

VERIZON NORTHWEST INC. - WASHINGTON OPERATIONS
2004 Washington General Rate Case
Results of Operations
Test Year - October 2002 to September 2003
(Thousands of Dollars)

Line	(a) Description	(b) Regulated	(c) Intrastate	(c1) Restating Adjustments	(d) = (c+c1) Restated Intrastate	(e) Proforma Adjustments	(f) = (d+e) Adjusted Intrastate	(g) Revenue Requirement	(h) = (f+g) Results w/ Revenue Req.
1	Operating Revenues:								
2	Local Network Service	260,882	260,882	1,982	262,864	(2,424)	260,440	239,531	499,971
3	Network Access Revenues	78,092	78,092	(581)	77,511	(27,776)	49,735	0	49,735
4	Long Dist Netwk Revenues	21,863	21,863	0	21,863	(3,489)	18,374	0	18,374
5	Miscellaneous Revenues	30,473	17,587	351	17,938	(3,495)	14,443	0	14,443
6	Uncollectibles	(14,389)	(8,487)	0	(8,487)	1,369	(7,118)	(5,474)	(12,591)
7									
8	Total Operating Revenue	376,920	369,937	1,752	371,689	(35,815)	335,874	234,057	569,931
9									
10	Operating Expenses:								
11	Plant Specific Operations	73,966	56,503	(1,492)	55,011	3,209	58,220	0	58,220
12	Plant Non-Spec Operations	26,891	20,224	3,079	23,303	2,039	25,342	0	25,342
13	Access	(487)	(487)	6,716	6,229	0	6,229	0	6,229
14	Customer Operations	66,725	53,572	(1,980)	51,592	3,029	54,621	0	54,621
15	Corporate Operations	101,738	79,040	1,418	80,458	(13,736)	66,722	0	66,722
17	Other Income & Expenses	(228)	(172)	0	(172)	0	(172)	0	(172)
18	Taxes Other Than Income Taxes	23,621	16,167	1,007	17,174	(155)	17,019		17,019
19									
20	Total Operating Expenses Before Depreciation	292,226	224,847	8,748	233,595	(5,614)	227,981	0	227,981
21									
21a	Depreciation Expense	166,381	124,692	0	124,692	47,405	172,097	0	172,097
21b									
21c	Total Operating Expenses	458,607	349,538	8,748	358,286	41,791	400,077	0	400,077
21d									
22	Earnings Before Interest and Taxes (EBIT)		20,398	(6,996)	13,402	(77,606)	(64,204)	234,057	169,853
23									
24	Federal Income Tax		1,443	(2,449)	(1,005)	(27,162)	(28,168)	81,920	53,752
25									
26	Net Operating Income		18,955	(4,547)	14,408	(50,444)	(36,036)	152,137	116,101
27									
28	Rate Base (Average):								
29	Telecomm Plant in Service	2,460,353	1,858,467	(2,123)	1,856,344	10,167	1,866,511	0	1,866,511
30	Other Assets (SFAS 87)	172,466	134,136	1,292	135,428	2,499	137,927	0	137,927
31	Investor Supplied Working Capital	0	0	0	0	(1,718)	(1,718)	0	(1,718)
32	Depr & Amort Reserve	998,652	756,207	0	756,207	15,115	771,322	0	771,322
33	Deferred Income Taxes	353,397	272,387	(35,223)	237,164	(4,415)	232,749	0	232,749
34	Other LT Liab	40,006	31,114	(17,990)	13,124	20,429	33,553	0	33,553
35									
36	Total Rate Base	1,240,763	932,894	52,382	985,276	(20,181)	965,095	0	965,095
37									
38	Return on Rate Base (ROR)		2.03%		1.46%		-3.73%		12.03%
39									
40	Reference: Workpapers	S1, S2	S3, L4	R1, R2, L4		P1, P2, L4	L4	L2	

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2004 Washington General Rate Case
Revenue Requirement Calculation
Test Year - October 2002 to September 2003
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Line	(a) Description	(b) @12.03%	(c) Reference
1	Adjusted Intrastate Average Rate Base	965,095	L1, Col. F, Ln 36
2	Rate of Return	12.03%	
3	Required Net Operating Income (Ln 1 * Ln 2)	116,101	
4	Adjusted Intrastate Net Operating Income	(36,036)	L1, Col. F, Ln 26
5	Income Deficiency / (Excess) (Ln 3 - Ln 4)	152,137	
6	Revenue Conversion Factor	1.574442	L3, Col. B, Ln 10
7	Revenue Requirement Deficiency / (Excess) (Ln 5 * Ln 6)	239,531	