



Christine O. Gregoire

ATTORNEY GENERAL OF WASHINGTON

Utilities and Transportation Division

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August 12, 2004

Carole Washburn, Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, Washington 98504-7250

Re: *WUTC v. Verizon Northwest Inc.*
Docket No. UT-040788

RECEIVED
OFFICE OF THE ATTORNEY GENERAL
AUG 19 11:10:55
COMMUNICATIONS SECTION

Dear Ms. Washburn:

Enclosed for filing are copies of Commission Staff Cross-Examination Exhibit Nos. 47C, 48, 49, 83, 85C, 164, and 192, that were entered into the record at the hearing in the above-referenced matter. All confidential exhibits have been submitted in sealed envelopes, with a redacted copy attached. Copies were delivered to parties at the hearing.

The confidential exhibits contain information that has been designated as confidential by Verizon Northwest, Inc. under WAC 480-07-160(2).

Very truly yours,

DONALD T. TROTTER
Senior Counsel

DTT:kl
Enclosures
cc: Parties



47-C

Docket No. UT-040788

Verizon Response to WUTC Staff Data Request Nos. 92-97

August 4, 2004

DATA REQUEST NO. 92:

Verizon has furnished switched access line counts in Ms. Heuring's Workpaper C4, Mr. Banta's Exhibit No. ___ (SMB-5C), and in response to Staff Data Request No. 54. Verizon also files Washington billable switched access lines with the UTC in report C-8.

- a. For each of the above sources of access line counts, please state whether the access line counts include the following types of lines, and if so, state the number of each type of line included:
 1. Resold lines
 2. UNE-P lines
 3. Interstate-only lines
 4. Company use lines

- b. Please reconcile the test year access lines shown in Ms. Heuring's Workpaper C4 of 867,090 with the test year access lines shown in Mr. Banta's Exhibit No. ___ (SMB-5C) of **** [confidential] and the billable switched access lines as of September 30, 2003 shown in report C-8 of 869,332.

RESPONSE:

This response will be provided on August 5, 2004.

Prepared By:

Date:

Witness:

DATA REQUEST NO. 92:

Verizon has furnished switched access line counts in Ms. Heuring's Workpaper C4, Mr. Banta's Exhibit No. ___ (SMB-5C), and in response to Staff Data Request No. 54. Verizon also files Washington billable switched access lines with the UTC in report C-8.

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RESPONSE:

- a. See Confidential Attachment 92a.

- b. The primary difference in these three documents is that Mr. Banta's exhibit portrays the *billable* lines to which the surcharge will be applied, where Ms. Heuring's Workpaper C-4 and the C-8 Report depict *reportable* access lines using two different definitions.

The access lines in Mr. Banta's Revised Exhibit SMB-5C were developed from Verizon's Revised Response to WUTC Staff DR No. 54, which includes the *billable* switched and special access lines to which the surcharge will be applied, excluding out of franchise (OOF), FGA, and UNE-P lines. The *billable* lines are the actual units that are on a customer's bill. Revenues can be calculated using these lines and applying the tariffed and contracted rates, as shown on Revised Confidential Attachment 54.

The access lines in Ms. Heuring's Workpaper C4 are *reportable* switched access lines, based on an ARMIS definition. This definition excludes FX and WATS lines, which were included in Mr. Banta's Revised Exhibit. Her exhibit also excludes Special Access lines. However, it includes UNE-P lines, which were not included in Mr. Banta's Exhibit. In addition, for *reporting* purposes, multipliers are applied to the ISDN and Cyber DS1 access lines to represent voice equivalent lines, in order to capture the capacity of the network. For example, one *billable*

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Exhibit ___ (NWH-___)
Page 3

ISDN BRI access line is multiplied by 2 to attain the *reportable*, voice equivalent number of ISDN BRI access lines. Therefore, the differences between Mr. Banta's Exhibit and Ms. Heuring's Workpaper are the FX, WATS, and Special access lines included on Mr. Banta's Exhibit and the UNE-P lines and multipliers applied to ISDN and Cyber DS1 to obtain reportable lines in Ms Heuring's Workpaper C4.

