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BEFORE THE WASHINGTON

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UTILITIES AND TRANSPORTATION COMMISSION

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WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)Docket UT-040788
Complainant,)Volume X
)Pages 795-876

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v.

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VERIZON NORTHWEST, INC.,)
Respondent.)

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In the Matter of the Petition of)Docket UT-040520
Verizon Northwest, Inc., for)
Approval of Revised Depreciation)
Rates.)

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A public hearing in the above-entitled

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matter was held at 4:02 p.m. on Tuesday, March 22,

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2005, at 3201 Smith Avenue, Everett, Washington,

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before Administrative Law Judge C. ROBERT WALLIS,

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Chairman MARK SIDRAN, Commissioner PATRICK OSHIE and

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Commissioner PHILIP JONES.

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The parties present were as follows:

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COMMISSION STAFF, by Donald T. Trotter,
Assistant Attorney General, 1400 S. Evergreen Park
Drive, S.W., P.O. Box 40128, Olympia, Washington,
98504-1028.

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Barbara L. Nelson, CCR

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Court Reporter

1 VERIZON NORTHWEST, INC., by Judith
2 Endejan, Attorney at Law, Graham & Dunn, Pier 70,
3 2801 Alaskan Way, Suite 300, Seattle, Washington
4 98121, and David Valdez, Vice President, 1800 41st
5 Street, P.O. Box 1003, Everett, Washington 98206.

6 PUBLIC COUNSEL, by Simon ffitch,
7 Assistant Attorney General, 900 Fourth Avenue, Suite
8 2000, Seattle, Washington 98164.

9 AARP, by Ronald Roseman, Attorney at
10 Law, 2011 14th Avenue East, Seattle, Washington
11 98112.

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1 CHAIRMAN SIDRAN: Good afternoon. It's
2 4:00, March 22nd, 2005, and this is a public hearing
3 on a proposed settlement involving Verizon
4 Northwest's general rate increase for WUTC Dockets
5 UT-040788 and UT-040520. My name is Mark Sidran.
6 I'm Chairman of the Utilities and Transportation
7 Commission, and I'm joined here by my fellow
8 Commissioners. On my right is Philip Jones and on my
9 left is Patrick Oshie, and at the end of the table is
10 our Chief Administrative Law Judge, Mr. Robert
11 Wallis.

12 The purpose of this hearing is to first hear
13 a presentation about the proposed settlement from
14 interested parties and then to take comments from the
15 public with respect to this proposed settlement,
16 which the Commission will then take under advisement.
17 Judge Wallis will conduct the hearing and, Judge
18 Wallis, if you will.

19 JUDGE WALLIS: Thank you very much, Mr.
20 Chairman. My name is Bob Wallis, and we will be
21 inviting individuals to the witness stand here, to
22 the podium in a few moments.

23 When Verizon Northwest originally filed its
24 general rate case tariffs, it asked to increase its
25 rates by about 75 percent, or about \$10 a month, and

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1 argued that its evidence would prove a need for about
2 twice that level of rates.

3 In addition, the company has also filed a
4 depreciation case that it argued would prove a need
5 for an additional approximately \$50 million a year.

6 This hearing is an opportunity for public
7 comment on two dockets. One is Commission Docket
8 Number UT-040788, which is Verizon's general rate
9 case, and the other is UT-040520, which is the
10 request to change depreciation rates. This hearing
11 is being held at Everett, Washington, before the
12 Commission and myself, on March 22 of the year 2005.

13 Now, the parties, through some strenuous and
14 diligent effort, have filed a proposed settlement
15 agreement that would resolve all of the issues in the
16 general rate case, it would resolve all of the issues
17 in the depreciation case and would, in addition,
18 resolve issues in a proceeding that is winding its
19 way through the Washington courts.

20 In this proposal, to which we are today
21 inviting your comments, Verizon would raise its line
22 rates by \$2.47 on April 1 of this year, and another
23 \$1.43 in the year 2007, and increase some of its
24 other charges, including charges for directory
25 assistance and for late payments. The total is

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1 nearly \$39 million, or about a third of their
2 original tariff requests.

