

Exhibit No. ___-T (PMS-1T)
Docket No. UT-040788
Witness: Paula M. Strain
Revised August 4, 2004

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

VERIZON NORTHWEST INC.,

Respondent.

DOCKET NO. UT-040788

TESTIMONY OF

PAULA M. STRAIN
REGARDING INTERIM RATE RELIEF

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

July 14, 2004
Revised August 4, 2004

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2 **Q. Please explain the adjustments Staff proposes.**

3 A. The first adjustment is to annualize the effect of employee separations that
4 occurred during the test year. According to the Company's response to
5 Staff Data Request No. 25, Verizon NW experienced a headcount
6 reduction of 209 Washington employees during the test year. See Exhibit
7 No. ___ (PMS-2), page 2. ~~recognize the overall effect on Verizon NW of its~~
8 ~~corporate parent's voluntary employee separation program. This~~
9 ~~program involved Verizon Communications Inc. offering incentive~~
10 ~~separation packages to management employees company wide, and~~
11 ~~resulted in 21,000 employees leaving the Verizon companies. Verizon NW~~
12 ~~states that the program resulted in a reduction of 160 employees in~~
13 ~~Washington State (Verizon NW's Response to Staff Data Request No. 11).~~
14 My adjustment in column (f) of Exhibit No. ___(PMS-2) reflects an
15 appropriate level of cost savings for this program.

16 Verizon NW indicates that it will save \$17.1 million annually
17 associated with actual test-year headcount reductions. See Exhibit No. ___
18 (PMS-2), page 2, Verizon Response to Staff Data Request No. 25. However,
19 Verizon NW did not adjust for this amount in its case for interim rate
20 relief. Indeed, the test year includes over \$10 million in costs associated

1 with this program, but only \$9.1 million in savings. The analysis should
2 include all of the test year savings from the program, or an additional \$8
3 million, as a reduction to operating expenses.

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