

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

VERIZON NORTHWEST INC.,

Respondent.

) Docket No. UT-040788
)
) VERIZON NORTHWEST INC.'S
) OPPOSITION TO STAFF'S MOTION TO
) COMPEL
)
)
)
)
)
)

1 Verizon Northwest Inc. (“Verizon”) opposes Staff’s Motion to Compel filed late on
Wednesday, August 18, 2004.¹ As explained herein:

- 2
- Verizon was fully responsive to Bench Request No. 2, which asked Verizon to provide an income statement and balance sheet at an intrastate level. Attachment 1 is Verizon’s Response to Commission Bench Request No. B-2;
- 3
- Staff’s Motion to Compel is nothing but a new data request that relates to the General Rate Case, as did the underlying Staff Data Request No. 276;

¹ Commission Staff made no effort to comply with WAC 480-07-425 before filing this Motion to Compel.

- 4
- Verizon's Response provided the appropriate level of detail for intrastate income statements and balance sheets.

INCOME STATEMENT

5 Staff criticizes Verizon for failing to detail approximately 150 separate income and expense accounts on its income statement. However, Attachment B-2(b) to Verizon's Response to Bench Request No. 2 provides the relevant data and represents a properly-stated income statement. Neither Verizon (nor, to Verizon's knowledge, any other regulated entity) presents an intrastate income statement in a manner Staff apparently believes to be appropriate.

6 As Verizon's Response to Data Request No. 276 demonstrates (Attachment 2), the level of detail contained in the Bench Request No. 2 Response is consistent with that represented in other income statements provided to Commission Staff. Staff cites not authority, nor can it, for the proposition that an income statement must contain the level of granular detail it requests in its motion.

7 It is improper for Staff to suggest that Verizon has been non-responsive when, in fact, Verizon provided to the Commission exactly what it was asked to provide.²

BALANCE SHEET

8 The balance sheet provided by Verizon in its Response to Bench Request No. 2, contains the items that are applicable to the intrastate jurisdiction for surveillance reporting. Verizon provided to Staff rate base balance sheet information at a four digit account detailed level.

9 Ms. Heuring also explained to Staff counsel during last week's hearing that "on the balance sheet side, we just maintain the rate base items, we don't maintain, you know, cash

² In addition, as Ms. Heuring explained during last week's hearings (Attachment 3), Verizon provides an income statement on an intrastate basis in the Quarterly Surveillance Report.

or accounts receivable or accounts payable. But it's the balance sheet items that are applicable to the intrastate jurisdiction for surveillance reporting."

10 She also explained that the only items reported to the WUTC on an intrastate basis are property, plant and equipment, accumulated depreciation, prepaid pension asset and deferred income taxes.

11 Verizon's response to Bench Request No. 2 is fully consistent with Ms. Heuring's testimony and provides an appropriate level of detail for balance sheet reporting.

SUMMARY

12 In sum, Verizon has been fully responsive to the Commission's request and consistent with its testimony in providing a response to Bench Request No. 2. This response reflects an income statement and balance sheet at an appropriate level of detail. There is no basis for Staff's Motion to Compel.

DATED this 20th day of August, 2004.

GRAHAM & DUNN PC

By Judith A. Endejan
Judith A. Endejan
WSBA# 11016
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Attorneys for Verizon Northwest Inc.

ATTACHMENT 1

Before the
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket No. UT-040788

VERIZON NORTHWEST INC.

RESPONSE TO COMMISSION BENCH REQUEST NO. B-2

August 16, 2004

Docket No. UT-040788

Verizon Response to Commission Bench Request No. B-2

Due Date: August 16, 2004

Data Request No. B-2

Please update your response to General Rate Case DR No. 276 (e) to include the requested Balance Sheet and Income Statement at a Washington intrastate level.

