

Exhibit No. ___ (BAE-16)
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**

Calculation of Staff's Restating Adjustment R8-03, OPEB

November 22, 2004

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

Calculation of Staff's Restating Adjustment R8-03

Staff Adjustment

Adjustment (R8-03) - OPEB/Paygo, SFAS 106 - This adjustment is to remove the Other Post Employment Benefit (OPEB) expenses and liability from expense and ratebase and replace with Pay-As-You-Go (PAYGO) expense as ordered in Docket No. A-921197 by the WUTC.

Line No.	Description	Account Code	CAM Factor	Intrastate Factor	Amount Inc (Dec)	Intrastate Amount Inc (Dec)
1	12MTD 2003 Restatement for OPEB/PAYGO					
2	Plant Specific	61XX-64XX	8.2365%	76.3907%	(3,133)	(2,196)
3	Plant Non-specific	65XX	14.2825%	75.2081%	(2,067)	(1,333)
4	Customer	66XX	13.9983%	80.2880%	(3,040)	(2,099)
5	Corporate	67XX	12.7483%	77.6897%	8,732	5,919
6	Total Expense				492	291
7						
8	Capital Plant/Deprec.					
9	Capital Plant/Deprec. - Remove OPEB Liability	2XXX	5.1093%	75.5366%	(2,962)	(2,123)
10		4310	12.7067%	77.7749%	(26,498)	(17,990)
11					(29,460)	(20,113)
12						
13	The difference between the Staff adjustment and the Company adjustment is that staff subtracted out the "contributions" from the gross cost to calculate the net cost of PAYGO.					

Verizon Northwest Inc. - Washington Operations
2004 Washington General Rate Case
SFAS 106 Adjustment
(Thousands of Dollars)

Calculation of Staff's Restating Adjustment R8-03.1

Co. Adjustment:

Line No.	Total State	CAM Factor	Non Reg	Regulated Amount	Intrastate Factor	Amount Inc (Dec)
1						
2						
3						
4	(3,133)	8.2365%	(258)	(2,875)	76.3907%	(2,196)
5	(2,067)	14.2825%	(295)	(1,772)	75.2081%	(1,333)
6	(3,040)	13.9983%	(426)	(2,614)	80.2880%	(2,099)
7	<u>8,732</u>	12.7483%	<u>1,113</u>	<u>7,619</u>	77.6897%	<u>5,919</u>
8	492		134	358		291
9						
10	(2,962)	5.1100%	(151)	(2,811)	75.5400%	(2,123)
11						
12						
13						
14						
15	Quarterly Recap:	4thQ 02	1stQ 03	2ndQ 03	3rdQ 03	9/03 12 MTD
16						
17	Capital Plant/Deprec	665,628	745,570	779,907	770,786	2,961,891
18	Plant Specific	705,279	825,269	802,795	799,430	3,132,773
19	Plant Non-specific	480,680	539,963	514,190	532,073	2,066,906
20	Customer	728,035	749,319	744,455	817,739	3,039,548
21	Corporate	<u>230,404</u>	<u>240,165</u>	<u>(44,648)</u>	<u>83,354</u>	<u>509,275</u>
22	Total Expense	2,810,026	3,100,286	2,796,699	3,003,382	11,710,393
23						
24	PAYGO - below from PC-120b					9,241,469
25	Less booked to Corporate					<u>(509,275)</u>
26	Adjusted Corporate (PAYGO below less booked Corporate)					8,732,194
27						
28	Total Adjusted for PAYGO					(856,393)
29						
30						
31	PAYGO:	Get the latest Quarter Estimate for PAYGO expenses from Treasury.				
31		From response to PC DR #120b	12 MTD			
32			Ended 3rd Q			
33			<u>2003</u>			
34	GTE		9,301,826			
35	Contel		<u>1,712,274</u>			
36	Gross Costs	11,014,100	11,014,100			
37						
38	Less contribution from other source (PC DR #120b)					
39	GTE - Contributions		1,572,035			
40	Contel - Contributions		<u>200,596</u>			
41	Total Contributions		1,772,631	(1,772,631)		
42						
43	Total Net Cost to Company					9,241,469