

Gregg E. Diamond  
Director  
Public Policy & External Affairs

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August 5, 2004

STATE OF WASHINGTON  
UTIL. AND ENERGY  
COMMISSION

HQE02E84  
600 Hidden Ridge  
Irving, TX 75038

Phone 972 718-3504  
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Honorable C. Robert Wallis  
Administrative Law Judge  
1300 South Evergreen Park Dr., S.W.  
Olympia, WA 98504-7250

Dear Judge Wallis:

Subject: **Verizon Northwest Inc.**  
**Docket No. UT-040788**  
**Verizon Response to Bench Data Request No. 1**

Enclosed are an original and two (2) copies of Verizon's Responses to Bench Data Request No. 1 in the above-mentioned docket.

If you have any questions, please contact me on 972.718.3504.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gregg E. Diamond".

Gregg E. Diamond  
Director

GED:bjp  
Enclosures

c: Service List

**DATA REQUEST**  
**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served this document upon all of the following parties, as follows:

*By email and/or overnight mail:*

**Art Butler, Esq.\*\***

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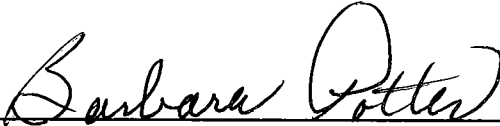
Citizens' Utility Alliance of Washington  
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**Mr. Donald T. Trotter\*\* (3 copies)**

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**\*\* Indicates party has signed confidentiality agreement.**

DATED this 5<sup>th</sup> day of August, 2004.

  
\_\_\_\_\_  
Barbara Potter

**Before the**

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Docket No. UT-040788**

**VERIZON NORTHWEST INC.**

**RESPONSE TO COMMISSION BENCH REQUEST NO. B-1**

**August 5, 2004**

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Docket No. UT-040788

Verizon Response to Commission Bench Request No. B-1

August 5, 2004

The Commission issues the following Bench Request to Verizon Northwest:

**BENCH REQUEST NO. B-1:**

The Commission makes the following bench request, which is due as soon as it can be completed, but no later than the time and place of the prehearing conference on August 5, 2004:

Please provide an annotated copy of Exhibit NWH-2 and supporting schedules, labeling each adjustment as either restating or *pro forma*.

In addition, please identify with each adjustment the lines or paragraphs in Ms. Heuring's testimony that refer to and explain the adjustment.

If you have any questions concerning this request, please contact me at 360-664-1142.

**RESPONSE:**

a). Please see attached Schedule R1-TY for an itemized listing of all restating adjustments by revenue, expense and rate base and Schedule R2 with the restating adjustments sorted by income statement line item.

For pro forma adjustments, please see attached Schedule P1 and P2.

These four schedules provide support for Restating Adjustments - column (c1) and Proforma Adjustments - column (e) on Exhibit No. NWH-2 and were submitted as work papers in Book 2 of 6, Tab 3 and Tab 4 for the Washington General Rate Case filing.

b). Please also refer to attached WUTC Data Request No. 202 and Attachment 202.

Prepared By: Cory Legner

Date: August 2, 2004

Witness: Nancy Heuring

Verizon Responses to Commission Bench Data Request No. B-1  
UT-040788

## **Attachment B-1**

VERIZON NORTHWEST INC. - WASHINGTON OPERATIONS  
 2004 Washington General Rate Case  
 Restatement Summary  
 (Thousands of Dollars)