RESPONSE: Please see Attachments B-2.a and B-2.b

Prepared By: Cory Legner

Date: August 13, 2004

Witness: Nancy Heuring

**Verizon Northwest Inc.-Washington
Intrastate Balance Sheet
For Month Ending September, 2003**

| Item | Acct | Intrastate Sep-03 |
|---|-------------|----------------------|
| Land. | 2111 | 6,170,883 |
| Motor vehicles. | 2112 | 8,538,050 |
| Garage work equipment | 2115 | 460,672 |
| Other work equipment. | 2116 | 16,390,565 |
| Buildings. | 2121 | 139,555,144 |
| Furniture. | 2122 | 4,524,637 |
| Office equipment. | 2123 | 8,183,925 |
| General purpose computers. | 2124 | 18,262,721 |
| Digital electronic switching. | 2212 | 375,630,735 |
| Operator systems. | 2220 | 44,051 |
| Radio systems. | 2231 | 6,481,822 |
| Circuit equipment. | 2232 | 392,926,232 |
| Other terminal equipment. | 2362 | 11,859,331 |
| Poles. | 2411 | 34,178,077 |
| Aerial cable. | 2421 | 168,010,903 |
| Underground cable. | 2422 | 224,872,964 |
| Buried cable. | 2423 | 323,549,715 |
| Submarine cable. | 2424 | 1,036,889 |
| Intrabuilding network cable. | 2426 | 117,619 |
| Aerial wire. | 2431 | 33,661 |
| Conduit systems. | 2441 | 110,196,347 |
| Capital leases. | 2681 | 0 |
| Leasehold improvements. | 2682 | 141,987 |
| Intangibles. | 2690 | 6,285,835 |
| Telecomm Plant in Service | | 1,857,452,765 |
| Other Assets (SFAS 87) | 1410 | 130,086,777 |
| Accumulated amortization--capitalized leases. | 3410 | 0 |
| Other jurisdictional liabilities and deferred credits--net. | 4371 | 181,719,167 |
| Accum Depr - Vehicles | X112 | (5,853,949) |
| Depr Garage Work Equipment | X115 | (327,128) |
| Accum Depr - Other Work Equip | X116 | (10,873,878) |
| Accum Depr - Buildings | X121 | (31,172,444) |
| Accum Depr - Furniture & Fixtures | X122 | (3,637,409) |
| Accum Depr - Comp Comm Equip | X123 | (6,562,712) |
| Accum Depr - Data Proc Equipment | X124 | (14,498,108) |
| Accum Depr - Dig Elec Swtch | X212 | (189,547,898) |
| Accum Depr - Operator Sys | X220 | (24,187) |
| Accum Depr - Trans Equip | X231 | (5,115,729) |
| Accum Depr - Circuit Equip | X232 | (194,683,759) |
| Depr - Oth Advanced Services | X362 | (11,967,352) |

(1) As testified to by Ms. Heuring, the intrastate balance sheet consists of rate base items only.

**Verizon Northwest Inc.-Washington
Intrastate Balance Sheet
For Month Ending September, 2003**

| Item | Acct | Intrastate Sep-03 |
|---|-------------|----------------------|
| Depr Poles & Towers | X411 | (27,167,092) |
| Depr Aerial Cable | X421 | (120,076,932) |
| Accum Depr - Underground Cab | X422 | (117,467,101) |
| Accum Depr - Buried Cab | X423 | (191,891,358) |
| Depr Submarine Cable | X424 | (810,683) |
| Accum Depr - Intrabuilding Network Cable | X426 | (117,909) |
| Depr Aerial Wire | X431 | (48,485) |
| Accum Depr - Conduit Systems | X441 | (31,708,952) |
| Depr & Amort Reserve | | (781,833,898) |
| Net current deferred operating income taxes. | 4100 | 3,253,539 |
| Net noncurrent deferred operating income taxes. | 4340 | (222,765,795) |
| Other jurisdictional liabilities and deferred credits--net. | 4379 | (57,212,331) |
| Deferred Income Taxes | | (276,724,587) |
| Other long-term liabilities. | 4310 | (33,878,841) |
| Total Rate Base | | 895,102,216 |

(1) As testified to by Ms. Heuring, the intrastate balance sheet consists of rate base items only.

