

Exhibit No. ___ (BAE-8)
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 P12,
Wage and Salary Pro Forma

November 22, 2004

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

WP P12
 Revised - Sept. 2004

Expense proforma. The proforma adjustments reflect the full year impact of headcount reductions during the test year as well as other known & measurable items, such as the wage treatment per contract and actuarial information.

Line No.	Description	Account Code	Intrastate Factor	Intrastate Amount Inc (Dec)
1	Expense Proforma			
2				
3	Plant Specific Operations	61XX - 64XX	0.0000%	
4	Plant Non-Spec Operations	65XX	0.0000%	
5	Customer Operations	66XX	0.0000%	
6	Corporate Operations	67XX	0.0000%	
7				
8				
9				

Source: - Financial Planning & Analysis

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

WP P12.1.1
 Revised - Sept. 2004

	(a)	(b)	(c)	(d)	(e)	(f)
	Expense	Proforma	% Growth/(Decline)	WP P12.1.2 % Dist to Exp. Cat	Restated Intrastate	Proforma Amount
1	Salary/Wage					
2	Plant Specific Operations	28,196		33.75%	55,011	
3	Plant Non-Spec Operations	20,980		68.98%	23,303	
4	Customer Operations	40,439		53.74%	51,592	
5	Corporate Operations	23,122		19.28%	80,458	
6		112,737				
7						
8	Pension and Other Benefits Detail					
9	Plant Specific Operations	7,466		9.76%	55,011	
10	Plant Non-Spec Operations	4,827		16.62%	23,303	
11	Customer Operations	7,053		10.24%	51,592	
12	Corporate Operations	21,684		18.76%	80,458	
13						
14						
15	Other Employee Related Expense Detail					
16	Plant Specific Operations	492		0.60%	55,011	
17	Plant Non-Spec Operations	454		1.53%	23,303	
18	Customer Operations	617		0.84%	51,592	
19	Corporate Operations	1,820		1.55%	80,458	
20		3,383				
21						
22	Summary:					
23	Plant Specific Operations					
24	Plant Non-Spec Operations					
25	Customer Operations					
26	Corporate Operations					
27						
28						
29						
30						
31						
32						
33	Salary & Wages Proforma Detail					
34	Plant Specific Operations			25.0100%		
35	Plant Non-Spec Operations			18.6100%		
36	Customer Operations			35.8700%		
37	Corporate Operations			20.5100%		
38				100.0000%		
39						
40	Pension and Other Benefits Detail					
41	Plant Specific Operations			18.2800%		
42	Plant Non-Spec Operations			11.3300%		
43	Customer Operations			17.2700%		
44	Corporate Operations			53.1200%		
45				100.0000%		
46						
47	Other Employee Related Expense Detail					
48	Plant Specific Operations					492
49	Plant Non-Spec Operations					454
50	Customer Operations					617
51	Corporate Operations					1,820
52						3,383

**Verizon Northwest - Washington Operations
SACS Redistributed to EMR Categories
2004 Rate Case**

Test Year Spread

	Plant		Access	Customer	Corporate	Total
	Specific	Non-Specific				
420 - Salaries & Wages	26,847,994	19,979,329	15,146	38,503,376	22,006,218	107,352,063
430 - Pension & Benefits	7,766,156	4,814,562	2,084	7,335,140	22,563,334	42,481,276
460 - Contracted Services	6,799,448	515,337	(3,766,086)	6,377,393	7,746,850	17,672,942
470 - Advertising	1,769	1,329	0	2,414	65,375	70,887
490 - Materials	2,572,682	(244,145)	2,352	899,478	411,815	3,642,182
500 - Employee Related	479,309	442,829	85,004	601,192	1,774,946	3,383,280
510 - Rents	11,751,205	215,300	0	33,790	21,988,612	33,988,907
522 - All Other	23,320,813	3,237,833	13,501,343	17,898,078	37,606,156	95,564,223
Total	79,539,376	28,962,374	9,839,843	71,650,861	114,163,306	304,155,760
	26.15%	9.52%	3.24%	23.56%	37.53%	
<u>Original Distribution</u>						
420 - Salaries & Wages	33.75%	68.98%	0.15%	53.74%	19.28%	
430 - Pension & Benefits	9.76%	16.62%	0.02%	10.24%	19.76%	
460 - Contracted Services	8.55%	1.78%	-38.27%	8.90%	6.79%	
470 - Advertising	0.00%	0.00%	0.00%	0.00%	0.06%	
490 - Materials	3.23%	-0.84%	0.02%	1.26%	0.36%	
500 - Employee Related	0.60%	1.53%	0.86%	0.84%	1.55%	
510 - Rents	14.77%	0.74%	0.00%	0.05%	19.26%	
522 - All Other	29.32%	11.18%	137.21%	24.98%	32.94%	
	100.00%	100.00%	100.00%	100.00%	100.00%	