3 It will only become effective if the
4 Commissioners, seated to my right here, approve it.
5 And they're here today to hear your views on whether
6 they should approve it or reject it.

7 This hearing is part of the formal rate case
8 process, and your testimony will be recorded by the
9 court reporter, who is seated to our left. And she
10 will take down everything that witnesses say so that
11 the Commissioners have a record of it when they sit
12 down to make their decision on the proposal.

13 This is your opportunity to tell the
14 Commissioners what you think. It is kind of like a
15 trial, and it's not like an open meeting, so this is
16 your opportunity to ask questions of the
17 Commissioners -- not to ask questions of the
18 Commissioners, but to tell them what you think of the
19 proposal.

20 Sometimes people do have questions, and
21 there are people here on the Commission Staff, from
22 the company, and perhaps others that are available to
23 answer your questions, to answer any questions about
24 service that you have, or about the rates that you
25 have.

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1 Right now I'd like to ask that the counsel
2 who are here representing their companies identify
3 themselves. And if you could, first of all, identify
4 the people that are available to respond to questions
5 or where the consumers can find those people, and
6 then, if you would, make a statement to introduce the
7 proposed settlement to our audience tonight.

8 I'd like to begin with our representative of
9 Verizon. Ms. Endejan.

10 MS. ENDEJAN: Thank you, Judge Wallis. Good
11 afternoon. I would like to advise everyone who's
12 here that the company has set up a table out behind
13 those doors if you have any particular questions or
14 concerns that you would like to address to the
15 company directly.

16 And with respect to making an opening
17 statement to tell you about the rate case, I would
18 like to introduce David Valdez, who is the Executive
19 Vice President here, and he would like to tell you a
20 little bit about how we got to where we are today.

21 MR. VALDEZ: Thank you, Judy, and good
22 afternoon to everyone. Thank you for taking time
23 from your schedules to be here today.

24 On behalf of Verizon, I would like to extend
25 my appreciation for the efforts of the Commission

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1 Staff, Public Counsel Section of the Attorney
2 General's Office, consumer advocates, and other
3 parties in conducting good faith efforts that led to
4 this settlement agreement.

5 Verizon believes the settlement agreement is
6 in the public interest. The settlement is a
7 reasonable compromise of a complex case that reflects
8 the changes occurring in the telecommunications
9 marketplace. If approved, the rate adjustments will
10 allow Verizon to continue to provide our customers
11 with the products and services they desire and enable
12 the company to continue to invest in its
13 telecommunications network.

14 Our general rate case filing was the first
15 in over 20 years. We have worked hard to reduce
16 costs and achieve efficiencies in our business, but
17 the company has been experiencing a steady decline of
18 revenues for over the past four years. However, the
19 proposed rates will give the company needed revenue
20 to continue to provide excellent customer service.

21 We understand that rate increases can be
22 difficult for all parties. That is why Verizon and
23 the other parties in the case have sought out to
24 minimize the rate increase on local consumers. For
25 example, Verizon agreed to a lower rate increase of

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1 \$3.90 than the originally proposed rate of \$9.80.
2 Verizon agreed to spread the rates over two years to
3 further reduce the impact of the rate increase on the
4 consumers. Next, Verizon spread rates across other
5 discretionary services, such as directory assistance,
6 customer calling features, to alleviate the pressure
7 on local rates.

8 There is also a new late payment charge,
9 which is a more equitable means of recovering needed
10 revenues by placing more responsibility on customers
11 who fail to make the same payments other customers
12 make on a timely basis. Finally, the settlement has
13 no changes to the Washington Telephone Assistance
14 Program, which helps low-income customers who
15 qualify.

16 In the end, the agreed upon revenue
17 requirement and rate design are the result of
18 reasonable compromises made by all interested
19 parties. These compromises are reflected in the
20 settlement agreement, and its approval is clearly
21 consistent with the public interest. Thank you.