The access lines shown in the September Schedule C-8 Report are also on a *reportable* basis. However, they include OOF, FX, FGA and WATS lines (not on Ms. Heuring's Workpaper) and exclude Cyber DS-1 and UNE-P lines (on Ms. Heuring's Workpaper).

Prepared By: Gregg Diamond
Date: August 5, 2004
Witness: Steve Banta

Verizon Response to WUTC Staff Interim Data Request No. 92
UT-040788

Confidential Attachment 92a
(Redacted Version)

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

Verizon Response to WUTC Staff Data Request No. 92
 Confidential Attachment 92a
 (Redacted Version)

	Workpaper C4 (Note 1) (Note 3)	Revised Exhibit SMB-5C (Note 2) (Note 4)	Revised Response to DR 54 (Note 2) (Note 5)	Schedule C-8 Note 6 Note 6
Resold Lines				
UNE-P Lines				
Interstate-only Lines				
Company use Lines				

- Note 1 – Workpaper C4 includes switched access lines only
- Note 2 – Revised Exhibit SMB-5C and Revised Response to DR 54 includes switched and special access lines.
- Note 3 – The resold lines in Workpaper C4 are based on “reported” access lines.
- Note 4 – The resold lines in Revised Exhibit SMB-5C are based on “billed” access lines.
- Note 5 – The resold lines in Revised Response to DR 54 are based on “billed” access lines
- Note 6 – Schedule C-8 does not show resold lines separately.

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Verizon Response to WUTC Staff Data Request Nos. 92-97
August 4, 2004

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Directed to Ms. Heuring:

DATA REQUEST NO. 95:

Regarding Note 10 on Exhibit No. ___ (NWH-12), please explain what accounts are included in "customer operating expense" and why they were \$8 million higher in 2000 than in 1999.

RESPONSE:

Customer Operations are made up of FCC accounts 6611, 6612, 6613, 6621, 6622 and 6623.

The increase is primarily driven by higher business service order processing in account 6623.

Prepared By: Jane Lee
Date: August 1, 2004
Witness: Nancy Heuring

Docket No. UT-040788

Verizon Response to WUTC Staff Data Request Nos. 92-97

August 4, 2004

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Directed to Ms. Heuring:

DATA REQUEST NO. 96:

Regarding Exhibit No. ___ (NWH-12), line 13, titled "Access," columns (b), (c) and (d) of that line, the access expenses in 1999 are \$17.6 million; \$25.7 million in 2000, and \$12.3 million in 2001. Please provide an explanation for the fluctuations in access expenses for the years 1999, 2000, and 2001.

RESPONSE:

Access expense can fluctuate for Verizon Washington due to compensation paid to other competing carriers for increased terminating traffic.

Prepared By: Jane Lee
Date: August 4, 2004
Witness: Nancy Heuring

Data Request No. 11 (General)

Please:

- a) Identify the number of employees of Verizon Northwest Inc. that have had their pay decreased or jobs eliminated as a result of the financial condition the Company describes in its interim rate relief case, *e.g.*, Mr. Banta's testimony in Exhibit No. ___ (SMB-2T). State the annual revenue impact of any such actions, and produce the documents that show the connection between the pay decrease or job elimination and that financial condition.
- b) Please identify any construction budget item of Verizon Northwest Inc. that has been deferred or eliminated in response to the financial condition the Company describes in its interim rate relief case, *e.g.*, Mr. Banta's testimony in Exhibit No. ___ (SMB-2T). Produce the documents that show the connection between the construction item deferred or eliminated and that financial condition.
- c) Please identify and quantify the annual economic impact of any cost cutting measure other than those identified in item a) or b) that were done in response to the financial condition the Company describes in its interim rate relief case, *e.g.*, Mr. Banta's testimony in Exhibit No. ___ (SMB-2T), and produce the documents that show the connection between the cost cutting measure and that financial condition.

RESPONSE:

- a) The number of employees leaving the Company due to the Management Voluntary Separation Program made further headcount reductions unnecessary. This program alone reduced headcount by approximately 160 Washington employees.
- b) The current view for the 2004 capital budget has dropped significantly below the original view and is 28% lower than the 2003 amount. Verizon is currently in the process of reexamining its capital expenditures and estimates a further reduction in capital spending of approximately 15%. These specific programs will be supplied when finalized.
- c) See Response to 11(b).

