

1 A. Verizon claims that its rate of return is negative, and therefore it is relevant to the need
2 for an interim rate increase.

3 **Q. IS THIS A VALID CLAIM?**

4 A. No. This contention is based only on assertion, without any careful analysis of revenues,
5 expenses and rate base. As the Commission is well aware, the amount presented by the
6 utility as its revenue requirement is rarely the amount that the Commission finally
7 approves. At a minimum, the Company's calculation ignores the Commission's practice
8 of imputing directory revenues to intrastate operations. ~~Ms. Heuring estimates that~~
9 ~~imputed directory revenues would come to \$23.5 million.~~ Staff witness Strain estimates
10 ~~that the imputation of directory revenues would come to \$29.24 million, just short of,~~¹⁰ ~~or~~
11 ~~about 80 percent of~~ the amount of the interim relief requested. Exhibit ___ (CWK-5)
12 shows the rate of return calculation if this one ratemaking adjustment is made to
13 Verizon's test year financial statement. With Ms. ~~Heuring's~~ Strain's estimate of
14 directory revenue imputation, the negative 0.47 percent becomes positive 1.~~464~~ 085
15 percent. This exhibit does not include any other Commission ratemaking adjustments
16 which would likely increase the return even more.

17 **Q. WHAT ABOUT MS. HEURING'S CLAIM AT PAGE 4 OF HER TESTIMONY**
18 **THAT VERIZON NEEDS \$159 MILLION TO ACHIEVE ITS AUTHORIZED**
19 **RATE OF RETURN?**

20 A. As the Commission has long recognized, that is an issue for the general rate case. Merely
21 under-earning the authorized level of return is not grounds for an interim rate increase.

¹⁰[Workpaper C6-1.3-4Ex. PMS-2, p. 1, 1.8, col. i.](#)