22 Thank you, Commissioners.

23 JUDGE WALLIS: Thank you very much. For
24 Commission Staff, Mr. Trotter.

25 MR. TROTTER: Thank you, Your Honor. My

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1 name is Donald T. Trotter. I am an Assistant
2 Attorney General. I'm assigned to represent the
3 Commission. In this case, I represented the
4 Commission Staff. That is a group of accountants,
5 economists and other analysts that take a look, a
6 hard look at company filings and determine where
7 they're right and where they're wrong.

8 The Staff filed a case in this particular
9 rate case and presented, I believe, nine or ten
10 witnesses opposing the company's request to raise
11 their rates 75 percent.

12 In this meeting room right now is Dr. Glenn
13 Blackmon, of Commission Staff, and Ms. Jing Roth,
14 sitting in the front row. So if you have any
15 questions at a break that you'd like to ask of them
16 of a more technical nature or specifically about a
17 rate, feel free to approach them and ask them.

18 The settlement that's before the Commission
19 today has three elements to it. One -- in a broad
20 sense. One case that's being settled is an appeal of
21 a Commission order that arose from a complaint filed
22 by AT&T, who thought the rates that they pay to
23 Verizon for completing their long distance calls were
24 too high, and the Commission said they were and
25 reduced the company's revenues by around \$30 million

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1 annually.

2 The company appealed that, and the company's
3 agreeing to dismiss that appeal if this settlement is
4 approved. If that case went forward and the
5 Commission did not prevail, it's possible that those
6 rates could go back up to 30 million or other rates
7 would go up, so we think there's a significant
8 consumer benefit having that case go away.

9 The second item that's being settled, as
10 Judge Wallis identified, was a depreciation case.
11 The company wanted to increase its depreciation
12 expense by around \$50 million. That translates
13 directly into higher rates, because it's a higher
14 expense. The Commission, under the statutes of our
15 state, controls the level at which a company can
16 depreciate its property, and they had made
17 application to increase that significantly.

18 The settlement calls for, I think, around 20
19 percent of what the company asked for in that docket,
20 spread out over two years. We think that's in the
21 public interest. That filing was reviewed by
22 depreciation experts at the Commission.

23 The final item that's being resolved here is
24 the rate case. The company was asking for a 75
25 percent increase in their monthly rate. Our Staff

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1 thought that was too high and opposed it. The
2 agreement calls for, again, as the Judge explained,
3 two increases over two years. During that time
4 frame, there would be no other rate cases, general
5 rate cases filed by the company, so what you see is
6 what you get, and this case will be resolved
7 accordingly.

8 So the rates that -- it's around a third of
9 what the company had filed tariffs for and
10 significantly smaller than that from what they
11 believed their revenue entitlement was. They filed
12 evidence saying they were entitled to \$220 million,
13 they filed tariffs for 110, and we're settling for
14 38.6, so -- again, spread out over a two-year period.

15 So we think there are substantial ratepayer
16 benefits here. On the other hand, they are rate
17 increases, which no one likes, but we believe, as a
18 package, this agreement has a lot of ratepayer
19 benefits and the alternatives are not so beneficial,
20 and that is why the Commission Staff is supporting
21 it. Thank you.

22 JUDGE WALLIS: Thank you, Mr. Trotter. Now,
23 for Public Counsel Section of the Attorney General
24 Office, Mr. Simon ffitich.

25 MR. FFITCH: Good afternoon, everybody. My

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1 name's Simon ffitch, and I'm an Assistant Attorney
2 General. I'm the head of the Public Counsel Section
3 of the Attorney General's Office. And we're a
4 special department of the office whose job it is to
5 take part in Commission cases representing consumers.
6 And we focus on the residential and small business
7 consumers' interest in the case, because typically
8 they're the ones who don't otherwise have any
9 significant voice in the proceedings.

10 And what we do is that we hire expert
11 witnesses, accountants, financial experts, people of
12 that nature to take a look at the company case, at
13 the company request for rate increase, and we also --
14 those of us who are lawyers -- present legal
15 arguments and file legal briefs on behalf of the
16 customers in the case, and we did that in this case.

