

**IMPORTANT NOTICE on
Proposed Rate Increases and How You May Comment**
May 2004

Verizon Northwest Inc. has filed to increase rates with the Washington Utilities and Transportation Commission (Commission). Verizon is proposing a three-step process to determine the appropriate rates to charge customers. Verizon would like to:

1. Implement an interim surcharge (subject to refund) in September 2004 to recover \$29.7 million (see below);
2. Complete an evaluation of Verizon's financial situation in Washington and determine the amount of income the company should receive; and
3. Design specific customer rates for each specific service based on the Commission evaluation of Verizon's income.

The Commission has the authority to set rates that may vary from Verizon's request, which may be either higher or lower depending on the results of the investigation.

1. \$29.7 Million Interim Surcharge Proposal:

Verizon requests that part of its revenue shortfall be recovered promptly through an immediate interim surcharge, which is subject to refund. Verizon was ordered in 2003 to reduce access fees paid by long distance companies that use Verizon's network, and it is proposing to raise rates to offset this reduction.

The specific immediate interim surcharges requested by Verizon are:

Residential Local Services:

<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

Verizon proposes that the interim rates be effective in September 2004.

2. Verizon's Income:

Verizon believes that in addition to the immediate interim increase its annual revenues should be increased by \$209.8 Million. This would result in an overall increase in revenues of 69.7%. Specific rate changes would be determined later (see #3). Verizon believes it needs more revenue from regulated services such as local service to pay for investment in network equipment and other facilities, to cover other increasing costs, and to make up for reduced revenues under current rates due to lower usage. Verizon provides local, in-region long distance and other telecommunications services in several parts of the state. It provides approximately 620,000 lines of residential and 230,000 lines of business local service.

The Commission sets rates that will give a regulated company a fair opportunity to recover its reasonable cost of doing business. Verizon requests the Commission to make a decision regarding Verizon's income needs within approximately ten months.

3. Design Customer Rates:

After the Commission has determined Verizon's income needs, Verizon and other parties participating in the investigation will propose specific rates for each of the specific services the company provides. When this happens, Verizon will give its customers notice of the specific rate changes it proposes. Under the schedule the company has proposed for this case, it would implement the permanent rate changes in approximately mid 2005.

How you can participate and how you can obtain more information:

If you would like to comment to the Commission on this proposal and/or be notified of public hearings, submit your comments or request in writing by mail, fax or email at the following addresses:

Washington Utilities and Transportation Commission
 Mail: P.O. Box 47250
 Olympia, WA 98504-7250
 Email: comments@wutc.wa.gov
 Fax: 360-664-3604

You may also reach the Commission by telephone at 1-800-562-6150.

In addition, the Public Counsel Section of the Washington Office of the Attorney General will represent the interests of residential and small business customers in this case. You may contact Public Counsel at:

Public Counsel
 Washington Office of the Attorney General

900 4th Avenue, Suite 2000
Seattle, WA 98164-1012
Email: utility@atg.wa.gov

You may contact Verizon at:

Verizon Northwest Inc.
Attn. WA0101RA
Post Office Box 1003
Everett, WA 98206-1003

You may also contact Verizon about its filing at 1-800-483-3000 for residential customers and 1-800-483-5000 for business customers.