Up to this point, Verizon's other operations (Idaho/Oregon/Washington interstate) that make up Verizon Northwest Inc. have subsidized Washington intrastate operations. However, this situation should not continue under Washington law.

Prepared By: Gregg Diamond
Date: May 17, 2004

Supplemental Data Request No. 11

Please complete your response to Staff Data Request #11 to include, as requested (the requested matter is set forth in quotes from DR #11):

- a) Please provide "the annual revenue impact of any such actions, and produce the documents that show the connection between the pay decrease or job elimination and that financial condition" [i.e. the financial condition referred to in Mr. Banta's interim rate relief testimony].
- b) Please "produce the documents that show the connection between the construction item deferred or eliminated and that financial condition" [i.e. the financial condition referred to in Mr. Banta's interim rate relief testimony].
- c) Please "produce the documents that show the connection between the cost cutting measure and that financial condition" [i.e. the financial condition referred to in Mr. Banta's interim rate relief testimony].

SUPPLEMENTAL RESPONSE:

- a) As noted in the original response, the take-rate from the MVSP accomplished the required head count reductions. The MVSP process started at approximately the same time as the issuance of the Commission's access order and ran through November 2003. Verizon Northwest waited for the results of this program before deciding whether further action was required. Given the MVSP's end results, further action was not required in this area. Thus, there are no specific documents showing a connection between MVSP job eliminations and the financial condition as requested in the data request. The support for the annual savings associated with the MVSP was provided in the General Rate Case Workpaper P20.1 and P20.1.1 (Book 2 of 6, tab 4). In addition, Verizon's response to WUTC Staff Data Request 234 addressed the results of the MVSP.
- b) As noted in the original response, the reduction in capital spending occurred in two steps: Business as usual 2004 budget planning and a further assessment of incremental reductions. The 2004 budget planning process ran during the last several months of 2003 and Verizon Northwest waited for the results before deciding whether further action was required. Thus, there are no specific documents showing a connection between the reduced level of the 2004 budget and the financial condition as requested in the data request. In addition, the current view for the 2004 budget is 13% lower than the 2003 amount (not 28% lower as stated in the original response), and Verizon estimates a further reduction in capital spending of approximately 10% (not

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WUTC Staff Supplemental Data Requests No. 11
Related to Interim Rate Relief Case
June 2, 2004

the approximately 15% as stated in the original response). Verizon will produce the requested documents showing the connection for the second step of reductions when completed.

c) Not applicable.

Prepared By: Gregg Diamond
Date: June 2, 2004
Witness: Steve Banta

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WUTC Staff Supplemental Data Requests No. 11
Related to Interim Rate Relief Case
August 4, 2004

RECEIVED

AUG 05 2004

ATTY GEN DIV
WUTC

Supplemental Data Request No. 11

Please complete your response to Staff Data Request #11 to include, as requested (the requested matter is set forth in quotes from DR #11):

- a) Please provide "the annual revenue impact of any such actions, and produce the documents that show the connection between the pay decrease or job elimination and that financial condition" [i.e. the financial condition referred to in Mr. Banta's interim rate relief testimony].
- b) Please "produce the documents that show the connection between the construction item deferred or eliminated and that financial condition" [i.e. the financial condition referred to in Mr. Banta's interim rate relief testimony].
- c) Please "produce the documents that show the connection between the cost cutting measure and that financial condition" [i.e. the financial condition referred to in Mr. Banta's interim rate relief testimony].

SUPPLEMENTAL RESPONSE: (dated June 2, 2004)

- a) As noted in the original response, the take-rate from the MVSP accomplished the required head count reductions. The MVSP process started at approximately the same time as the issuance of the Commission's access order and ran through November 2003. Verizon Northwest waited for the results of this program before deciding whether further action was required. Given the MVSP's end results, further action was not required in this area. Thus, there are no specific documents showing a connection between MVSP job eliminations and the financial condition as requested in the data request. The support for the annual savings associated with the MVSP was provided in the General Rate Case Workpaper P20.1 and P20.1.1 (Book 2 of 6, tab 4). In addition, Verizon's response to WUTC Staff Data Request 234 addressed the results of the MVSP.
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WUTC Staff Supplemental Data Requests No. 11
Related to Interim Rate Relief Case
August 4, 2004

the approximately 15% as stated in the original response). Verizon will produce the requested documents showing the connection for the second step of reductions when completed.

c) Not applicable.