VERIZON NORTHWEST INC. - WASHINGTON OPERATIONS
2004 Washington General Rate Case
Salary & Wages and Employee Related Proforma Adjustments

WP P12.1.3
 Revised - Sept. 2004

Line No.		Revised Regulated
1	Management Basic Wage	
2	A	6,416,613
3	B	0
4	C	261
5	Removed	0
6	E	0
7	G	262
8	H=G-C	1
9	J	3.7%
10	Removed	0
11	Rate of Pay Impact	237,042
12	Paid Days Impact	25,591
13	Total Change	262,632
14	O=A+N	6,679,245
15		262,632
16		
17	Management Performance Incentive Pay	
18	A	222,883
19	B	6,416,613
20	C=A/B	0
21	D	6,679,245
22	E=C	3.5%
23	F=D*E	232,006
24		9,123
25		
26	Sales Compensation Expense	
27	A	305,573
28	B	261
29	C=A/B	1,171
30	D	262
31	E=C*D	306,744
32		1,171
33		
34	Associate Basic Wage	
35	A	26,210,828
36	B	0
37	C	261
38	Removed	0
39	E	0
40	G	262
41	H=G-C	1
42	J	4.0%
43	Removed	0
44	Rate of Pay Impact	1,058,917
45	Paid Days Impact	104,882
46	Total Change	1,163,800
47	O=A+N	27,374,628
48		1,163,800
49		
50	Associate Overtime	
51	A	1,794,066
52	B	26,210,828
53	C=A/B	6.8%
54	D	27,374,628
55	E=C	6.8%
56	F=D*E	1,873,725
57		79,659

VERIZON NORTHWEST INC. - WASHINGTON OPERATIONS
2004 Washington General Rate Case
Salary & Wages and Employee Related Proforma Adjustments

WP P12.1.3
 Revised - Sept. 2004

Revised

58			
59	A	Allocated Salary & Wage	
60	A	TY Associate Basic Wage	26,210,828
61	B		3.4%
62	C=A/B		
63	D	TP Associate Basic Wage	27,374,628
64	E=C		3.4%
65	F=D*E		917,214
66			38,994
67			
68	Allocated Salary & Wage		
69	A	TY Paid Days	261
70	B	TP Allocated S&W/Paid Day	244,337
71	C=A/B		262
72	E	TP Paid Days	1
73	F=E-B	Weighted Avg Change in Pay Rate	3.7%
74	H	TP Allocated S&W/Paid Day	253,363
75	I=C*(1+H)	Rate of Pay Impact	2,355,854
76	J=I*G	Paid Days Impact	253,363
77	K=J*F	Total Change	2,609,217
78	L=K	TP Allocated Salary & Wage	66,381,121
79	M=A+L		2,609,217
80			
81			
82	SALARY & WAGE EXPENSE Adjustment		
83			4,164,596
84	Salary & Wage Summary		
85	Total Salary & Wage (WP P12.1.3, Note (1) plus 3.4% adjustment)		
86	Plus:	In-Period Adjustment (WP P12.1.3, plus 3.4% adjustment)	4,164,596
87		Proforma Adjustment	111,100,200
88	Proforma Salary & Wage		
89			
90		Change - Salary & Wage Proforma Adjustment	(1,637,206)
91		Change %	-1.45%
92			
93	Note (1)		
94			
95			
96			
97			
98			
99			
100			
101	Employee Related Expense		
102		Booked Employee Related	3,383,281
103	Plus:	In-Period Adjustment	(175,989)
104		Proforma Adjustment	
105	Proforma Employee Related		
106			3,207,292
107		Change - Employee Related Proforma Adjustment	(175,989)
		Change %	-5.20%

VERIZON NORTHWEST INC. - WASHINGTON OPERATIONS
2004 Washington General Rate Case
Pension & Benefits Proforma Adjustment