Verizon Northwest Inc. - Washington
Income Statement
For Twelve Months Ending September, 2003

| Category | | Intrastate 12 MTD Sept. 2003 |
|---------------------------------|------|------------------------------------|
| Operating Revenues | | |
| Local Network | 506F | 260,882 |
| Interstate Access | 303 | 0 |
| Intrastate Access | 304 | 78,092 |
| Total Network Access | 1061 | 78,092 |
| Long Distance Network | 1051 | 21,863 |
| Miscellaneous | 107F | 17,587 |
| Uncollectibles | 1092 | (8,487) |
| Total Regulated Revenues | 109F | 369,937 |
| Operating Expense & Taxes | | |
| Plant Specific | PLNT | 56,503 |
| General Plant | GENL | 19,737 |
| Customer | CUST | 53,572 |
| Corporate | CORP | 79,040 |
| Other Oper Inc & Expense | OTHR | (172) |
| Depreciation & Amort | DEPR | 124,692 |
| Operating Taxes Oth Than Income | OPTX | 16,167 |
| Oper Taxes Exp/Oth Tax | TLOP | 349,539 |
| Earning Before Income Taxes | EBIF | 20,398 |
| Operating Income Taxes | INTX | 1,443 |
| Net Operating Income | OPIF | 18,955 |
| Nonoper Expense & Other | | |
| Nonoperating Income - Net | NINC | 447,444 |
| Nonregulated Income - Net | NREG | 0 |
| Income Avail For Fixed | FXIF | 466,399 |
| Interest Expense | FIXC | 19,987 |
| Income Before Extraord | INBF | 446,412 |
| Extraordinary Items | EXOR | 0 |
| Net Income | NETF | 446,412 |
| Preferred Dividends | 4058 | 0 |
| Minority Interest | 3011 | 0 |
| NET INCOME TO VERIZON | | 446,412 |

Before the

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket No. UT-040788

VERIZON NORTHWEST INC.

**SUPPLEMENTAL
RESPONSE TO STAFF DATA REQUEST NO. 276**

August 16, 2004

Docket No. UT-040788 -
Verizon Supplemental Response to WUTC Staff Data Request No. 276
August, 2004

Data Request No. 276 (General):

As a follow-up to Verizon's response to Staff Data Request No. 203 and in conjunction with the Affiliate Transactions section of Nancy Heuring's testimony, Exhibit NWH-1T, specifically page 36, line 13, and Exhibit NWH-5; please provide a balance sheet and an income statement matching the test period [as normally required by WAC 480-146-360(3)(g)] for each of the following in the same format:

- a. Bell Atlantic Communications, Inc. dba VZ Long Distance (VLD)
- b. All other affiliates listed in Exhibit NWH-6.
- c. Verizon Northwest Inc. – Total Company Operations
- d. Verizon Northwest Inc. – Total Washington Operations
- e. Verizon Northwest Inc. – Washington Intrastate Operations

RESPONSE: (dated June 22, 2004)

- a. Objection
- b. Objection
- c. Please see Attachment 276c-1 and 276c-2 for Verizon Northwest Inc's Total Company Balance Sheet and Income Statement, respectively.
- d. Please see Attachment 276d-1 for Verizon Northwest Inc. – Total Washington's Income Statement. Balance Sheet is not maintained at a state level other than rate base items as shown in WP Schedule S6.
- e. Income Statement and Balance Sheet are not maintained at an intrastate level.

Prepared By: Jane Lee
Date: June 16, 2004
Witness: Nancy Heuring

SUPPLEMENTAL RESPONSE:

- e. Please see Attachment B-2.a and B-2.b filed in response to Bench Request No. 2.

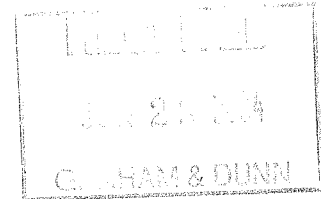
Prepared By: Cory Legner
Date: August 16, 2004
Witness: Nancy Heuring

ATTACHMENT 2

Before the

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket No. UT-040788



VERIZON NORTHWEST INC.

RESPONSES TO STAFF DATA REQUEST NOS. 276-280

June 22, 2004

Data Request No. 276 (General):

As a follow-up to Verizon's response to Staff Data Request No. 203 and in conjunction with the Affiliate Transactions section of Nancy Heuring's testimony, Exhibit NWH-1T, specifically page 36, line 13, and Exhibit NWH-5; please provide a balance sheet and an income statement matching the test period [as normally required by WAC 480-146-360(3)(g)] for each of the following in the same format:

- a. Bell Atlantic Communications, Inc. dba VZ Long Distance (VLD)
- b. All other affiliates listed in Exhibit NWH-6.
- c. Verizon Northwest Inc. – Total Company Operations
- d. Verizon Northwest Inc. – Total Washington Operations
- e. Verizon Northwest Inc. – Washington Intrastate Operations