Schedule R1 - TY

Test year

(a)	(b)	(c)	(d)
Adjust. No.	Description	Account Code	Intrastate Amount Inc (Dec)
1	R1-03 Interconnection billing adjustment	5085	1,578
2			
3	R2-03 Cellular access rate adjustment	5085	239
4			
5	R11-03 Cellular DA reclass	5085	(2,398)
6			
7	R12-03 SAB 101 true-up	5060	1,982
8			
9	R5-02 UNE rating adjustment	5240	236
10			
11	R6-02 UNE Collocation rate true-up	5263	971
12			
13	R15-02 Deferred Activation Fees Revenue Recognition	5240	(857)
14			
15			
16			
17			1,752
18			
19	R5-03 Account reconciliation writeoff	6728	(804)
20			
21	R8-03 OPEB/Paygo	61XX-64XX	(2,196)
22	R8-03 OPEB/Paygo	65XX	(1,332)
23	R8-03 OPEB/Paygo	66XX	(2,099)
24	R8-03 OPEB/Paygo	67XX	7,012
25			
26	R9-03 Accrual Adjustment	6540	6,716
27			
28	R12-03 SAB 101 true-up	6XXX	1,512
29			
30	R13-03 Billing Adjustment	6124	(189)
31	R13-03 Billing Adjustment	6623	(818)
32	R13-03 Billing Adjustment	6728	(2)
33			
34	R14-03 Billing Adjustment	6124	(564)
35	Billing Adjustment	6724	226
36			
37	R15-03 Reclassified Items	6722	(308)
38			
39	R8-02 Correction of Coding Error	6534	437
40			
41	R9-02 Pension settlement loss	6728	(1,297)
42			
43	R10-02 Sales and Use Tax	7240	1,007
44			
45	R11-02 RTU license	6724	(706)
46			
47	R12-02 Software Expense	6724	(2,225)
48			
49	R13-02 Occupational Distribution	65XX	3,974
50			
51	R14-02 Billing Adjustment	6124	526
52	R14-02 Billing Adjustment	6623	356
53	R14-02 Billing Adjustment	6724	(478)
54	R14-02 Billing Adjustment	6728	1
55			
56			
57			8,748
58			
59			
60	R9-02 Pension settlement loss	1410	1,292
61			
62	R8-03 OPEB/Paygo	2XXX	(2,123)
63	R8-03 OPEB/Paygo	4310	(17,990)
64			
65	R16-03 Deferred Income Taxes	434X	(35,223)
66			
67			
68			
69			
70			

VERIZON NORTHWEST INC. - WASHINGTON OPERATIONS

2004 Washington General Rate Case

Restating Adjustments - By Line Item

Test Year - October 2002 to September 2003

(Thousands of Dollars)

Line	(a) Description	(b) R1-03	(c) R2-03	(d) R5-03	(e) R8-03	(f) R9-03	(g) R11-03	(h) R12-03	(i) R13-03	(j) R14-03	(k) R15-03	(l) R16-03	(m) R5-02	(n) R6-02
1	Operating Revenues:													
2	Local Network Service						1,982							
3	Network Access Revenues	1,578	239		(2,398)									
4	Long Dist Netwk Revenues													
5	Miscellaneous Revenues												236	971
6	Uncollectibles													
7	<b>Total Operating Revenue</b>	<b>1,578</b>	<b>239</b>	<b>0</b>	<b>(2,398)</b>	<b>0</b>	<b>1,982</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>236</b>	<b>971</b>
8	Operating Expenses:													
9	Plant Specific Operations				(2,196)		931	(189)	(564)					
10	Plant Non-Spec Operations				(1,332)									
11	Access				6,716									
12	Customer Operations				(2,099)		581	(818)	226	(308)				
13	Corporate Operations				7,012			(2)						
14	Depreciation													
15	Other Income & Expenses													
16	Taxes Other Than Income Taxes													
17	<b>Total Operating Expenses</b>	<b>0</b>	<b>0</b>	<b>(804)</b>	<b>1,385</b>	<b>6,716</b>	<b>1,512</b>	<b>(1,009)</b>	<b>(338)</b>	<b>(308)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
18	<b>Earnings Before Interest and Taxes (EBIT)</b>	<b>1,578</b>	<b>239</b>	<b>804</b>	<b>(1,385)</b>	<b>(6,716)</b>	<b>470</b>	<b>1,009</b>	<b>338</b>	<b>308</b>	<b>0</b>	<b>0</b>	<b>236</b>	<b>971</b>
19	Rate Base (Average):													
20	Telecomm Plant in Service				(2,123)									
21	Other Assets (SFAS 87)													
22	Investor Supplied Working Capital													
23	Depr & Amort Reserve													
24	Deferred Income Taxes				(17,990)									
25	Other LT Liab													
26	<b>Total Rate Base</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,867</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
27	Reference													

31  
32  
33  
34  
35

VERIZON NORTHWEST INC. - WASHINGTON OPERA

Schedule

R2

Page 2 of 2

2004 Washington General Rate Case  
 Restating Adjustments - By Line Item  
 Test Year - October 2002 to September 2003  
 (Thousands of Dollars)

