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February 15, 2007

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Ms. Carole Washburn, Executive Secretary
Washington Utilities and
Transportation Commission
1300 S. Evergreen Park Drive S.W.
Olympia, Washington 98504-7250

Dear Ms. Washburn:

**Subject: Verizon Northwest Inc. Residential Late Payment Charge Report – WUTC Docket
No. UT-040788**

Verizon Northwest Inc. (“Verizon NW”) submits its Residential Late Payment Charge Report (“LPC Report”). As required in Order No. 15, the LPC Report includes 2004 and 2005 data from the March 8, 2006 LPC report as well as the 2006 data for this year’s report. The purpose of the LPC Report is to allow parties and the Commission to monitor the results of the charge. As Verizon NW demonstrates below, the LPC provides the Company with a solid (and declining) revenue stream that motivates customers to pay their bills on a timely basis. In addition, there are no adverse effects of implementing the charge since a customer’s basic local service is not disconnected for nonpayment of the LPC.

Report Highlights

Revenue

- Revenue from assessment of the LPC declined dramatically from the average annualized revenue of ***** for the first 7 months (June 2005 through December 2005) that the LPC was in effect to ***** for 2006. (Page 3, see Last Boxes).

LPC Charge Levels

- In the June 2005 through December 2005 timeframe, the proportion of residential customer lines being assessed the LPC to total customer lines dropped from ***** to ***** . (Page 4, Col K, Lines 126-132).
- In 2006, the proportion of residential customer lines being assessed the LPC to total customer lines dropped from ***** to ***** . (Page 4, Col. K, Lines 133-144).

Disconnects

- Verizon NW does not disconnect local service for nonpayment of the LPC. Thus, the LPC has no impact on disconnection levels.

WTAP Customers

- In the June 2005 through December 2005 timeframe, the proportion of residential WTAP customer lines being assessed the LPC to total WTAP customer lines dropped from ***** to ***** . (Page 4, Col J, Lines 126-132).
- In 2006, the proportion of residential WTAP customer lines being assessed the LPC to total WTAP customer lines dropped from ***** to ***** . (Page 4, Col J, Lines 133-144).

Report Roadmap

Verizon NW provides a guide below which references where each data item¹ can be found in the report.

Estimated LPC units (Jan '04 – May '05)

- Non-WTAP Page 1 Col. D Lns. 1-17
- WTAP Page 2 Col. D Lns. 37-53
- Combined Page 3 Col. D Lns. 73-89

Actual LPC units (Jun '05 – Dec '06)

- Non-WTAP Page 1 Col. D Lns. 18-36
- WTAP Page 2 Col. D Lns. 54-72
- Combined Page 3 Col. D Lns. 90-108

Actual LPC Revenue (Jun '05 – Dec '06)

- Non-WTAP Page 1 Col. F Lns. 18-36
- WTAP Page 2 Col. F Lns. 54-72
- Combined Page 3 Col. F Lns. 90-108

Estimated % of customers assessed LPC (Jan '04 – May '05)

- Non-WTAP Page 4 Col. F Lns. 109-125
- WTAP Page 4 Col. G Lns. 109-125
- Combined Page 4 Col. H Lns. 109-125

¹ Verizon NW agreed to these data items in its June 3, 2005 letter to Ms. Carole Washburn.

Actual % of customers Charged an LPC (Jun '05 – Dec '06)

- Non-WTAP Page 4 Col. I Lns. 126-144
- WTAP Page 4 Col. J Lns. 126-144
- Combined Page 4 Col. K Lns. 126-144

Average Monthly LPC Accounts by Period See Boxes on Page 3

Total LPC Revenue (Jun '05 – Dec '06) See 4th Box and Last Box on Page 3

Disconnects (Jan '04 – Dec '06)

- Combined Page 5 Col. C Lns. 1-36
- WTAP Page 5 Col. F Lns. 1-36

Average Monthly Disconnects by Period See Boxes on Page 5

Distribution Data 30/60/90 Days

- Non-WTAP Page 1 Col. G/H/I Lns. 1-36
- WTAP Page 2 Col. G/H/I Lns. 37-72
- Combined Page 3 Col. G/H/I Lns. 73-108

Customer Accounts Charged the \$2.50 Late Fee (per month)

- Non-WTAP Page 6 Col. D Lns. 18-36
- WTAP Page 7 Col. D Lns. 54-72
- Combined Page 8 Col. D Lns. 90-108

Total Dollar Amount Applied to the \$2.50 Late Fee (per month)

- Non-WTAP Page 6 Col. F Lns. 18-36
- WTAP Page 7 Col. F Lns. 54-72
- Combined Page 8 Col. F Lns. 90-108

Customer Accounts Charged the 1.5% Late Fee (per month)

- Non-WTAP Page 9 Col. D Lns. 125-144
- WTAP Page 10 Col. D Lns. 162-180
- Combined Page 11 Col. D Lns. 198-216

Total Dollar Amount Applied to the 1.5% Late Fee (per month)

- Non-WTAP Page 9 Col. F Lns. 126-144
- WTAP Page 10 Col. F Lns. 162-180
- Combined Page 11 Col. F Lns. 198-216

Avg. Dollar Amount Applied per Customer – 1.5% Late Fee (per month)

- Non-WTAP Page 9 Col. M Lns. 126-144
- WTAP Page 10 Col. M Lns. 162-180
- Combined Page 11 Col. M Lns. 198-216

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Page 4

Avg. Monthly Accounts Charged a \$2.50 LPC See 1st Box and 4th Box on Page 12

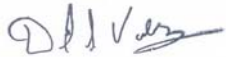
Avg. Monthly Accounts Charged a 1.5% LPC See 2nd Box and 5th Box on Page 12

Avg. Charge per Account for 1.5% LPC See 3rd Box and Last Box on Page 12

The entire report is designated CONFIDENTIAL pursuant to WAC 480-07-160, and the Protective Order issued in this matter. Therefore, it is being provided in a separate, sealed envelope.

If you have any questions, please contact Richard Potter at (425) 261-5006.

Very truly yours,



David S. Valdez

DSV:kad

Enclosures

c: Simon ffitc

REDACTED VERSION

Confidential per Protective Order in WUTC Docket No. UT-040788