

Exhibit No. ___ C (PMS-13-C)
Docket No. UT-040788
Witness: Paula M. Strain
REDACTED VERSION

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
PAULA M. STRAIN
REGARDING REVENUE REQUIREMENTS

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Description and Revisions to Pro Forma Adjustments

November 22, 2004
Revised December 15, 2004

REDACTED VERSION

VERIZON NORTHWEST INC. - WASHINGTON OPERATIONS
2004 Washington General Rate Case
Description and Revisions to Proforma Adjustments
 (Thousands of Dollars)

CONFIDENTIAL PER PROTECTIVE ORDER IN WUTC DOCKET NO. UT-040788

(a)	(b)	(c)	(d)	(e)	(f)
Adjust. No.	Description of Company Proposed Adjustments	Verizon Intrastate Amount Inc (Dec)	Difference Staff Adjustment	Staff Intrastate Amount Inc (Dec)	Staff Witness
39					
40					
41					
42					
43	Pro forma Adjustments to Operating Expenses:				
44					
45	P10 To record Projected Rate Case Expense amortized over 3 years	178		178	
46					
47	P12 Salary, Wages, Benefits & Other Employee Benefits	491	(1,066)	(575)	Erdahl
48	To adjust test year for wage increases, benefit cost	453	(302)	151	
49	increases, and reductions in employee headcount	266	(275)	(9)	
50		1,007	(2,384)	(1,377)	
51					
52	P15 Recognition of SFAS 106 - Other Post Employment Benefits	2,196	(2,196)	-	Erdahl
53		1,332	(1,332)	-	
54		2,099	(2,099)	-	
55		(7,012)	7,012	-	
56					
57	P17 Remove Depreciation Expense proposed in Docket UT-040520	47,119	(48,786)	(1,667)	Strain
58					
59					
60	P18 To adjust amortization of employee severance expenses to five years	(11,323)	(4,262)	(15,585)	Erdahl
61					
62					
63	P19 To record Gross Receipts Tax and WUTC Regulatory Fees on	(148)	148	-	Strain
64	Proforma Revenue Adjustments		(157)	(157)	
65					
66	P20 To amortize Management Voluntary Separation Program costs over 5 years,	525	-12139	(11,614)	Erdahl
67	net of annual savings				
68					
69	SP24 Depreciation Expense Calculated on Disallowed Special Access Plant	656x	(7,843)	(7,843)	Strain
70	Remove Operating Expenses related to Disallowed Special Access Plant	64xx	(3,492)	(3,492)	Strain
71					
72	SP23 Depreciation Expense Calculated on Disallowed DSL Plant				Strain
73					
74					
75	Total Expense Adjustments	37,183	(79,315)	(42,132)	

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(a)	(b)	(c)	(d)	(e)	(f)
Adjust. No.	Description of Company Proposed Adjustments	Verizon Intrastate Amount Inc (Dec)	Difference Staff Adjustment	Staff Intrastate Amount Inc (Dec)	Staff Witness
76					
77	Pro forma Adjustments to Rate Base:				Revised December 15, 2004
78					
79	SFAS 106	(2,439)	2,439	-	Erdahl
80	SFAS 106	805	(805)	-	
81					
82	Investor Supplied Working Capital	4,534	(25,196)	(20,663)	Zawislak
83					
84	Pension Asset	2,499	-2499	-	Erdahl
85	Pension Asset	(626)	626	-	
86	Pension Asset	(875)	875	-	
87					
88	Recognition of SFAS 106 (Liability)	(17,990)	17,990	-	Erdahl
89	Recognition of SFAS 106 (Capital)	2,123	(2,123)	-	
90					
91	To reflect impact of plant additions and retirements and effect of depreciation rates proposed by Company in Docket No. UT-040520	(4,196)		(4,196)	
92		(30,196)	65,462	35,266	Strain
93	NOTE: Entries to 3xxx and 4xxx accounts reverse sign on PMS-12	10,568	(14,884)	(4,315)	
94					
95					
96	Remove DSL-Related Plant Not Used and Useful for Intrastate Service				Strain
97	NOTE: Entries to 3xxx and 4xxx accounts reverse sign on PMS-12				
98					
99					
100	Remove Special Access Plant Not Used and Useful for Intrastate Service				Strain
101	NOTE: Entries to 3xxx and 4xxx accounts reverse sign on PMS-12				
102					
103					
104	Total Rate Base Adjustments	(35,793)	(44,456)	(80,249)	

VERIZON NORTHWEST INC. - WASHINGTON OPERATIONS
 2004 Washington General Rate Case
 Staff Adjustment to Remove DSL Plant from Rate Base
 Test Year - October 2002 to September 2003
 (Thousands of Dollars)

Exhibit No. ___ C (PMS-13-C), page 11
 Docket No. UT-040788
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 November 22, 2004

Revised December 15, 2004

Staff Adjustment SP23

CONFIDENTIAL PER PROTECTIVE ORDER IN WUTC DOCKET NO. UT-040788

Per Verizon Response to Staff DR 524:

Source:

1	DSLAM equipment contained in Account 2232 and allocated between jurisdictions:	Confid. Att. 524	[REDACTED]
2			
3	Frozen IntraState Separations factor used to allocate Account 2232	Co. WP A7	74.71%
4			
5	Proposed Disallowance of Plant - Account 2232		[REDACTED]
6	Estimated Amount of DSL Plant contained in IntraState circuit equipment account		[REDACTED]
7			[REDACTED]
8	Accumulated Depreciation Effect based on total account		[REDACTED]
9			
10	Deferred Tax Effect, using 11.4% deferred tax factor (Exhibit No. ___ (DPK-1)		[REDACTED]
11			
12	Current Depreciation Rate		10.30%
13			
14	Depreciation Expense Adjustment		[REDACTED]
15			
16			
17			
18			
19			

NOTE: Staff requested test year balances of plant other than DSLAMs used in the provision of DSL services. The Company responded that the report it provided was for the test year, not available for the test year, but provided data as of October 29, 2004. Staff is using that data as a surrogate for test year data for purposes of this adjustment.