17 We hired experts to take a look at the
18 company request and, like other parties, including
19 the Commission Staff, we concluded that they had not
20 justified this very significant rate increase.

21 We also worked very closely with the AARP in
22 this case in presenting our witnesses and our legal
23 arguments, and Mr. Roseman is here from the AARP. I
24 believe he's going to speak in a moment.

25 There are two handouts from Public Counsel

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1 in the back of the room. One describes our office in
2 a little more detail. The second one is an
3 information sheet about this settlement. The Public
4 Counsel office has agreed to the settlement based on
5 the technical analysis that our expert witnesses did
6 for our office. We concluded that the \$38.6 million
7 revenue level was a reasonable, fair level of an
8 increase for this company.

9 The sheet does contain other details about
10 the settlement, about which rates change and how
11 much, and I think the other lawyers that have just
12 spoken have done a pretty good job of summarizing
13 those, so I won't repeat that.

14 The key benefit that we see in the
15 settlement is the very dramatic reduction in the size
16 of the increase that was originally requested. We
17 see that as the core benefit to ratepayers from the
18 settlement. In addition, the phasing in over two
19 years is also, we think, an improvement over having
20 one great big hit with a rate increase.

21 The increases in the discretionary services,
22 areas such as directory assistance or additional
23 listing fees, other kinds of special charges, we have
24 agreed to because, by putting some increases on those
25 kinds of services, you're able to reduce the level of

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1 increase on the basic essential telephone service,
2 which is really not discretionary for people. You
3 have to have that to communicate.

4 Some of the other services you can make a
5 decision about whether you want to have those or not
6 in many cases, so we felt that it was fair to collect
7 some of this revenue from those discretionary
8 services.

9 Almost 2,000 Verizon customers have filed
10 comments with either the Commission or our office by
11 e-mails and by letters. And those e-mails and
12 letters are going to be -- in fact, are in the
13 process right now of being printed out and put
14 together into an exhibit which will be presented to
15 the Commission as part of the record in the case so
16 that they will have that information also available
17 to them.

18 I will be here. I don't have anybody else
19 here from Public Counsel Staff, but I'll be here in a
20 break or afterwards to talk with anybody who has
21 questions for Public Counsel. Thank you, Your Honor.

22 JUDGE WALLIS: Thank you, Mr. Ffitch. We
23 also have Mr. Roseman present. He represents the
24 AARP in this docket. And Mr. Roseman, do you have
25 comments for us?

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1 MR. ROSEMAN: Brief ones. My name is Ron
2 Roseman, and I'm an attorney who represents AARP in
3 this proceeding. AARP, unlike the two Attorneys
4 General who just spoke, intervene in
5 telecommunications cases and some energy cases in
6 order to try to ensure that telephone services remain
7 affordable for citizens in the state of Washington.
8 So we have to ask permission from the Commission to
9 intervene, and once we're allowed to participate,
10 then we present witnesses and do what the other
11 gentlemen said. Actually, we worked very closely
12 with Public Counsel, and we shared some witnesses and
13 evaluated the company's request.

14 One must remember, this is a settlement. So
15 if you were to come up and ask me, Is this the best
16 deal we think one should have, I would say no, but a
17 settlement is a compromise. It's a third of, I
18 think, what the company proposed. It's
19 \$38-point-something million down from -- what did
20 they say -- a hundred and something million dollars.
21 So it's a substantial reduction in revenue.

22 And do I wish the rate increase was lower?
23 You bet I do. But I think this is a fair and
24 hard-fought result that came from many hours of going
25 back and forth and arguing over what is justified and

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1 fair. I know that some people will be disappointed
2 with it and wish it was lower, and I also recognize
3 that.

4 And I'm the only one, I think, from AARP
5 who's here, so people who have questions for me, feel
6 free to come up and ask me. Thank you.

7 JUDGE WALLIS: Thank you, Mr. Roseman. A
8 reminder, if you do have questions, the Commission
9 Staff is available, the attorneys are available, and
10 the company has staff outside who are all available
11 to respond to your questions.