RESPONSE:

- a. Verizon objects to this Data Request on the basis that it is unduly burdensome. Verizon does not have the requested financial statements for this affiliate that match the test period. Without waiver of the foregoing objection, Verizon has produced the requested financial information on an annual basis in its annual affiliate interest filings, as required by WAC 480-146-360(3)(g).
- b. See a above.
- c. Please see Attachment 276c-1 and 276c-2 for Verizon Northwest Inc.'s Total Company Balance Sheet and Income Statement, respectively.
- d. Please see Attachment 276d for Verizon Northwest Inc. – Total Washington's Income Statement. Balance Sheet is not maintained at a state level other than rate base items as shown in WP Schedule S6.
- e. Income Statement and Balance Sheet are not maintained at an intrastate level.

Prepared By: Jane Lee
Date: June 16, 2004
Witness: Nancy Heuring

Verizon Response to WUTC Staff Data Request No. 276
UT-040788

Attachment 276c-1

Verizon Northwest Inc.
Balance Sheet
For Month Ending September, 2003

| Item | Acct | Sep-03 |
|------------------------------------|------|--------------------|
| Current Assets | | |
| Cash | 1130 | 150 |
| Special Cash Deposits | 1140 | 288,504 |
| Working Cash Advances | 1150 | 17,792 |
| Tempory Inv - Affiliated Co. | 1161 | 0 |
| Temporary Inv - Other | 1162 | 0 |
| Telecom Accts Receivable | 1180 | 160,155,744 |
| Affiliates Accts Receivable | 1192 | 22,277,502 |
| Oth Accts Receivable | 1190 | 25,580,390 |
| A/R Allowance | 1181 | 39,312,329 |
| Affiliates Notes Receivable | 1202 | 24,955,146 |
| Other Notes Receivable | 1200 | 0 |
| Affiliates Interest Receivable | 1211 | 0 |
| Other Interest Receivable | 1212 | 0 |
| Material And Supplies - Reg | 1220 | 5,425,530 |
| Material and Supplies - NRO | F220 | 1,510,440 |
| Work in Progress - NRO | F245 | 11,238,510 |
| Prepaid Rent | 1290 | 0 |
| Prepaid Tax | 1300 | 0 |
| Prepaid Insurance | 1310 | 735,000 |
| Prepaid Other | 1330 | 60,228 |
| Other Current Assets | 135A | 25,605,904 |
| Total Current Assets | | 238,538,511 |
| Non-Current Assets | | |
| Investment In Affiliates | 1401 | (224) |
| Investment In Non-Affiliates | 1402 | 24,227 |
| Nonregulated Investments | 1406 | 0 |
| Unamortized Debt Issuance | 1407 | 9,203,374 |
| Sinking Fund | 1408 | 0 |
| Other Noncurrent Assets | 1410 | 315,105,165 |
| Other Noncurrent Assets | 141B | 0 |
| Deferred Maintenance & Retirements | 1438 | 0 |
| Deferred Charges | 1439 | 75,349,624 |
| Goodwill | 2007 | 0 |
| Total Noncurrent Assets | | 399,682,166 |
| P P - Eq Less Reserve | | |
| Plant In Service | 2001 | 4,072,441,050 |
| Plant Held For Future Use | 2002 | 0 |
| TPUC - Short Term | 2003 | 21,803,180 |
| TPUC - Long Term | 2004 | 274,281 |
| Plant Adjustments | 2005 | 0 |

