

**Exhibit No. \_\_\_\_ (JAR-9)**  
**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. 307**

**November 22, 2004**

*Data Requests Directed to Verizon Witness Dr. Vander Weide:*

**DATA REQUEST NO. 307:**

Regarding Dr. Vander Weide's testimony in Exhibit No. \_\_\_\_ (JVW-1T), at pages 15-16, Dr. Vander Weide discusses the risk of under-recovery. Specifically, on line 4, he says that the inherent delay in resolving a rate proceeding will cause Verizon NW to not be able to recover its earnings shortfall. a) Please explain whether the inherent delay between rate cases can also work the other way – namely Verizon NW can keep rates that are high enough for it to earn more than its cost of capital until new rates are put into effect? b) Please provide the filing date and the date that rates were put into effect for each of the last 5 of Verizon NW's general rate cases.

**RESPONSE:**

- (a) The inherent delay between rate cases could work the other way if Verizon NW were earning more than its cost of capital. However, in the current environment, Verizon NW is earning significantly less than its cost of capital. In this environment, any delay in raising rates will only work to further erode Verizon NW's opportunity to earn a fair rate of return on its investment in Washington State.
- (b) The last Washington rate case was filed in 1982. The tariff sheets from that case reference Advice No. 295 "Issued August 22, 1983" and "Effective August 30, 1983."

Verizon cannot produce information responses to (b) for prior rate cases, because this data is not readily available. It would be unduly burdensome and time-intensive for Verizon to attempt to locate information for historical general rate cases prior to 1982. This information is not relevant to the issues in this case.

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