Line	(a) Description	(u) R8-02	(v) R9-02	(w) R10-02	(x) R11-02	(y) R12-02	(z) R13-02	(aa) R14-02	(ab) R15-02	Total Restating
2	Operating Revenues:									
3	Local Network Service									1,982
4	Network Access Revenues									(581)
5	Long Dist Netwk Revenues									0
6	Miscellaneous Revenues								(856)	351
7	Uncollectibles									0
8	<b>Total Operating Revenue</b>	0	0	0	0	0	0	0	(856)	1,752
9	Operating Expenses:									
10	Plant Specific Operations							526		(1,492)
11	Plant Non-Spec Operations	437					3,974			3,079
12	Access									6,716
13	Customer Operations							366		(1,980)
14	Corporate Operations				(706)	(2,225)		(478)		1,418
15	Depreciation									0
16	Other Income & Expenses									0
17	Taxes Other Than Income Taxes			1,007						1,007
18	<b>Total Operating Expenses</b>	437	(1,297)	1,007	(706)	(2,225)	3,974	404	0	8,748
19	<b>Earnings Before Interest and Taxes (EBIT)</b>	(437)	1,297	(1,007)	706	2,225	(3,974)	(404)	(856)	(6,996)
20	Rate Base (Average):									
21	Telecomm Plant In Service									(2,123)
22	Other Assets (SFAS 87)		1,292							1,292
23	Investor Supplied Working Capital									0
24	Depr & Amort Reserve									0
25	Deferred Income Taxes									(35,223)
26	Other LT Liab									(17,990)
27	<b>Total Rate Base</b>	0	1,292	0	0	0	0	0	0	52,382

To: L1, Col. D

Reference



VERIZON NORTHWEST INC. - WASHINGTON OPERATIONS  
2004 Washington General Rate Case  
Proforma Summary  
(Thousands of Dollars)

Schedule P1

(a)	(b)	(c)	(d)
Adjust. No.	Description	Account Code	Intrastate Amount Inc (Dec)
1	P1 Local Revenue	5001-506X	(3,850)
2			
3	P2 Access Revenue	5085	(27,776)
4			
5	P3 Toll Revenue	51XX	(3,489)
6			
7	P4 Miscellaneous Revenue	52XX	(3,495)
8			
9	P5 Revenue Related Price Changes	5001-506X	222
10			
11	P6 Revenue Related Price Changes	5001-506X	199
12			
13	P7 Revenue Related Price Changes	5001-506X	1,005
14			
15	P8 Uncollectible Actual Writeoff	53XX	1,957
16			
17	P19 Uncollectibles, Taxes & Fees	53XX	(574)
18			
19			
20			(35,802)
21			
22			
23			
24	P10 Rate Case Expense	6728	178
25			
26	P12 Salary, Wages, Benefits & Other Employee Benefits	61XX - 64XX	1,013
27	P12 Salary, Wages, Benefits & Other Employee Benefits	65XX	707
28	P12 Salary, Wages, Benefits & Other Employee Benefits	66XX	930
29	P12 Salary, Wages, Benefits & Other Employee Benefits	67XX	3,326
30			
31	P15 Recognition of SFAS 106	61XX-64XX	2,196
32	P15 Recognition of SFAS 106	65XX	1,332
33	P15 Recognition of SFAS 106	66XX	2,099
34	P15 Recognition of SFAS 106	67XX	(7,012)
35			
36	P17 Rate Base Proforma (Depreciation)	656X	47,405
37			
38	P18 Employee Separation	6728	(16,985)
39	Employee Separation	6728	5,662
40			
41	P19 Gross Receipt Tax	7240	(103)
42	PUC Fees	7240	(51)
43			
44	P20 Net MVSP Cost	6728	1,095
45			
46			
47			41,792
48			
49			
50			
51	P11 SFAS 106	4310	2,439
52	P11 SFAS 106	2XXX	805
53			
54	P13 Investor Supplied Working Capital	various	(1,718)
55			
56	P14 Pension Asset	1410	2,499
57	P14 Pension Asset	2XXX	(626)
58	P14 Pension Asset	4XXX	875
59			
60	P15 Recognition of SFAS 106 (Liability)	4310	17,990
61	P15 Recognition of SFAS 106 (Capital)	2XXX	2,123
62			
63	P17 Rate Base	2XXX	7,865
64	P17 Rate Base	3XXX	15,115
65	P17 Rate Base	4XXX	(5,290)
66			
67			(20,180)