Verizon Northwest Inc.
Balance Sheet
For Month Ending September, 2003

| Item | Acct | Sep-03 |
|------------------------------------|------|---------------|
| Nonoperating Plant | 2006 | 492,018 |
| Nonregulated Plant | N000 | 37,580,831 |
| Total P P / Equipment | | 4,132,591,359 |
| Depreciation - Tot Plt In Svc | X000 | 1,934,340,804 |
| Depreciation - Plt Held Future Use | 3200 | 0 |
| Depreciation - Nonoperating | 3300 | 1,656 |
| Depreciation - Nonregulated | Y000 | 21,665,789 |
| Total Reserve | | 1,956,008,249 |
| Total P P/ E Less Reserve | | 2,176,583,110 |
| Total Assets | | 2,814,803,787 |
| Current Liabilities | | |
| Affiliated Co Accounts Payable | 401B | 55,919,157 |
| Oth Accounts Payable | 4012 | 28,920,274 |
| Carrier Accounts Payable | 4013 | 1,626,769 |
| Affiliated Co - Notes Payable | 4021 | 178,223,271 |
| Oth Notes Payable | 4022 | 0 |
| Advanced Payments | 4030 | 37,782,564 |
| Customer Deposits | 404A | 54,906 |
| Current Maturities - LT Debt | 405A | 882,000 |
| Curr Maturities - Capital Leases | 406A | 0 |
| Income Tax Accrued | 407A | (2,367,650) |
| Other Tax Accrued | 4080 | 15,117,426 |
| Accrued Deferred Tax | 4100 | (7,069,363) |
| Accrued Interest - Affiliated | 4121 | 157,000 |
| Accrued Interest - Debt | 4122 | 13,407,953 |
| Accrued Interest - Oth | 4123 | 2,095 |
| Accrued Dividends | 4124 | 0 |
| Accrued Compensation - Other | 4125 | 22,908,068 |
| Accrued Liabilities - Other | 4126 | 0 |
| Other Current Liabilities | 4130 | 44,280,563 |
| Total Current Liabilities | | 389,845,033 |
| Long Term Debt | | |
| Funded Debt | 4210 | 553,974,000 |
| Premium On Long Term Debt | 4220 | 13,616,692 |
| Discount On Long Term Debt | 4230 | 5,335,804 |
| Reacquired Debt | 4240 | 0 |
| Obligations Under Capital Leases | 4250 | 0 |
| Advances From Affiliated Companies | 4260 | 0 |
| Other Long Term Debt | 4270 | 0 |

Verizon Northwest Inc.
Balance Sheet
For Month Ending September, 2003

| Item | Acct | Sep-03 |
|--------------------------------------|------|---------------|
| Total Long Term Debt | | 562,254,888 |
| Other Liabilities And Deferred Cr | | |
| Other Long Term Liabilities | 4310 | 74,058,220 |
| Unamortized ITC | 4320 | 0 |
| Noncurrent Deferred Tax | 4340 | 560,559,187 |
| Other Deferred Credit | 4360 | 57,996,691 |
| Total Other Liabilities And Deferred | OTH | 692,614,098 |
| Stockholder Equity | | |
| Common Stock | 4511 | 448,000,000 |
| Preferred Stock | 4512 | 0 |
| Total Capital Stock | | 448,000,000 |
| Additional Paid In Capital | 4520 | 165,440,831 |
| Treasury Stock | 4530 | 0 |
| Treasury Stock | 453B | 0 |
| Other Cap | 4540 | 0 |
| Minority Interest - Stock | 4901 | 0 |
| Minority Interest - Retained Earn | 4902 | 0 |
| Minority Interest - Other | 4903 | 0 |
| Minority Interest - NET | MINT | 0 |
| Retained Earnings - Res | 4551 | 0 |
| Retained Earnings - UNA | 455X | 556,648,933 |
| Stockholder Equity | | 1,170,089,764 |
| Total Liability & Equity | | 2,814,803,783 |

Verizon Response to WUTC Staff Data Request No. 276
UT-040788

Attachment 276c-2

Verizon Northwest Inc.
Income Statement
For Twelve Months Ending September, 2003

| Category | 12 MTD Sept. 2003 |
|---------------------------------|------------------------------|
| Operating Revenues | |
| Local Network | 472,259,620 |
| Interstate Access | 414,992,134 |
| Intrastate Access | 113,214,855 |
| Total Network Access | 528,206,990 |
| Long Distance Network | 30,079,651 |
| Miscellaneous | 52,715,259 |
| Uncollectibles | (21,350,910) |
| Total Regulated Revenues | 1,061,910,610 |
| Operating Expense & Taxes | |
| Plant Specific | 130,875,136 |
| General Plant | 75,822,535 |
| Customer | 111,194,970 |
| Corporate | 161,921,791 |
| Other Oper Inc & Expense | (555,302) |
| Depreciation & Amort | 288,269,793 |
| Operating Taxes Oth Than Income | 40,675,944 |
| Oper Taxes Exp/Oth Tax | 808,204,868 |
| Earning Before Income Taxes | 253,705,741 |
| Operating Income Taxes | 85,529,306 |
| Net Operating Income | 168,176,435 |
| Nonoper Expense & Other | |
| Nonoperating Income - Net | 2,884,148 |
| Nonregulated Income - Net | (1,239,550) |
| Income Avail For Fixed | 169,821,035 |
| Interest Expense | 42,845,585 |
| Income Before Extraord | 126,975,449 |
| Extraordinary Items | 0 |
| Net Income | 126,975,449 |
| Preferred Dividends | 0 |
| Minority Interest | 0 |
| | 0 |
| NET INCOME TO VERIZON | 126,975,449 |

