

Richard E. Potter
Public Policy & External Affairs (Northwest)
Verizon
425-261-5006; fax 425-261-5262

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NEWS RELEASE

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Media contact:
Kevin Laverty
425-261-5855
kevin.laverty@verizon.com

Verizon Proposes New Local Telephone Rates for Washington State Customers

WUTC Filing Represents Company's First General Rate Increase
in 22 Years

OLYMPIA, Wash. ? Verizon today filed its first general rate proceeding with the Washington Utilities and Transportation Commission (WUTC) in 22 years. The company cited lost revenue and a lower rate of return on its network investments as the principal reasons for the filing.

Verizon has been investing heavily in its local wireline network - \$589 million in the past four years (2000-2003) alone - in order to provide high-quality service and meet customer demand. However, the company's existing rate structure has not been providing sufficient revenues to cover costs and yield a reasonable return on its investment.

The situation was aggravated last year by a WUTC-required \$29.7 million reduction in charges that long-distance carriers pay for using Verizon's network, and the company is now losing money on its regulated services in the state.

Consequently, the company has requested an interim rate increase of \$3.54 per line to make up for the lost access-charge revenue. Verizon currently charges basic local line rates of \$13 per month for residential customers and \$29.70 per month for business customers. The proposed interim rates would be \$16.54 and \$33.24, respectively.

Verizon has asked the commission to implement the proposed interim price increase within four months. The company has also asked the commission to decide on the company's income needs in Washington within about 10 months. After making that decision, the commission is expected to take up to five more months to decide on the final rate changes.

The commission would review Verizon's costs of doing business in Washington and then replace the interim charges with final pricing, which may affect other services in addition to local telephone service. If the commission determines that no increase or a smaller increase is justified, customers would be given refunds.

Verizon customers will receive notices with their local telephone bills containing information on how to contact the WUTC to make comments on the company's filing, including the proposed interim rate increase, and on how to get information on when and where public hearings about the Verizon proposal are scheduled.

Verizon operates about 850,000 lines in Washington, with most of them clustered in the Puget Sound area from Blaine to Redmond, as well as the Pullman, Tri-Cities and Wenatchee areas of Eastern Washington.

The following response should be attributed to Steve Banta, Verizon Northwest Region president.

"The world has changed substantially over the past 22 years. New technologies such as instant messaging, e-mail, voice calls placed over the Internet and wireless services have changed the way people communicate and, in the process, affected how consumers and other telecommunications providers use Verizon's local network. Combined with the outdated pricing scheme for regulated services, this has adversely affected Verizon's revenues in Washington.

"Verizon is responding to these technological and market changes by focusing on efficiency enhancements and by offering new services. However, we need to adjust rates in order to maintain quality customer service, continue to modernize and enhance the local network, and have an opportunity to earn a fair rate of return on our Washington investments.

"The commission's 2003 ruling on access charges further aggravated a poor earnings situation, leaving us no alternative but to ask for a rate change. When the commission dramatically cut the fees paid by AT&T, MCI and other long-distance companies for their use of Verizon's network, it took away nearly \$30 million, or 8 percent, of our revenues in Washington.

"Verizon customers in Washington receive outstanding service; our local switching offices are 100 percent digital and provide high quality network services from Pullman to Redmond and Blaine to Camas. During the last four years (2000-2003), Verizon invested \$589 million in its Washington local telephone network to maintain high levels of customer service and improve efficiency.

"We work hard to achieve sufficient revenue to invest in, and maintain, our local telephone network. Given the value and importance of our network to our customers, we simply seek to be allowed an opportunity to achieve a fair and reasonable rate of return on our investment."