12 Right now we're going to begin taking public
13 testimony. And the way this is going to work, when
14 you signed in, you indicated if you wanted to testify
15 or not. I'm using that list and I'm going to go down
16 one by one. When we get through with that list, if
17 you decide at that point that you want to testify and
18 didn't sign up to do so, then you'll have a chance to
19 do that.

20 So we'll just go down the list in the order
21 that people came in and offer you the opportunity to
22 make your comments. I'll call your name and ask you
23 to step up to the podium and just remind you right
24 now that when you did sign in to make comments, you
25 did agree that you would tell the truth. I will ask

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1 what your name is, whether you're a Verizon customer
2 and what service you're taking, and if you're
3 representing a group or an organization, and then
4 you'll have a chance to make whatever comments you
5 wish relating to the rate case.

6 So the first person on our list today is
7 Joan Moor. Ms. Moor, would you please step forward
8 to the podium?

9 MS. MOOR: Yes, sir.

10 JUDGE WALLIS: Ms. Moor, could you state
11 your name for us?

12 MS. MOOR: Joan Moor.

13 JUDGE WALLIS: And are you a Verizon
14 customer?

15 MS. MOOR: Yes, I am.

16 JUDGE WALLIS: And what service do you take?
17 Is that residential or business?

18 MS. MOOR: Residential.

19 JUDGE WALLIS: Very good. Do you have
20 comments that you'd like to present to the Commission
21 today?

22 MS. MOOR: Well, and questions. First of
23 all, I'd like to know who appoints the Commission?

24 JUDGE WALLIS: The Commissioners are
25 appointed by the governor and they are confirmed by

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1 the Washington State Senate.

2 MS. MOOR: I see.

3 JUDGE WALLIS: We have two new Commissioners
4 on board. Our Chairman, Mark Sidran, and to his
5 right, Commissioner Philip Jones, are both recent
6 appointees.

7 MS. MOOR: Okay, okay. Now this is just for
8 in-home phones; right? Not Verizon Wireless?

9 JUDGE WALLIS: That's correct.

10 MS. MOOR: Okay. How does this affect --
11 what is the amount of money that you have to make
12 before you can get help if you're a senior?

13 JUDGE WALLIS: Well, that's a question that
14 I don't know the answer to, and that's something that
15 I would ask you to talk to Mr. ffitch or Mr. Roseman,
16 or the Commission Staff or Verizon's representatives
17 outside.

18 MS. MOOR: I see. Okay. Well, I was
19 wondering because, you know, 30 percent is better
20 than 75 percent, but social security goes up, what,
21 one percent, and everything else goes up 30, 40, 50
22 percent. It makes it very, very tough for senior
23 citizens, and I just wanted to state that. Thank you
24 very much.

25 JUDGE WALLIS: Very good. Thank you very

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1 much for stepping forward. Susan Paschke. Would you
2 state your name for the record, please?

3 MS. PASCHKE: Susan Paschke.

4 JUDGE WALLIS: And are you a Verizon
5 customer?

6 MS. PASCHKE: Yes, I am.

7 JUDGE WALLIS: Residential service?

8 MS. PASCHKE: Residential.

9 JUDGE WALLIS: Very good. Please proceed
10 with your comments.

11 MS. PASCHKE: Okay. In listening to the new
12 information that I got from sitting here, I was
13 struck with an analogy. I prepared just a written
14 thing I want to read to you, but the analogy is too
15 good to pass up, so I'm going to start with that.

16 You know, I'm going to talk to everybody.
17 I'm assuming everybody's gone to a garage sale and
18 you know what they are and that you can find some
19 good deals there and you can go to some garage sale
20 where you look at the people and you go, What in the
21 heck, you value this stuff too high, there's no way
22 you're going to sell it.

23 And I feel like that's what's going on here,
24 that Verizon came to the State and said, We want
25 this, and they put a price tag that's really huge on

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1 it. And for some reason, we have to settle. We
2 can't walk away and say, No, I don't want it. We
3 have to make a settlement, which makes it okay. I'm
4 sorry. It doesn't work that way.