Verizon Response to WUTC Staff Data Request No. 276
UT-040788

Attachment 276c-2

Verizon Northwest Inc.
Income Statement
For Twelve Months Ending September, 2003

| Category | 12 MTD Sept. 2003 |
|---------------------------------|----------------------|
| Operating Revenues | |
| Local Network | 472,259,620 |
| Interstate Access | 414,992,134 |
| Intrastate Access | 113,214,855 |
| Total Network Access | 528,206,990 |
| Long Distance Network | 30,079,651 |
| Miscellaneous | 52,715,259 |
| Uncollectibles | (21,350,910) |
| Total Regulated Revenues | 1,061,910,610 |
| Operating Expense & Taxes | |
| Plant Specific | 130,875,136 |
| General Plant | 75,822,535 |
| Customer | 111,194,970 |
| Corporate | 161,921,791 |
| Other Oper Inc & Expense | (555,302) |
| Depreciation & Amort | 288,269,793 |
| Operating Taxes Oth Than Income | 40,675,944 |
| Oper Taxes Exp/Oth Tax | 808,204,868 |
| Earning Before Income Taxes | 253,705,741 |
| Operating Income Taxes | 85,529,306 |
| Net Operating Income | 168,176,435 |
| Nonoper Expense & Other | |
| Nonoperating Income - Net | 2,884,148 |
| Nonregulated Income - Net | (1,239,550) |
| Income Avail For Fixed | 169,821,035 |
| Interest Expense | 42,845,585 |
| Income Before Extraord | 126,975,449 |
| Extraordinary Items | 0 |
| Net Income | 126,975,449 |
| Preferred Dividends | 0 |
| Minority Interest | 0 |
| | 0 |
| NET INCOME TO VERIZON | 126,975,449 |

Verizon Response to WUTC Staff Data Request No. 276
UT-040788

Attachment 276d

**Verizon Northwest Inc. - Washington
Income Statement
For Twelve Months Ending September, 2003**

| Category | | 12 MTD Sept. 2003 |
|--------------------------------------|------|----------------------|
| Operating Revenues | | |
| Local Network | 506F | 260,881,935 |
| Interstate Access | 303 | 241,459,206 |
| Intrastate Access | 304 | 78,092,149 |
| Total Network Access | 1061 | 319,551,355 |
| Long Distance Network | 1051 | 22,468,259 |
| Miscellaneous | 107F | 30,473,022 |
| Uncollectibles | 1092 | (14,389,483) |
| Total Regulated Revenues | 109F | 618,985,088 |
| Operating Expense & Taxes | | |
| Plant Specific | PLNT | 73,965,998 |
| General Plant | GENL | 39,628,574 |
| Customer | CUST | 66,724,548 |
| Corporate | CORP | 101,738,233 |
| Other Oper Inc & Expense | OTHR | (227,864) |
| Depreciation & Amort | DEPR | 166,381,355 |
| Operating Taxes Oth Than Income | OPTX | 23,620,912 |
| Oper Taxes Exp/Oth Tax | TLOP | 471,831,756 |
| Earning Before Income Taxes | EBIF | 147,153,332 |
| Operating Income Taxes | INTX | 51,294,753 |
| Net Operating Income | OPIF | 95,858,579 |
| Nonoper Expense & Other | | |
| Nonoperating Income - Net | NINC | 2,415,504 |
| Nonregulated Income - Net | NREG | 4,479,898 |
| Income Avail For Fixed | FXIF | 102,767,621 |
| Interest Expense | FIXC | 26,550,390 |
| Income Before Extraord | INBF | 76,203,591 |
| Extraordinary Items | EXOR | 0 |
| Net Income | NETF | 76,203,591 |
| Preferred Dividends | 4058 | 0 |
| Minority Interest | 3011 | 0 |
| NET INCOME TO VERIZON | | 76,203,591 |

