

VERIZON NORTHWEST INC. - WASHINGTON OPERATIONS
2004 Washington General Rate Case
Results of Operations
Test Year - October 2002 to September 2003
(Thousands of Dollars)

Exhibit NWH-2
Revised September 2004

Line	(a) Description	(b) Regulated	(c) Intrastate	(c1) Restating Adjustments	(d) = (c+c1) Restated Intrastate	(e) Proforma Adjustments	(f) = (d+e) Adjusted Intrastate	(g) Revenue Requirement	(h) = (f+g) Results w/ Revenue Req.
1	Operating Revenues:								
2	Local Network Service	260,882	260,882	1,982	262,864	(1,797)	261,067	223,364	484,431
3	Network Access Revenues	78,092	78,092	(581)	77,511	(27,037)	50,474	0	50,474
4	Long Dist Netwk Revenues	21,863	21,863	0	21,863	(3,489)	18,374	0	18,374
5	Miscellaneous Revenues	30,473	17,587	351	17,938	(3,495)	14,443	0	14,443
6	Uncollectibles	(14,389)	(8,487)	0	(8,487)	1,391	(7,096)	(5,104)	(12,200)
7									
8	Total Operating Revenue	376,920	369,937	1,752	371,689	(34,427)	337,262	218,259	555,521
9									
10	Operating Expenses:								
11	Plant Specific Operations	73,966	56,503	(1,609)	54,894	2,687	57,581	0	57,581
12	Plant Non-Spec Operations	26,891	20,224	3,079	23,303	1,785	25,088	0	25,088
13	Access	(487)	(487)	6,716	6,229	0	6,229	0	6,229
14	Customer Operations	66,725	53,572	(1,980)	51,592	2,365	53,957	0	53,957
15	Corporate Operations	101,738	79,040	1,525	80,565	(16,625)	63,940	0	63,940
17	Other Income & Expenses	(228)	(172)	0	(172)	0	(172)	0	(172)
18	Taxes Other Than Income Taxes	23,621	16,167	1,007	17,174	(148)	17,026	0	17,026
19									
20	Total Operating Expenses Before Depreciation	292,226	224,847	8,738	233,585	(9,936)	223,649	0	223,649
21									
21a	Depreciation Expense	166,381	124,692	0	124,692	47,119	171,811	0	171,811
21b									
21c	Total Operating Expenses	458,607	349,538	8,738	358,276	37,183	395,459	0	395,459
21d									
22	Earnings Before Interest and Taxes (EBIT)		20,398	(6,986)	13,412	(71,610)	(58,198)	218,259	160,062
23									
24	Federal Income Tax		660	(2,445)	(1,785)	(25,064)	(26,849)	76,391	49,542
25									
26	Net Operating Income		19,739	(4,541)	15,198	(46,547)	(31,349)	141,869	110,520
27									
28	Rate Base (Average):								
29	Telecomm Plant in Service	2,460,353	1,858,467	(2,123)	1,856,344	(1,894)	1,854,450	0	1,854,450
30	Other Assets (SFAS 87)	172,466	134,136	1,292	135,428	2,499	137,927	0	137,927
31	Investor Supplied Working Capital	0	0	0	0	4,534	4,534	0	4,534
32	Depr & Amort Reserve	998,652	756,207	0	756,207	30,196	786,403	0	786,403
33	Deferred Income Taxes	353,397	272,387	(35,223)	237,164	(9,693)	227,471	0	227,471
34	Other LT Liab	40,006	31,114	(17,990)	13,124	20,429	33,553	0	33,553
35									
36	Total Rate Base	1,240,763	932,894	52,382	985,276	(35,793)	949,483	0	949,483
37									
38	Return on Rate Base (ROR)		2.12%		1.54%		-3.30%		11.64%
39									
40	Reference: Workpapers	S1, S2	S3, L4	R1, R2, L4		P1, P2, L4	L4	L2	