5 Everything in a garage sale is depreciated.
6 Depreciation happens. And I've walked away from
7 garage sales because if you people can't negotiate
8 down, that's a settlement of a type, and even if they
9 negotiate lower, to 30 percent, it may not be what I
10 want to pay. And that's the situation I find myself
11 in with Verizon right now. So that's the analogy.

12 Some background here. The last time we
13 moved was 13 years ago. At that time, we were given
14 the option of having a foreign exchange that matched
15 our address, since we didn't live in an address that
16 matched the number for the city that we lived in. We
17 ended up getting a Bothell telephone number, because
18 we had a Bothell address, even though that wasn't the
19 numbers that were assigned to that area. We pay \$35
20 a month for this service, no bells, no whistles, just
21 a Bothell number and local service and taxes right
22 now. This is a large bill for no other services.

23 When I received my last Verizon statement, I
24 was greeted with the information about the increases
25 that Verizon was asking me to grant them. I sent an

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1 e-mail asking you to reject Verizon's request. They
2 have a monopoly in our area. We do not have choices.
3 I was astounded to get an e-mail back from the
4 Washington Utilities Commission stating that the
5 settlement was proposed, and that's my garage sale
6 analogy. It won't cut as deep as Verizon wants, but
7 it will still cut those of us who only want the basic
8 access of a telephone for local and emergency calls.

9 I'm sick and tired of corporate greed. The
10 cost of my service has not changed. I could go on
11 about some other pieces of this, but I won't.

12 I'd like to know what the advertising budget
13 is for Verizon as a parent company. I know that I've
14 seen a lot more advertising recently. So I'd like to
15 ask the Commission and Verizon, Can you hear me now?
16 Thank you.

17 JUDGE WALLIS: Thank you very much. Our
18 next person is Dave Turpin. Thank you. Would you
19 state your name for our record, please?

20 MR. TURPIN: David Turpin.

21 JUDGE WALLIS: Are you a Verizon customer?

22 MR. TURPIN: Yes, I am.

23 JUDGE WALLIS: And what service do you take?

24 MR. TURPIN: Okay. I got my bill here.

25 JUDGE WALLIS: Residential or business?

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1 MR. TURPIN: Residential, residential.

2 JUDGE WALLIS: Please proceed with your
3 comments.

4 MR. TURPIN: Okay. I got a basic pack,
5 \$10.95, I got a residential line of \$13 added to it.
6 I have an interstate subscriber line charge, \$6.50.
7 Then you get all the taxes that go on top of that.
8 Comes out to a grand total of \$32.67 just for basic
9 telephone service. Then my long distance service is
10 through MCI. And guess who owns MCI now? Verizon.
11 \$9.80. I went to MCI years and years ago and I got
12 my basic long distance service for \$6.50. Of course,
13 now it's gone up to \$9.80. So they get that, too.

14 Why do we have to pay for their mistakes,
15 their errors? So I've been thinking about dumping
16 them, going to my cell phone and using that, and put
17 my Internet service over to my direct TV, doing that,
18 and get rid of my phone, and I'm still thinking about
19 it.

20 And I sent you a letter, made my comments on
21 the 75 percent increase, their big pay rate and my
22 pay raise. I'm a fixed income, hundred percent
23 service-connected VA veteran and fixed income. So
24 why should I, like I say, pay for their mistakes,
25 their errors? That's what I have to say. And I'm

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1 still thinking about stopping service with them.

2 Thank you.

3 JUDGE WALLIS: Thank you very much, Mr.

4 Turpin. Don Ambrose.

5 UNIDENTIFIED SPEAKER: Excuse me. Can you

6 turn that mike up? We can't hear very well.

7 UNIDENTIFIED SPEAKER: There's a wireless

8 mike. Maybe what we can do is some rearranging. Can

9 I do that?

10 JUDGE WALLIS: Sure. Please do.

11 UNIDENTIFIED SPEAKER: It does work, but no

12 one's grabbed it yet, so we'll just do this instead.

13 Okay.

14 MR. AMBROSE: My name is Donald Ambrose.

15 JUDGE WALLIS: Thank you. Mr. Ambrose, are

16 you a Verizon customer?