ATTACHMENT 3

1 exhibit is a summary of the analysis that gets to that
 2 conclusion.
 3 Q. Referring to line 16 for depreciation, you
 4 show \$124,692,000?
 5 A. Yes.
 6 Q. And depreciation is a non-cash expense, that
 7 is it is an expense that does not represent a current
 8 outlay of cash from the company; is that correct?
 9 A. That's correct.
 10 Q. I would like you to now return to your
 11 rebuttal testimony, Exhibit 23T, page 5, and on line 17
 12 you're asked a question about Ms. Folsom's comment that
 13 Verizon Northwest does not maintain or make available
 14 its financial statements on a Washington intrastate
 15 basis. Do you see that question?
 16 A. Yes, I do.
 17 Q. And you say that she's incorrect; is that
 18 right?
 19 A. Yes.
 20 Q. I would like you to turn to Exhibit 144,
 21 please.
 22 A. And what is that again? Is it the same one
 23 we were looking at?
 24 Q. It's the one right after.
 25 A. Okay.

1 Q. And I'm going to focus on page 6 of that
 2 exhibit. It's the company response to Staff Data
 3 Request 276.
 4 A. So this is PMS-4?
 5 Q. Yes.
 6 CHAIRWOMAN SHOWALTER: Mr. Trotter, can you
 7 slow down just a little bit.
 8 THE WITNESS: It would help.
 9 BY MR. TROTTER:
 10 Q. I'm on Exhibit 144, the last page of that
 11 exhibit, and do you recognize this as the company's
 12 response to Staff Data Request 276?
 13 A. Yes, I do.
 14 Q. And that data request asked you in part, I'm
 15 focusing on part E, to provide a balance sheet and
 16 income statement matching the test period for each of
 17 the following entities, and the entity in E is Verizon
 18 Northwest, Inc., Washington intrastate operations; is
 19 that right?
 20 A. Yes.
 21 Q. Would you please read your response to item
 22 E?
 23 A. Yes, the response is, income statement and
 24 balance sheets are not maintained at an intrastate
 25 level, which obviously is an incorrect statement.

1 Q. And, in fact, you did not produce any --
 2 CHAIRWOMAN SHOWALTER: I'm sorry, did you say
 3 obviously is an incorrect or a correct?
 4 THE WITNESS: Incorrect.
 5 BY MR. TROTTER:
 6 Q. And, in fact, you did not supplement this
 7 response with a correct response, did you?
 8 A. We have not supplemented this response yet,
 9 but the actual intrastate operations income statements
 10 and balance sheets are on file with the Commission for
 11 all of the time periods, including the test period.
 12 Q. They're on file with the Commission?
 13 A. Right.
 14 Q. And under what filing are those filed with
 15 the Commission?
 16 A. Well, for example, the income statement on
 17 intrastate basis is the same as the quarterly
 18 surveillance report, which we referred to previously in
 19 Ms. Strain's exhibits. And then the balance sheet, we
 20 maintain the balance sheet for the rate base items,
 21 which we also file as part of our quarterly surveillance
 22 report.
 23 Q. So you consider the quarterly compliance
 24 report to be an income statement and a balance sheet?
 25 A. For the intrastate Washington operations,

1 yes. And as I mentioned, on the balance sheet side we
 2 just maintain the rate base items, we don't maintain,
 3 you know, cash or accounts receivable or accounts
 4 payable. But it's the balance sheet items that are
 5 applicable to the intrastate jurisdiction for
 6 surveillance reporting.
 7 Q. Would you please turn to Exhibit 27.
 8 Before we talk about that exhibit, when do
 9 you plan to supplement your response to Exhibit 276?
 10 A. We can do it as soon as this proceeding is
 11 done.
 12 Q. This response is dated June 22, 2004, is it
 13 not?
 14 A. I have actually turned the page, so I don't
 15 know what the date was.
 16 Q. Would you accept that?
 17 A. But if you're reading it off the document, I
 18 accept that.
 19 Which exhibit are you asking me to look for
 20 now?
 21 Q. 27.
 22 A. Thank you.
 23 Okay.
 24 Q. Do you recognize Exhibit 27 as an excerpt
 25 from Verizon's response to Staff Data Request Number