Line	(a) Description	(n) P14	(o) P15	(p) P17	(q) P18	(r) P19	(s) P20	(t) Total Proforma
1	Operating Revenues:							
2	Local Network Service							(2,424)
3	Network Access Revenues							(27,776)
4	Long Dist Netwk Revenues							(3,489)
5	Miscellaneous Revenues							(3,495)
6	Uncollectibles			(574)				1,369
7								
8	<b>Total Operating Revenue</b>	0	0	0	0	(574)	0	(95,815)
9								
10	Operating Expenses:							
11	Plant Specific Operations		2,196					3,209
12	Plant Non-Spec Operations		1,332					2,039
13	Access							0
14	Customer Operations		2,099					3,029
15	Corporate Operations		(7,012)		(11,323)		1,095	(13,736)
16	Depreciation			47,405				47,405
17	Other Income & Expenses							0
18	Taxes Other Than Income Taxes					(155)		(155)
19								
20	<b>Total Operating Expenses</b>	0	(1,385)	47,405	(11,323)	(155)	1,095	41,791
21								
22	<b>Earnings Before Interest and Taxes (EBIT)</b>	0	1,385	(47,405)	11,323	(419)	(1,095)	(77,605)
23								
24	Rate Base (Average):							
25	Telecomm Plant in Service	(626)	2,123	7,865				10,167
26	Other Assets (SFAS 87)	2,499						2,499
27	Investor Supplied Working Capital							(1,718)
28	Depr & Amort Reserve			15,115				15,115
29	Deferred Income Taxes	875		(5,290)				(4,415)
30	Other LT Liab		17,990					20,429
31								
32	<b>Total Rate Base</b>	998	(15,867)	(1,950)	0	0	0	(20,181)
33								
34	Reference							
35								

To: L1, Col. E

Docket No. UT-040788  
WUTC Staff Data Requests to Verizon Nos. 201-245  
May 28, 2004

**Data Request No. 202:**

Is Verizon Northwest Inc. sponsoring testimony in this case that explains the justification for each accounting adjustment (e.g., each pro forma adjustment and restating adjustment) separately? If so, please identify the testimony exhibit and page number(s). If not, please state all reasons why not, and identify the specific workpaper pages (if any) that supply the detailed explanation described in the first sentence of this data request. If the detailed explanation is not in the workpapers, please produce it.

**RESPONSE:**

The testimony sponsored by Ms Heuring generally explains the restating and proforma adjustments. Certain restating and proforma adjustments are discussed in detail in the testimony.

Please see Attachment 202 for a comprehensive listing of accounting adjustments discussed in Ms. Heuring's direct testimony.

Each restating and proforma adjustment is explained in the work papers filed with the testimony. Restating adjustments are explained in Book 2, Tab 3 and proforma adjustments are explained in Book 2, Tab 4.

Prepared By: Jane Lee  
Date: May 26, 2004  
Witness: Nancy Heuring

Verizon Responses to Commission Bench Data Request No. B-1  
UT-040788

## **Attachment 202**

## Accounting Adjustments in Ms. Heuring's Direct Testimony

<b>Page # in Heuring Testimony</b>	<b>Workpaper Reference and Accounting Adjustment No.</b>		
7	Book 2, Tab 4,	P1 to P4	Revenue Erosion due to Access Lines loss
9	Book 2, Tab 3,	Sch. R1-TY	Restating Adjustments
14	Book 2, Tab 4,	P2	Access Revenue decline
15	Book 2, Tab 4,	P8	Uncollectible Revenue write-offs
15	Book 2, Tab 4,	P19	Uncollectible Revenue and associated fees and taxes
17	Book 2, Tab 3,	R15-03	Reclassified items
18	Book 2, Tab 4,	P12	Salary, Wages, Benefits & Oth. Emp. Benefits
19	Book 2, Tab 4,	P12	Salary, Wages, Benefits & Oth. Emp. Benefits
19	Book 2, Tab 4,	P12	Salary, Wages, Benefits & Oth. Emp. Benefits
19	Book 2, Tab 4,	P10	Rate Case expense
20	Book 2, Tab 4,	P18	Employee Separation
20	Book 2, Tab 4,	P20	Net MVSP cost
21	Book 2, Tab 4,	P15	Recognition of SFAS 106
22	Book 2, Tab 3,	R8-03	OPEB/PayGo
24	Book 2, Tab 4,	P17	Rate Base
27	Book 2, Tab 3,	R8-03	OPEB/PayGo
27	Book 2, Tab 4,	P17	Rate Base
27	Book 2, Tab 4,	P13	Investor Supplied Working Capital
28	Book 2, Tab 4,	P17	Rate Base