

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**Washington Utilities and Transportation Commission**

**v.**

**Verizon**

**Docket No. UT-040788**

**RESPONSE OF PUBLIC COUNSEL, AARP AND WeBTEC TO DATA REQUESTS OF  
VERIZON NORTHWEST**

Request No: 107  
Directed to: Simon ffitich  
Date Received: December 15, 2004  
Date Produced: December 30, 2004  
Prepared by: Michael Brosch  
Witness: Michael Brosch

**DATA REQUEST P.C. NO. 107.**

With respect to Mr. Brosch's Testimony at page 4, lines 1-4, is it his contention that the regulated rate of return for VZNW rate represents a competitive rate of return for Verizon Directory Company? If so, please describe all analyses undertaken by Mr. Brosch that supports this position. Please list all factors, if any, that would cause the regulated rate of return for VZNW to differ from the competitive rate of return for VDC?

**RESPONSE:**

Not necessarily. Please refer to page 35, line 13 through page 36, line 2 of Mr. Brosch's Testimony. The elimination of financial risks by allowing a higher 100 percent equity return is an allowance for differences in operating risks between the directory publishing business and the ILEC business. Mr. Brosch has not prepared any study or list of "all factors... that would cause the regulated rate of return for VZNW to differ from the competitive rate of return for VDC", but believes that the referenced elimination of all financial risk in the form of debt leverage is sufficient to offset any measurable differences in operational risk profiles between the two businesses.

It should be noted that operational risks for the Washington allocated portion of the VDC business are implicitly shifted to ratepayers within rate cases under imputation calculations that are based upon VDC achieved returns, in the form recommended by Mr. Brosch. For example if competitive losses of revenue or increased costs are experienced by VDC, the amount of imputation would be proportionately reduced. See page 37, lines 9 through 17 and page 44, lines 8-19 of Mr. Brosch's testimony on this point.