1 207?
 2 A. Yes, I do.
 3 Q. Now these are pages 3 to 5 from Verizon
 4 Northwest, Inc.'s financial statements as of December
 5 31st, 2003?
 6 A. Yes.
 7 Q. Turn to page 3 of the exhibit, and this is
 8 the consolidated statements of income. Am I correct
 9 that the company does not maintain interest expense and
 10 other income and expense net on a Washington intrastate
 11 basis?
 12 A. So you're referring to the line that says
 13 interest expense and other income and expense?
 14 Q. Net, yes.
 15 A. And your question is again?
 16 Q. You do not maintain those values, those
 17 items, on a Washington intrastate basis?
 18 A. Well, the values are maintained at a
 19 Washington basis, and then we use separation factors to
 20 determine the amount of interest that's applicable to
 21 the intrastate jurisdiction, for example for a tax
 22 calculation in accordance with Part 36 rules.
 23 Q. Turn to page 4, consolidated balance sheet,
 24 assets. Am I correct that the only items on this page
 25 that are reported to the UTC on an intrastate basis are

1 property, plant, and equipment, prepaid pension asset,
 2 and deferred income taxes?
 3 A. We would also report the other long-term
 4 liabilities and other jurisdictional liabilities and
 5 deferred credits which roll into -- oh, these are the
 6 assets, I'm sorry. For assets that would be correct,
 7 yes.
 8 Q. So none of the other line items on page 4
 9 would be maintained on a Washington intrastate basis?
 10 A. That is correct.
 11 Q. Let's go to your Exhibit 26, and this is an
 12 exhibit that's related to your rebuttal testimony,
 13 correct?
 14 A. Yes, it is.
 15 Q. And the purpose of this exhibit was to supply
 16 information that was contained in your workpapers and
 17 direct testimony explaining certain fluctuations in the
 18 company's revenues and expenses over recent years; is
 19 that right?
 20 A. Yes, and in addition, as I state in my
 21 testimony, we added the years 1999 and 2000 over and
 22 above what was in my workpapers.
 23 Q. With respect to columns D and E, 2001
 24 intrastate restated and 2002 intrastate restated, and
 25 then column F, test year intrastate restated, those

1 three columns reflect figures -- let me start over.
 2 With columns B and C for 1999 intrastate
 3 restated and 2000 intrastate restated, those figures in
 4 those two columns are taken directly from your
 5 compliance reports for those years; is that right?
 6 A. Yes, they are.
 7 Q. But for the following three columns, D, E,
 8 and F, they are -- those figures are not all the same as
 9 in the compliance reports for those years because you
 10 made additional restating adjustments for those years;
 11 is that correct?
 12 A. Yes, we did additional analysis for the
 13 purpose of the interim case and made additional
 14 restating adjustments.
 15 Q. Now the very first note that you have is note
 16 1 opposite line 2, local network service; do you see
 17 that?
 18 A. Yes.
 19 Q. And note 1 refers to access line losses which
 20 are described in the note; is that right?
 21 A. Yes.
 22 Q. And you also refer to this in your direct
 23 testimony as one of the reasons why the company's return
 24 has declined?
 25 A. That's correct.

1 Q. And am I correct that your workpaper
 2 supporting your note 1 is Exhibit 28, workpaper C 4?
 3 A. Yes.
 4 Q. And then also if you could keep that exhibit
 5 and then also flip over to Exhibit 41C, excuse me, 47C,
 6 Exhibit 47C is some further detail on what makes up the
 7 line loss figures you show back on Exhibit --
 8 A. Is 47C Data Request Number 92?
 9 Q. Yes.
 10 A. Thank you.
 11 Okay.
 12 CHAIRWOMAN SHOWALTER: Well, hold on, we have
 13 a 46C, which looks like what you're talking about, at
 14 least I do. My 47 is something -- is not a C, so I just
 15 want to make sure we're on the same page.
 16 JUDGE WALLIS: That may be misnumbered.
 17 CHAIRWOMAN SHOWALTER: Well, which exhibit?
 18 MR. TROTTER: Yes, 46 should be an SEC Form
 19 10K excerpt, and 47C should be the company's response to
 20 Staff Data Request 92.
 21 COMMISSIONER HEMSTAD: Ours are incorrectly
 22 numbered, so perhaps you could give -- we're talking
 23 about Data Request Number 92?
 24 MR. TROTTER: That's right, that should be
 25 47C.