

David S. Valdez
Vice President
Public Policy & External Affairs



August 7, 2007

WA0105RA
1800 41st Street
P.O. Box 1003
Everett, WA 98201

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 Final Residential Late Payment Charge Report (“LPC Report”). As required in Order No. 15, the final LPC Report includes data for 2004 through June 2007. 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, from the implementation date of the residential LPC through the first six months of 2007, the LPC is succeeding in its goal of appropriately motivating residential customers to pay their bills on a timely basis. Moreover, with regard to the two issues of interest to the Commission (see paragraph 28 of Order No. 15 in Docket No. UT-040788: (i) the data confirm that implementation of the charge has reduced the number of late payments (including significant reductions in late payment charges assessed on customers eligible for the Washington Telephone Assistance Program) and (ii) its implementation has no adverse effect on the disconnection rate because a customer’s basic local service is not disconnected for nonpayment of the LPC.

Report Highlights

Revenue

Revenue from assessment of the LPC has declined from the annualized revenue of ***** for the first 7 months (June 2005 through December 2005) that the LPC was in effect to ***** for 2006 to ***** annualized for the first six months of 2007. (Page 3, see Box for 2007).

LPC Charge Levels

The overall amount of overdue residential service payments has dropped by thirty percent since June 2005.

- From June 2005 through December 2005, the proportion of residential customer lines assessed the LPC to total customer lines dropped from ***** to *****. (Page 4, Col K, Lines 144-150).
- By the end of 2006, the proportion of residential customer lines assessed the LPC to total customer lines had dropped to *****. (Page 4, Col. K, Line 162).
- In June 2007 the proportion of residential customer lines being assessed the LPC to total customer lines had dropped to *****. (Page 4, Col. K, Line 168).

Disconnects

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

WTAP Customers

The amount of overdue WTAP service payments has dropped by thirty percent since June 2005.

- From June 2005 through December 2005, the proportion of residential WTAP customer lines assessed the LPC to total WTAP customer lines dropped from ***** to *****. (Page 4, Col J, Lines 144-150).
- By the end of 2006, the proportion of residential WTAP customer lines assessed the LPC to total WTAP customer lines had dropped to *****. (Page 4, Col J, Line 162).
- In June 2007, the proportion of residential WTAP customer lines assessed the LPC to total WTAP customer lines had dropped to *****. (Page 4, Col J, Line 168).

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. 43-59 |
| • Combined | Page 3 | Col. D | Lns. 85-101 |

Actual LPC units (Jun '05 – Jun '07)

- | | | | |
|------------|--------|--------|--------------|
| • Non-WTAP | Page 1 | Col. D | Lns. 18-42 |
| • WTAP | Page 2 | Col. D | Lns. 60-84 |
| • Combined | Page 3 | Col. D | Lns. 102-126 |

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

Actual LPC Revenue (Jun '05 – Jun '07)

- Non-WTAP Page 1 Col. F Lns. 18-42
- WTAP Page 2 Col. F Lns. 60-84
- Combined Page 3 Col. F Lns. 102-126

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

- Non-WTAP Page 4 Col. F Lns. 127-143
- WTAP Page 4 Col. G Lns. 127-143
- Combined Page 4 Col. H Lns. 127-143

Actual % of customers Charged an LPC (Jun '05 – Jun '07)

- Non-WTAP Page 4 Col. I Lns. 144-168
- WTAP Page 4 Col. J Lns. 144-168
- Combined Page 4 Col. K Lns. 144-168

Average Monthly LPC Accounts by Period See Boxes on Page 3

Total LPC Revenue (Jun '05 – Jun '07) See Boxes on Page 3

Disconnects (Jan '04 – Jun '07)

- Combined Page 5 Col. C Lns. 1-42
- WTAP Page 5 Col. F Lns. 1-42

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. 1-42
- WTAP Page 2 Col. G/H/I Lns. 43-84
- Combined Page 3 Col. G/H/I Lns. 85-126

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

- Non-WTAP Page 6,7 Col. D Lns. 18-42
- WTAP Page 8 Col. D Lns. 60-84
- Combined Page 9 Col. D Lns. 102-126

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

- Non-WTAP Page 6,7 Col. F Lns. 18-42
- WTAP Page 8 Col. F Lns. 60-84
- Combined Page 9 Col. F Lns. 102-126

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

- Non-WTAP Page 10 Col. D Lns. 144-168
- WTAP Page 11 Col. D Lns. 186-210
- Combined Page 12 Col. D Lns. 228-252

REDACTED VERSION

Ms. Carole J. Washburn

August 7, 2007

Page 4

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

- Non-WTAP Page 10 Col. F Lns. 144-168
- WTAP Page 11 Col. F Lns. 186-210
- Combined Page 12 Col. F Lns. 228-252

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

- Non-WTAP Page 10 Col. M Lns. 144-168
- WTAP Page 11 Col. M Lns. 186-210
- Combined Page 12 Col. M Lns. 228-252

Avg. Monthly Accounts Charged a \$2.50 LPC See Boxes on Page 13

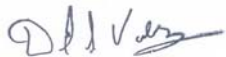
Avg. Monthly Accounts Charged a 1.5% LPC See Boxes on Page 13

Avg. Charge per Account for 1.5% LPC See Boxes on Page 13

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