

Exhibit No. \_\_\_ (BAE-12)  
Docket No. UT-040788  
Witness: Betty A. Erdahl

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**VERIZON NORTHWEST INC.,**

**Respondent.**

**DOCKET NO. UT-040788**

**EXHIBIT TO TESTIMONY  
OF  
BETTY A. ERDAHL**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

**Company Workpapers Supporting Company Adjustment P20, MVSP Program**

**November 22, 2004**

**VERIZON NORTHWEST INC. - WASHINGTON OPERATIONS**

#REF!  
 Proforma Adjustment  
 #REF!

WP P20  
 Revised - Sept. 2004

This proforma is to reflect the Management Voluntary Separation Program (MVSP) cost amortize over 5 years net of annual savings as a result of the program.

Line No.	Description	Account Code	CAM Factor	Intrastate Factor	Amount Inc (Dec)	Intrastate Amount Inc (Dec)
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1 Net MVSP Cost

6728

2 See Attached Detailed Schedules

**VERIZON NORTHWEST INC. - WASHINGTON OPERATIONS**  
 2004 Washington General Rate Case  
 Proforma Adjustment - MVSP Cost  
 (Thousands of Dollars)

**WP P20.1**  
 Revised - Sept. 2004

Line No		Intrastate Amount
1		
2		
3		
4		
5		
6	MVSP Cost (\$60,011 / 5)	12,002
7		
8	MVSP Savings	
9		
10	Net Cost/(Savings)	
11		
12		
13		
14		
15		
16	Notes:	
17	- MVSP Savings reflect reduction in Salary/wage and pension/Benefits costs.	
18	- MVSP costs reflect expenses booked in the fourth quarter of 2003 and the first quarter of 2004.	
19		

VERIZON NORTHWEST INC. - WASHINGTON OPERATIONS  
 2004 Washington General Rate Case  
 Proforma Adjustment - MVSP Costs  
 (Thousands of Dollars)

WP P20.1.1

Line No	4th Qtr. 2003	1st Qtr. 2004	Total MVSP	CAM Factor	Intrastate Factor	Total Intrastate
1	75,572		75,572	0.129961	0.776897	51,081
2	30,480,714		30,480,714	0.129961	0.776897	20,602,856
3	(22,645,691)		(22,645,691)	0.129961	0.776897	(15,306,922)
4	4,124,773	18,662,881	22,787,654	0.129961	0.776897	15,402,879
5	2,522,961	16,118,476	18,641,437	0.129961	0.776897	12,600,323
6	29,149,190		29,149,190	0.129961	0.776897	19,702,838
7	(864,657)		(864,657)	0.129961	0.776897	(584,448)
8	11,157,805		11,157,805	0.129961	0.776897	7,541,905
9	54,000,667	34,781,357	88,782,024	0.129961	0.776897	60,010,512

Source: Corporate Services-Accounting, Corporate Books

**VERIZON NORTHWEST INC. - WASHINGTON OPERATIONS**  
**04 Washington General Rate Case**  
**Salary & Wages and Employee Related Proforma Adjustments**

**WP P20.1.2**  
 Revised - Sept. 2004

**MVSP Headcount Reduction Impact - Salary & Wage**

Mgmt. Basic Salary Savings  
 Performance Incentive Pay Reduction

(1,955,929)  
 (67,949)  
 (2,023,878)

Note 1  
 Note 2

Allocated S&W Reduction

(8,850,778)  
 (10,874,656)

Note 3

Total

Intrastate Factor

(9,777,242)

Note 4

Intrastate MVSP Impact

(2,452,738)

Note 1 Basic Wage  
 x Change in avg. mgmt. headcount  
 x Change in work days  
 x Salary treatment

Source  
 6,416,613 WP P12.1.3, Page 1 of 2  
 -0.29284 Actual Hdct. Reduction net of estimated rehire  
 1.003831418 WP P12.1.3, Page 1 of 2  
1,03694 WP P12.1.3, Page 1 of 2  
 (1,955,929)

Note 2 Change in Basic Wage - MVSP  
 x Incentive Pay to S&W ratio

(1,955,929) WP P12.1.3, Page 1 of 2  
0.03474 WP P12.1.3, Page 1 of 2  
 (67,949)

Note 3 Allocated S&W  
 x Change in Avg. Hdct  
 x Change in work days  
 x Salary treatment

63,771,904 WP P12.1.3, Page 2 of 2  
 -0.133333 Hdct reduction net of estimated rehire  
 1.00383 WP P12.1.3, Page 1 of 2  
1,03694 WP P12.1.3, Page 2 of 2  
 (8,850,778)

<u>Note 4</u>	Plant Spec.	73,966	56,503	0.763905037	Exhibit NWH-2
	Plant NonSpec.	26,891	20,224	0.752073184	Exhibit NWH-2
	Customer	66,725	53,572	0.802877482	Exhibit NWH-2
	Corporate	<u>101,738</u>	<u>79,040</u>	<u>0.776897521</u>	Exhibit NWH-2
	Total	269,320	209,339	0.777287242	

**VERIZON NORTHWEST INC. - WASHINGTON OPERATIONS**  
**04 Washington General Rate Case**  
**Benefits Proforma Adjustment**

**WP P20.1.3**  
 Revised - Sept. 2004

**MVSP Headcount Reduction Impact - Benefits**

Medical & Dental Costs reduction  
 Savings Plan costs reduction  
 Payroll Tax expense reduction

467,624  
 (58,236)  
 (83,910)  
 (619,750)

Note 1  
 Note 2  
 Note 3

Allocated benefits cost reduction

(3,281,181)  
 (3,281,181)

Note 4

Total

Intrastate Factor

(1,072,224)

Intrastate MVSP Impact

(4,024,386)

	<u>Source</u>
<u>Note 1</u> Test Year Medical Costs	6,195,208 WP P12.1.4
x Rate of Medical Cost Increase	1.04500 WP P12.1.4
x Change in avg. mgmt. headcount	<u>-0.07223</u> Actual Hdct. Reduction net of estimated rehire (467,624)
<u>Note 2</u> MVSP related S&W reduction	(1,955,933) WP P12.1.4
x TY savings plan to basic S&W ratio	<u>0.029774</u> WP P12.1.4 (58,236)
<u>Note 2</u> MVSP related S&W reduction	(1,955,933) WP P12.1.4
x TY payroll tax to basic S&W ratio	<u>0.0429</u> WP P12.1.4 (83,910)
<u>Note 2</u> Proforma allocated Benefits costs	24,608,921 WP P12.1.4
x Change in Avg. Hdct	<u>-0.133333</u> Hdct reduction net of estimated rehire (3,281,181)