WP P12.1.4
 Revised - Sept. 2004

Revised
Regulated

1	Medical & Dental Costs		
2	A	TP Medical & Dental Costs (From WP P12.1.1)	6,195,208
3	B	Removed	
4		Removed	
5	D	TP WA ST Medical Cost Increase	4.5%
6		Removed	
7	F	Removed	
8	G=A*D	Medical Cost change Impact	278,784
9		Removed	
10	I=G+H	Total Change	278,784
11	J=A+I	TP Medical & Dental Costs	6,473,992
12			278,784
13			
14	Savings Plan		
15	A	TP Savings Plan Costs (From WP P12.1.1)	971,444
16	B	TY Mgmt & Assoc Basic Wage	
17	C=A/B	TY Savings Plan to Basic Wage Ratio	3.0%
18	D	TP Mgmt & Assoc Basic Wage	
19	E=C*D	TP Savings Plan Costs	1,013,900
20			42,456
21			
22	Payroll Tax		
23	A	TP Payroll Tax Costs (From WP P12.1.1)	2,100,360
24	B	TY Salary & Wage Expense	48,965,503
25	C=A/B	TY Savings Plan to Basic Wage Ratio	4.3%
26	D	TP Salary & Wage Expense	44,930,935
27	E=C*D	TP Payroll Tax Costs	1,928,683
28			(173,186)
29			
30	Pension		
31		TP Pension (From WP P12.1.1)	(8,481,412)
32		TP Pension (From WP P12.1.1)	(5,745,000)
33			2,836,412
34			
35	Opeb		
36		TP Opeb (From WP P12.1.1)	(8,777,614)
37		TP Opeb (From WP P12.1.1)	11,247,117
38			2,469,503
39			
40	A	TP Allocated P&B (From WP P12.1.1)	18,892,245
41	B	Yr/Yr Change In P&B Costs	
42	C=A*(1+B)	TP Allocated P&B	24,601,928
43			5,709,683
44			
45	Total Pension & Benefits Adjustment		11,163,652
46			
47			
48	Summary		
49			
50		TP Pension & Benefits (From WP P12.1.1)	(20,226,012)
51	Plus:	In-Period Adjustment	(2,211,284)
52		Proforma Adjustment	11,163,652
53	Proforma Pension & Benefits		49,792,433
54			
55	Change - Proforma Adjustment		8,952,368
56	Change %		21.92%

Verizon Northwest Inc. - Washington Operations
Salaries & Wages (Regulated Accounts Only)
 12 month-to-date as of September 30, 2003

WP P12.1.5

Line No.		Q4 02	Q3 YTD 03	12MTD Sep 03
1	MANAGEMENT	3,319,850	9,226,246	12,546,096
2	Basic	1,614,439	4,802,174	6,416,613
3	6001000000 Mgmt Exempt/Nonexempt	2,127,422	4,901,070	7,028,492
4	6006000000 Accr Sal Exp-Mgmt	(512,982)	(98,897)	(611,879)
5				
6	Incentive Compensation	304,653	(81,770)	222,883
7	6008000000 Accrued VIP Exp	324,487	(48,070)	276,417
8	6009000000 Accrued STIP Exp	(19,834)	(33,700)	(53,534)
9				
10	Stock Compensation	-	36,053	36,053
11	6054000000 Stock Comp Exp	-	36,053	36,053
12				
13	Sales Incentive Compensation	99,394	206,179	305,573
14	6051000000 Sales Incentive Comp	99,394	206,179	305,573
15				
16	Other Pay	1,301,364	4,263,610	5,564,974
17	6001000400 Salary-Misc	963,605	2,876,213	3,839,818
18	6001000600 Wk Stpge-Base Pay		(491)	(491)
19	6001000700 Wk Stpge-OT & Ppay		30,376	30,376
20	6005000000 Salary Cont Pay	6,946	36,739	43,685
21	6005000100 Salary Cont Pay-NBW		492,705	492,705
22	6006000300 Svc Act Deferral-SAB 101	406,735	794,466	1,201,200
23	6007000000 Accr Vacation Exp	(75,922)	33,602	(42,320)
24				
25	ASSOCIATE	15,073,738	21,345,670	36,419,407
26	Basic	13,542,962	12,667,866	26,210,828
27	6002000000 Hrly-Productive	8,450,536	14,546,254	22,996,790
28	6002000100 Hrly-Non Productive	5,569,101	(1,421,264)	4,147,837
29	6006000200 Accr Sal Exp-Assoc	(476,675)	(457,124)	(933,799)
30				
31	Overtime	494,216	1,299,850	1,794,066
32	6003000000 Premium Pay	223,897	416,431	640,328
33	6004000000 Overtime Pay	270,319	883,419	1,153,738
34				
35	Incentive Compensation	506,903	371,318	878,220
36	6008000100 Accrued TPA Exp	506,903	371,318	878,220
37				
38	Other Pay	529,656	7,006,637	7,536,293
39	6005000000 Salary Cont Pay	529,656	(119,154)	410,502
40	6005000100 Salary Cont Pay-NBW		7,125,791	7,125,791
41				
42				
43	ALLOCATIONS	12,832,577	45,654,725	58,487,302
44	6001000100 Sum-Com Cost Labor	7,194,593	29,245,004	36,439,597
45	6001000200 Corp Prorate-Labor	5,637,984	16,409,721	22,047,705
46				
47				
48	Total S&W	31,226,164	76,226,641	107,452,805

