

Exhibit No. ___ (JAR-4)
Docket No. UT-040788
Witness: James A. Rothschild

**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**

James A. Rothschild

**EXPERT WITNESS FOR
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

**Re: Cost of Capital
Verizon NW Response to Staff Data Request Nos. 301 and 305**

November 22, 2004

Data Requests Directed to Verizon Witness Dr. Vander Weide:

DATA REQUEST NO. 301:

Regarding Dr. Vander Weide's testimony in Exhibit No. ___(JVW-1T), at page 12, lines 7-9, Dr. Vander Weide states that Verizon NW "faces strong competition" from the companies he lists. a) Please explain the basis of his opinion that Verizon NW faces "strong competition" from each of these companies? b) Please define "strong competition" as he has uses the term. c) Please specifically describe how to measure that the "competition" is strong. d) For each of the listed companies, please provide the percentage of total revenues in the areas where Verizon NW provides regulated services in the State of Washington that have been captured by each of the companies listed on page 12, lines 8-21.

RESPONSE:

- (a) Dr. Vander Weide's opinion that Verizon NW faces strong competition from each of these companies arises from his observation that these companies offer comparable telecommunications services in Verizon NW's service territory at comparable rates.
- (b) See response to (a).
- (c) See response to (a).
- (d) Verizon NW does not have access to the requested information. Specifically, it does not have access to the total revenues of its competitors.

Prepared By: James H. Vander Weide
Date: June 28, 2004
Witness: James H. Vander Weide

Data Requests Directed to Verizon Witness Dr. Vander Weide:

DATA REQUEST NO. 305:

a) With reference to the access line loss noted in WUTC Staff Data Request No. ____, please state: a) to what extent is relative price a reason why access line loss is occurring, b) to what extent is better service a reason that access lines are being lost, c) what other reasons does Verizon NW believe are a reason for the line loss, and d) what would be the impact of higher prices being charged by Verizon NW on future access line losses?

RESPONSE:

- (a) Verizon has not conducted a study of whether its access line loss is due to relative price, better service, or other factors. Such a study would require information from customers who obtain service from Verizon's competitors. Such information would be costly to obtain, and it is not clear whether customers would be willing to provide accurate information regarding the reasons for their purchases.
- (b) See response to (a).
- (c) See response to (a).
- (d) The impact of higher prices on future access line losses would depend on whether current prices are sufficient to recover the cost of serving the customer. For customers whose current price exceeds the cost of serving them, higher prices would likely increase future access line losses. For customers whose current prices are less than the cost of serving them, price increases would have little effect on future access line losses.

Prepared By: James H. Vander Weide
Date: June 28, 2004
Witness: James H. Vander Weide