



May 21, 2003

Dear Customer:

**Subject: Implementation Of Oregon Permanent Default Wholesale Discount Rates**

In Order No. 02-821 (dated November 20, 2002), the Oregon Public Utility Commission adopted a permanent default wholesale discount rate for retail services purchased from an Incumbent Local Exchange Carrier. In the Order, the commission states that effective November 20, 2002, the default wholesale discount rate shall be the greater of (a) 17% of the full retail price, or (b) the effective retail discount percentage, if any, plus 8.5%. Thus, for example, if Verizon offered a *retail* discount of 10% on a particular service, then the *wholesale* discount off the full retail price would be 18.5%.

Verizon will incorporate the wholesale discount rate of 17% into the Verizon billing systems during June 2003, and thereafter this rate will be reflected in your billing statements. Verizon will apply the 17% wholesale discount rate to all services subject to resale, including services that have an effective retail discount. Returning to the above example, if Verizon offered a retail discount of 10% on a particular service, then the wholesale discount on the full retail price under the Commission's order would be 18.5%. Verizon, however, will offer a wholesale discount on the full retail price of 27% (10% plus 17%). Verizon will do so at this time because of the complexity in applying the lower 8.5% rate to discounted retail services. We will inform you in the future if there any changes in the wholesale discount rate applicable to such discounted services.

Your account will be adjusted back to the November 20, 2002 effective date to reflect any applicable charges or credits that may be due as a result of these rate changes. Any such adjustments will be reflected in your billing statement at a later date.

Please contact your account manager if you have any questions.

Very truly yours,

A handwritten signature in black ink that reads "William Meehan".

William Meehan  
Senior Product Manager – Local Services Product Management