

**VERIZON NORTHWEST INC. – WASHINGTON OPERATIONS
2004 WASHINGTON GENERAL RATE CASE**

**SUMMARY DOCUMENT
Per WAC 480-07-510 (4)
April 30, 2004**

This summary document provides information required by WAC 480-07-510(4) as it relates to Verizon Northwest Inc.'s ("Verizon NW" or the "Company") request for interim rate relief, but it will also describe the necessary revenue requirement for Verizon NW in the permanent rate case. Verizon NW's filing includes a request for interim rate relief but not a proposal for a permanent rate design. The Company has submitted a request to defer the issue of final rate design until the Commission has made its determination of the Company's overall revenue requirement. Therefore, the information provided below concerning rate impacts concern only the impact of the requested interim rate relief, as noted.

(a) The date and amount of the latest prior general rate increase authorized by the commission, and the revenue realized from that authorized increase in the test period, based on the company's test period units of revenue.

Verizon NW's last general rate increase authorized by the commission was in the August 18, 1983 Order in Docket No. U-82-45 / U-82-48.

The resulting increase in revenue was \$4.8 million.

(b) Total revenues at present rates and at requested rates.

Overall revenues as of the end of the test period were \$335.9 million, which includes the effect of the access charge reduction ordered by the Commission to be effective the day after the end of the test year. The requested interim rate relief would produce an additional \$29.7 million in revenue. The Company's filing demonstrates that its total revenue requirement deficiency is \$239.5 million.

(c) Requested revenue change in percentage, in total, and by major customer class.

The overall revenue requirement amount is 69.7% greater than the test period operating revenue amount. The requested interim rate relief would increase overall revenues from the residence class of local services by 24%, and would increase overall revenues from the business class of service by 5%.

(d) Requested revenue change in dollars, in total, and by major customer class.

The total revenue requirement represents an increase of \$239.5 million over test period operating revenues. The requested interim rate relief is an increase of \$29.7 million, consisting of \$25.7 million from residence services and \$4.0 million from business services.

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(e) Requested rate change in dollars, per average customer, by customer class, or other representation, if necessary to depict representative effect of the request. Filings must also state the effect of the proposed rate increase in dollars per month on typical residential customers by usage categories.

<u>Service</u>	<u>Current Monthly Rate</u>	<u>Proposed Surcharge*</u>
Residential Basic (One-Party Measured)	\$7.25	\$3.54
Residential Premium (One-Party Flat)	\$13.00	\$3.54
Residential Premium Plus Flat	\$28.00	\$3.54
Residential Premium Plus Measured	\$15.00	\$3.54
Local Package Extra	\$28.95	\$3.54
Local Package	\$25.95	\$3.54
Residential Foreign Exchange	\$13.00	\$3.54
Residential Foreign Company	\$13.00	\$3.54

* The surcharge would apply to any services that replace those listed and to any new packages or other offerings that include a basic local service component. The proposed surcharge does not apply to Washington Telephone Assistance Plan (WTAP) service.

Business Local Services:

<u>Service</u>	<u>Current Monthly Rate</u>	<u>Proposed Surcharge</u>
Business Basic (One-Party Measured)	\$17.70	\$3.54
Business Premium (One-Party Flat)	\$29.70	\$3.54
Business Foreign Exchange	\$29.70	\$3.54
Business Foreign Company	\$29.70	\$3.54
Business Premium Plus Flat	\$59.70	\$3.54
Business Premium Plus Measured	\$31.70	\$3.54

(f) Most current customer count, by major customer class.

Residential	622,239
Business	235,094

(g) Current authorized overall rate of return and authorized rate of return on common equity.

Current authorized overall rate of return	9.76%
Current authorized rate of return on common equity	11.25%

(h) Requested overall rate of return and requested rate of return on common equity, and the method or methods used to calculate rate of return on common equity.

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Requested authorized overall rate of return	12.03%
Request authorized rate of return on common equity	13.95%

ROE was calculated using the DCF model as applied to two groups of risk comparable companies.

(i) Requested capital structure

Total Debt	25.00%
Common Equity	<u>75.00%</u>
Total	100.00%

(j) Requested net operating income.

Requested net operating income: \$ 116,101,000

(k) Requested rate base and method of calculation, or equivalent.

Requested rate base: \$ 965,095,000

Rate base was calculated on the average of thirteen monthly averages.

(l) Requested revenue effect of attrition allowance, if any is requested.

Not requested in this filing.