

Exhibit No. __ (JAR-6)
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 No. 295**

November 22, 2004

Docket No. UT-040788 – *General Rate Case*
Verizon Responses to WUTC Staff Data Request Nos. 293-327
July 9, 2004

Data Requests Directed to Verizon Witness Dr. Vander Weide:

DATA REQUEST NO. 295:

Please provide a statement from Standard & Poor's that shows it uses market value capital structure as part of what it computes when determining the bond rating of a company.

RESPONSE:

Dr. Vander Weide's direct testimony contains no reference to Standard & Poor's bond rating criteria. The purpose of his direct testimony is to estimate Verizon NW's cost of capital. As Dr. Vander Weide states in his testimony, financial theory requires the use of market value capital structures when computing a company's weighted average cost of capital. How Standard & Poor's determines a company's bond rating is irrelevant for the purpose of estimating the cost of capital.

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