SUPPLEMENTAL RESPONSE: (dated August 4, 2004)

As Verizon stated in its supplemental response to Staff Data Request #11b dated June 2, 2004, the attached document (Supplemental Attachment 11) shows the further reduction in capital spending associated with Verizon's Washington intrastate financial condition.

Prepared By: Gregg Diamond
Date: June 2, 2004
Witness: Steve Banta

Verizon Responses to WUTC Staff Data Requests No. 11
UT-040788

Supplemental Attachment 11

**Verizon
Earnings Recovery Plan
State of Washington
Capital Reduction Initiatives**

Department	Cost Reduction Initiative	Effective Date	\$'s in 000's
			2004 Cost Reduction
Network Engineering	DSL Expansion	Jun-04	\$700
Network Engineering	DSL Growth	Jun-04	\$6,000
Network Engineering	Growth Baseline	Jun-04	\$350
Network Engineering	Capacity Adjustments	Jun-04	\$1,400
Network Engineering	CO Service Improvement	Jun-04	\$96
Network Engineering	OSP Service Improvement	Jun-04	\$1,015
Real Estate	BAHP - GRSA Only Total	Jun-04	\$1,150
Network Engineering	Other Growth Initiatives	Jun-04	\$160
Network Engineering	Other Co Growth	Jun-04	\$603
			\$11,474

**Verizon
Earnings Recovery Plan
State of Washington
Definition of Terms for Capital Initiatives Template**

Supplemental Attachment 11
Page 2 of 2

<u>Column Heading</u>	<u>Description</u>
Department:	Department name that will be implementing the cost reduction initiative.
Cost Reduction Initiative:	Describe the specific cost reduction initiative to include the actions to be taken
Effective Date:	Date cost reduction initiative will be implemented.
2004 Cost Reduction:	2004 in-year of impact of cost reduction initiative stated in \$'s.

Docket No. UT-040788 – Interim Rate Relief
Verizon Responses to WUTC Staff Data Request Nos. 62 - 65
July 13, 2004

REDACTED VERSION

DATA REQUEST NO. 62:

Please provide the annual net revenue impact based on test year activity that a new Late Payment Charge of 1.5 percent per month would generate on an intrastate basis

RESPONSE:

The annual net revenue impact would be approximately

Prepared By: Tom Pani / Eileen Knight
Date: July 8, 2004
Witness: Not identified at this time

**CONFIDENTIAL
PER PROTECTIVE ORDER IN
DOCKET NO. UT-040788**

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BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION)	
)	
Complainant,)	
)	
v.)	
)	
VERIZON NORTHWEST INC.,)	DOCKET NO. UT-040788
)	
Respondent.)	
.....)	

ERRATA

1. Testimony of Paula Strain, Exhibit No. 141-T (PMS-1T)
Page 25, Line 9: Replace "earnings" with "return"
Page 25, line 16: Replace "page 5" with "page 4"
2. Cross examination Exhibit No. 43, Response to Staff Data Request No. 86
Page 5A, calculation A, the figure "890,086,000" should be "\$890,086,700"

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Docket No. UT-040788

ERRATA SHEET

for

**Timothy W. Zawislak
Commission Staff Witness
Interim Rate Design Testimony
(7/14/2004)**

Direct Testimony, Exhibit 181-T (TWZ-1T)

Page 4, line 15, replace,

“... the Company excludes 20% of these access lines ...” with

“... Verizon NW still excludes 16% of its billable intrastate access lines ...”

Page 10, line 7, replace, “11.91 percent” with “11.92 percent.”

Page 11, strike the last sentence on the page beginning at line 15.

Page 12, strike lines 1 through 2.

Page 17, line 13, strike the word “the”.