

FINANCIAL RATIO ANALYSIS
VERIZON NORTHWEST - WASHINGTON INTRASTATE OPERATIONS
(Millions of Dollars)

	12 Months-to-Date September 30, 2003			2002	2001	2000
	(a) Restated Amount	\$29.7 M	Post			
		Revenue Reduction Adjustment	Revenue Reduction Amount			
1 Capital Expenditures	\$84.7	\$0.0	\$84.7	\$106.8	\$134.7	\$165.7
<u>EBIT Interest Coverage</u>						
2 Net Income From Continuing Operations	(\$4.3)	(\$19.0)	(\$23.3)	\$9.2	\$23.8	\$19.4
3 Interest Expense	\$20.0	\$0.0	\$20.0	\$22.1	\$26.4	\$27.2
4 Income Tax	(\$2.3)	(\$10.2)	(\$12.5)	\$4.9	\$12.8	\$10.5
5 Earnings Before Interest and Taxes (EBIT)	<u>\$13.4</u>	<u>(\$29.2)</u>	<u>(\$15.8)</u>	<u>\$36.2</u>	<u>\$63.0</u>	<u>\$57.1</u>
6 Gross Interest Paid	\$22.7	\$0.0	\$22.7	\$24.5	\$29.8	\$32.2
7 EBIT Interest Coverage	0.6		(0.7)	1.5	2.1	1.8
<u>EBITDA Interest Coverage</u>						
8 Net Income From Continuing Operations	(\$4.3)	(\$19.0)	(\$23.3)	\$9.2	\$23.8	\$19.4
9 Interest Expense	\$20.0	\$0.0	\$20.0	\$22.1	\$26.4	\$27.2
10 Income Tax	(\$2.3)	(\$10.2)	(\$12.5)	\$4.9	\$12.8	\$10.5
11 Depreciation and Amortization	\$124.7	\$0.0	\$124.7	\$126.8	\$124.2	\$115.5
12 Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)	<u>\$138.1</u>	<u>(\$29.2)</u>	<u>\$108.9</u>	<u>\$163.0</u>	<u>\$187.2</u>	<u>\$172.6</u>
13 Gross Interest Paid	\$22.7	\$0.0	\$22.7	\$24.5	\$29.8	\$32.2
14 EBITDA Interest Coverage	6.1		4.8	6.7	6.3	5.4
<u>Funds From Operations / Total Debt Ratio</u>						
15 Net Income From Continuing Operations	(\$4.3)	(\$19.0)	(\$23.3)	\$9.2	\$23.8	\$19.4
16 Depreciation and Amortization	\$124.7	\$0.0	\$124.7	\$126.8	\$124.2	\$115.5
17 Change in Deferred Taxes	\$1.0	\$0.0	\$1.0	\$2.8	\$18.7	\$19.2
18 Funds From Operations	<u>\$121.4</u>	<u>(\$19.0)</u>	<u>\$102.4</u>	<u>\$138.8</u>	<u>\$166.7</u>	<u>\$154.1</u>
19 Total Debt	\$329.1	\$0.0	\$329.1	\$337.5	\$399.4	\$425.0
20 Prior Year Total Debt	\$354.9	\$0.0	\$354.9	\$399.4	\$425.0	\$382.8
21 Average Total Debt	\$342.0	\$0.0	\$342.0	\$368.5	\$412.2	\$403.9
22 Funds From Operations / Total Debt Ratio	35.5%		29.9%	37.7%	40.4%	38.2%