

ATTACHMENT B

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

VERIZON NORTHWEST INC.,

Respondent.

) Docket No. UT-040788

) DECLARATION OF NANCY W. HEURING

Nancy W. Heuring states and declares as follows:

1. I am the Director-Regulatory Accounting for Verizon Services Organization, Inc. My business address is 600 Hidden Ridge, Irving, Texas.

2. I submitted direct testimony on April 30, 2004, with respect to the accounting information, financial filings and regulatory reporting involved in this rate case.

3. I have reviewed Staff's Motion to Compel Production of Documents and/or Information dated September 16, 2004.

4. I know that we provided Commission Staff with a list of year-end journal entries for the Washington Operations of Verizon Northwest Inc. ("VZNW") for 2002-2003 from which Commission Staff selected certain journal entries for review during Staff's visit to Texas during the week of September 7, 2004.

5. Of the 23 journal entries provided to Staff, 18 entries were redacted to remove financial numbers that do not pertain to Washington State operations in any way.

6. Staff is operating under a misimpression or misunderstanding with respect to how the journal entries are kept and it is not necessary for Staff review of VZNW's Washington operations for it to view journal entry numbers outside of the Washington jurisdiction.

7. The Washington amounts are not derived from total journal entry figures, as apparently assumed by Staff. Of the 18 journal entries redacted, the Washington amounts on 10 journal entries were not the result of "allocations" but simply reflect the appropriate Washington specific revenue and expense activity.

8. On a regular basis, journal entries are prepared and entered into the financial system to generate the financials for the State of Washington. The vast majority of these entries are generated during the course of the year and are processed mechanically. The Staff requested a review of year-end journal entries. These year-end entries are made manually and reflect an insignificant subset of the journal entries that are recorded in the Washington books and records.

9. The books and records for revenues, expenses and rate-based items are maintained by study area. The State of Washington is comprised of two study areas: Contel of the Northwest Inc. and GTE Northwest Incorporated. Every journal entry for the State of Washington is input into the financial system by study area. Staff had access to the journal entries requested for the State of Washington.

10. The financial data by study area is combined to develop the books and records for the State of Washington. There are no stand-alone books for the State of Washington.

11. The same process of maintaining books by study area is applied for each state within VZNW. Contrary to Staff's assumption, the books are not maintained at the VZNW level and then allocated down to the state level.

12. For entries that might include more than one state, the description on the journal entry is applicable to each study area and amount shown on the journal entry. However, the amount associated with each such journal entry will be specific to that jurisdiction and is not derived by allocating a total amount. Rather, the fact simply indicates that the journal entry with the same description was required for each study area and each state included in the journal entry.

13. The entries that contain study areas from multiple states could just as easily have been prepared so that each journal entry only contained the study areas for an individual state. The 18 redacted documents contained study areas from multiple state jurisdictions, but the amounts recorded on 10 of these documents are not the result of "allocations" but simply reflect an appropriate amount specific to study area and state. Three of the remaining 8 redacted journal entries included amounts for states outside of Verizon Northwest. The Washington amount was determined by taking an amount applicable to Verizon Northwest, as reflected in the support to the other five redacted journal entries and distributing that amount to a particular Washington study area. The journalized amounts for states outside of Verizon Northwest are not relevant. These amounts are not necessary to be known and do not help in determining whether the appropriate amount was recorded to Washington because they were not used to determine the amount applicable to Washington.

14. The bottom line is that the amounts journalized for Washington are specific to Washington or were determined by taking an amount applicable to Verizon Northwest and distributing that amount.

15. In sum, the amounts journalized for other jurisdictions are not relevant to an examination of Washington intrastate financials because they were not used to develop the Washington numbers.

I declare under penalty of perjury under the laws of the State of Texas that the foregoing is true and correct.

DATED this 22 day of September 2004 at Irving, Texas.

By Nancy W. Heuring
Nancy W. Heuring