17 MR. AMBROSE: I am.

18 JUDGE WALLIS: Please proceed with your

19 comments.

20 MR. AMBROSE: Okay. I'm probably going to

21 be very much a minority, because I'm going to support

22 the settlement, but I've got a caveat, and I want to

23 talk about that a little bit.

24 I'm a resident of a small community in

25 Skagit County called Lyman, it's east of Sedro

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1 Woolley, it's west of Concrete. And in my community,
2 we have no opportunity for any kind of enhanced
3 digital services.

4 I've been waiting for about four years. I'm
5 in the information technology field, I understand the
6 complexities, and I'm particularly interested in
7 their depreciation request. And it seems to me that
8 that's fair. And in part, I'm one of the victims of
9 that.

10 What I'm being told is that the central
11 office that services our community will not support
12 any form of digital services. We can't even get
13 ISDN.

14 Now, interestingly, we're book-ended by two
15 communities, both Concrete and Sedro Woolley, that
16 both have DSL services. So my concern is -- and I
17 think that there's probably not a whole lot of trust
18 for Verizon and their performance. My concern is
19 that they're going to get this extra cash, but
20 they're not going to focus on some of the communities
21 that really need the upgraded services.

22 I know that our little community isn't the
23 only one, and I'm suspicious that, in Eastern
24 Washington, you're going to hear even more about
25 things like that. So that's what I had to say.

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1 JUDGE WALLIS: Very good. Thank you very
2 much. Ralph Bartlett. Mr. Bartlett, please.

3 MR. BARTLETT: Yes, my name is Ralph
4 Bartlett. I'm a residential subscriber.

5 JUDGE WALLIS: Please proceed.

6 MR. BARTLETT: My question is very similar
7 to why is there a need for advertising? My
8 particular question is how much of this budget is
9 designated to buy more companies or to expand? I'm
10 -- my observation, so many companies have gotten so
11 big that they're no longer efficient, which is the
12 excuse for buying other companies or expanding, and I
13 think it's gone far enough. That's all I have to
14 say.

15 JUDGE WALLIS: Thank you very much. John
16 Lundquist. State your name for the record, please.

17 MR. LUNDQUIST: John Lundquist.

18 JUDGE WALLIS: And are you a Verizon
19 customer?

20 MR. LUNDQUIST: I'm a Verizon customer, yes.

21 JUDGE WALLIS: Please proceed.

22 MR. LUNDQUIST: Well, I'm not a
23 sophisticated man when it comes to electronics, I
24 have to admit that. I don't have a computer and I'm
25 not on the Internet. I get these things once in a

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1 while in the Everett Herald. This one, they're
2 talking about Verizon is bragging about their rates
3 as compared to Comcast on Verizon online DSL, et
4 cetera, et cetera. Over here it says, Isn't it time
5 you dumped dial up. My response is, No, it isn't.
6 Get Verizon online DSL with MSN, et cetera. I don't
7 even know exactly what these things are. I know I
8 don't have them.

9 But it seems like the land lines are really
10 catching it here, the old fashioned system. It's
11 been around for 120 or 30 years, I guess, since Dr.
12 Bell. I don't really see why it is that we have to
13 take the brunt of this increase.

14 And by the way, I've seen these kind of
15 things before, where a company will ask a large sum
16 and gladly take less than half. I'm not impressed by
17 the fact that they dropped from 75 to 30 percent.
18 But why is it that the land lines -- I have no
19 choice, really. I have to contact my sister in
20 Seattle on a regular basis. She's 78 years old,
21 she's very poor health, and she doesn't want a cell
22 phone, I don't want a cell phone.

23 I'm very happy just to push the buttons.
24 But it seems like the land lines are catching this.
25 And maybe I'm mistaken on this, I don't know, but --

0821

1 and I noticed here, too, this is in the Herald just a
2 few weeks ago, I thought we were breaking up
3 telephone companies originally, but here it says
4 Verizon spent \$6.7 billion, that's with a B, in the
5 takeover of MCI, Incorporated. That's a fairly good
6 chunk of change.

