



**Verizon Northwest Inc.**

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April 2, 2004

Ms. Carole J. Washburn, Executive Secretary  
Washington Utilities and  
Transportation Commission  
Chandler Plaza Building  
1300 S. Evergreen Park Drive SW  
P. O. Box 47250  
Olympia, Washington 98504-7250

Dear Ms. Washburn:

Verizon Northwest Inc. petitions the Commission to approve the revised depreciation rates set forth in its depreciation study submitted to the Commission's Staff on March 17, 2004, which has been assigned Docket No. UT-040520. Approval of the requested rates will help ensure the recovery of Verizon's capital investments and provide a positive environment in which to invest and deploy new technology.

Historically, Verizon Washington's depreciation rates have been reviewed approximately every three years. The current rates were ordered on June 16, 2000 in Docket No. UT-992009, and were effective retro-active to January 1, 2000. Therefore, the timing is appropriate for revised rates. In addition, in the intervening years significant technological and market developments have occurred that affect the depreciation lives of the company's assets and that need to be reflected in new rates.

The company requests revised depreciation rates to be effective January 1, 2004. The request is to increase the composite depreciation rate from 6.5% to 9.1%, resulting in an annual increase in Total State depreciation expense of approx. \$64.6M and an annual increase in Intrastate depreciation expense of \$48.4M (64.6M \* 74.9% Intrastate factor). Revised rates are needed now to ensure the adequacy of the depreciation reserve and to allow the company to recover its investments in assets over their economically useful lives. The current reserve ratio of 43.3% is not adequate. As in previous depreciation studies approved by the Commission, the depreciation rates in the company's study were developed using the traditional remaining life depreciation methodology.

If there are questions concerning this filing, please contact me at (425) 261-5006.

Very truly yours,

Richard E. Potter  
Director – Public Policy and External Affairs

c. Mr. Tom Spinks (by email)

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