Verizon Northwest Inc. - Washington Operations
Pension & Benefits (Regulated Accounts Only)
12 month-to-date as of September 30, 2003

WP P12.1.6

Line No.	Category	SAP	Acct Descr	Q4 02	Q3 YTD 2003	12 MTD Sep 03
1	PENSION	6107000000	Pension Expense	4,301,610	6,717,686	11,019,296
2						
3						
4	OPEB	6108000000	OPEB Expense	749,765	2,570,636	3,320,401
5		6109000000	SERP Expense	4,318	5,757	10,076
6						
7	HEALTH & WELFARE					
8	Medical	6102000000	Medical Insurance	762,942	2,290,546	3,053,489
9	Dental	6103000000	Dental Insurance	65,028	272,183	337,211
10	Workman Comp	6112000000	Workman's Comp	65,759	231,441	297,200
11	ST Disability	6115000000	ST Disability Insurance		530,731	530,731
12	LT Disability	6105000000	Disability Insurance	171,697	168,084	339,781
13	Life Insurance	6104000000	Life Insurance	8,176	20,286	28,462
14	Other Benefits	6106000000	Group Ins-Other		12	12
15		6140000000	Oth Employee Benefit	557,815	1,050,506	1,608,321
16						
17						
18	SAVING PLAN	6110000000	Savings & Investment	203,310	768,134	971,444
19						
20	PAYROLL TAXES	6101000000	Payroll Taxes	514,937	1,586,932	2,101,869
21						
22	OTHER	6101000100	Sum-Com Cost Benefit	2,327,737	11,693,462	14,021,198
23		6101000200	Corp Prorate-Benefit	854,159	4,016,888	4,871,047
24						
25	Allocated Pension & Opeb - Calculated					
26	Total P&B			10,587,253	31,923,286	42,510,539

**Verizon Northwest - Washington
2004 Washington General rate Case
Annualized Impact of In-Period Headcount Reductions from 10/1/2003 to 9/30/2004**

Line No.	Sep. 2002	Oct. 2002	Nov. 2002	Dec. 2002	Jan. 2003	Feb. 2003	Mar. 2003	Apr. 2003	May 2003	Jun. 2003	Jul. 2003	Aug. 2003	Sept. 2003
1	1,980	1,981	1,952	1,932	1,894	1,883	1,863	1,837	1,835	1,806	1,783	1,777	1,771
2		1	(29)	(20)	(38)	(11)	(20)	(26)	(2)	(29)	(23)	(6)	(6)
3	23,304	23,304	23,304	23,304	23,304	23,304	23,304	23,304	23,304	23,304	23,304	23,304	23,304
4		11.5	10.5	9.5	8.5	7.5	6.5	5.5	4.5	3.5	2.5	1.5	0.5
5			(591,332)	(368,975)	(627,258)	(160,213)	(252,457)	(277,703)	(17,478)	(197,111)	(111,664)	(17,478)	(5,826)
6													
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Pro. forma Calculation

In-Period Salary/Wages Adjustment (209) (2,605,161) (2,265,315)

Allocated In-Period Impact (3,324,090)

Total In-Period Salary/Wages Adjustment (5,589,405) To WP P121.3, Line 86

Total Pension & Benefits Adjustment (Direct & Allocated) (2,211,284) To WP P121.4, Line 51

Total Other Employee Related Costs (175,989) To WP P121.3, Line 101

- Notes**
- The adjustment reflects the impact of BAU, or normal attrition, during the test year, assuming these will not be backfilled.
 - Average salary computed by dividing annual, regulated salary/wages (Direct only) by average headcount for the period.
 - The headcount reductions reflect actual, reported headcount as received from Payroll.
 - Reductions in the month are assumed to be mid-month, with half a month's cost reduction impact.
 - The allocated salary impact was calculated by using the ratio of booked allocated salary to booked total salary and applying this ratio to the direct salary reductions calculated.
 - The allocated pension/benefit impact was calculated by using the ratio of booked pension/benefits to booked total salary and applying this ratio to the total salary reduction calculated.