



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June 4, 2004

- e. Verizon NW objects to this request because the information requested is not relevant to the issues in this case to the extent it requests information from Verizon NW affiliates that goes beyond that reported to the Commission on Verizon NW annual Affiliate Interest Reports. Without waiver of the foregoing objection, Verizon NW's 2003 Affiliate Interest Report shows that GTE.NET LLC recognized a net \*\*\*\*\* (CONFIDENTIAL) for year ended 2003.

Prepared By: Judy Geise (a,b,e), Russell Overby (c), Jane Lee (d), Judy Endejan (e)

Date: June 1, 2004

Witness: Nancy Heuring or another SME to be identified at a later date.

**(Confidential per Protective Order in WUTC Docket No. UT-040788)**