

VERIZON NORTHWEST, INC.
DOCKET NO. UT-040788
Analysis of Pension Costs Included in Revenue Requirement

Year	WUTC Docket	Effective Date	Assumed Months in Effect	Washington Intrastate	
				Rate-making Pension Allowance	Estimated Pension Credits in Rates
1987	(a)(b)			\$ -	\$ -
1988	(a)(b)			-	-
1989	(a)(b)			-	-
1990	(a)(b)			-	-
1991	(a)(b)			-	-
1992	(a)(b)			-	-
1993	(a)(b)			-	-
1994	(a)(b)			-	-
1995	(a)(b)			-	-
1996	(a)(b)			-	-
1997	(a)(b)			-	-
1998	(a)(b)			-	-
1999	(a)(b)			-	-
2000	(a)(b)		4	-	-
	UT-991164 (c)	5/1/00	2	(1,239,914)	(206,652)
	UT-991164 (c)	7/1/00	6	(2,656,960)	(1,328,480)
2001	UT-991164 (c)	1/1/01	6	(4,074,005)	(2,037,002)
	UT-991164 (c)	7/1/01	6	(5,313,919)	(2,656,960)
2002	UT-991164 (c)		12	(5,313,919)	(5,313,919)
2003	UT-991164 (c) (d)		9	(5,313,919)	(3,985,439)
					<u>\$ (15,528,452)</u>

Sources:

- (a) Prior to Docket UT-991164, VZNV's last formal Washington rate case was in 1983, Docket Nos. U-82-45 & U-82-48. Source: Verizon original response to Data Request PC-131.
- (b) The last formal rate review predated FAS87 effective date by four years, which would have had "zero" or positive pension expense. Amount unknown, so "zero" conservatively assumed.

(c) WUTC Docket No. UT-991164:

1998 Test Year Intrastate Pension Credits \$ (5,313,919)

Revenue Reduction Steps:

<u>Effective Date</u>	<u>Reduction</u>	<u>%</u>	<u>Prorate Credit</u>
5/1/00	\$ 7,000,000	23.33%	\$ (1,239,914)
7/1/00	8,000,000	50.00%	(2,656,960)
1/1/01	8,000,000	76.67%	(4,074,005)
7/1/01	<u>7,000,000</u>	100.00%	(5,313,919)
Total	<u>\$30,000,000</u>		

Sources: Verizon responses to Data Request PC-131 & PC-262(a).

- (d) Nine month prorate in 2003, as historical test year ended 9/30/03.

The above analysis conservatively assumes: (1) no positive pension expense was included in rates in the 1983 test year and (2) the Verizon merger and access rate reductions, totaling \$30 million, would have conveyed full pension credits to ratepayers upon effective date of each rate reduction step. In other words, almost 18% of the \$30 million reduction was assumed to be due to pension credits recorded in the 1998 test year. Absent such an assumption, the above tabulation would reflect "zero" or significantly reduced net pension credits being conveyed to ratepayers during any calendar year -- regardless whether the reductions resulted from a litigated case or negotiated settlement.

Docket No. UT-040788

Exhibit No. ____, SCC-6

Page 1 of 1