7 And also, I noticed in today's paper that,
8 this is kind of interesting, Verizon's CEO, this past
9 year, got \$17.3 million in cash, equity and perks.
10 I'm assuming that, with this 30 percent increase,
11 he'll probably get a 30 percent raise.

12 So I'm not really certain that Verizon is
13 actually hurting quite as bad as they would have me
14 believe. If it weren't for the fact that I have this
15 sister of mine to deal with, I would probably just
16 have the phone disconnected and take my own chances
17 as far as calling 911 or something like that.

18 It seems like it's time to maybe make some
19 of these other more exotic technologies foot more of
20 the bill and cut a little slack to the old timers who
21 are still on the old system and really kind of
22 trapped in it and can't go anywhere else or don't
23 want to go anywhere else. Thank you for taking my
24 comments, gentlemen.

25 JUDGE WALLIS: Thank you, Mr. Lundquist.

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1 Our next person is Jim Cummins. Mr. Cummins, please
2 state your name for our record.

3 MR. CUMMINS: My name is Jim Cummins.
4 That's no G in the name. It's like the diesel, loud,
5 noisy, and stinks, and I intend to raise a stink with
6 you folks. And I'm a residential customer.

7 JUDGE WALLIS: And you represent a group; is
8 that correct?

9 MR. CUMMINS: I'm a member of the Snohomish
10 County Council on Aging, I'm the legislative chair,
11 and I find that there are some people who disagree
12 with us when we talk about senior issues and the
13 people on the lower end of the totem pole for
14 salaries.

15 It's always amazing the salary range of
16 people who come and tell us what we should be getting
17 and how they can stick it to us by raising the fees
18 and the cost of what we have normally considered. I
19 oppose anything in raises that goes beyond my social
20 security raise I received last year due to the
21 benevolence of the numbers crunchers calling it CPI,
22 and it was 2.7.

23 When I took what they got and they raised my
24 Medicare payment, I increased by \$11 per month. When
25 I figured that out and went down to McDonald's, that

0823

1 would allow me to take my wife and myself out to
2 McDonald's and have one of their meals if I didn't
3 have two cups of coffee. And a dollar and a half for
4 a cup of coffee, that would add up. So I find it
5 very, very peculiar that you're coming back to me and
6 asking for getting a 30 percent increase on this.

7 The poverty level that you get to, say at
8 the \$800 -- 800 -- \$8 level, rather, is too low.
9 We're talking about the working poor and we're
10 talking about those of us who are on social security,
11 a fixed income. And in all due respect, when I look
12 at what people are proposing, I start looking at who
13 they are, what they are, and what they represent.

14 And no -- and no disrespect, because I do
15 appreciate what they do in many cases, but that an
16 attorney's salary is far exceeding what I get on
17 social security. It's fortunate I have a few dollars
18 more than social security.

19 But let me get you what else happened. They
20 raised my co-pay and they raised what I have to pay
21 the doctor and what I have to pay at the hospital.
22 This was the benevolence of our Congress and -- last
23 year, on raising it under their new bill.

24 The other thing that I find is very
25 important is CPI. Now, I do not know where those

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1 intelligent, high-paid people go do their shopping,
2 but when I go to Safeway in this area, Pavilion, and
3 all of the other stores, \$3.50 for a gallon of milk,
4 and the farmer's only getting 99 cents, I really want
5 to know what's happening.

6 I'm giving you some facts of what our
7 problems are, and then they come in and want to dump
8 on us even more.

9 Two very important items to low income and
10 to seniors. One is a telephone and the other is an
11 automobile. We will fight to the death before we
12 give up our telephone and our automobile, even if we
13 get shafted with the price.

14 I'd also like to point out that the food
15 prices have continued to increase. We were told that
16 if we imported food from Mexico, Chile, all the rest
17 of this stuff and have all this wonderful, healthy
18 food that the nutritionists from Washington, D.C.
19 down to the local health department tells us we
20 should be eating, but have you checked out the
21 prices? It's almost incomprehensible to figure that
22 we can do that on a fixed income.

23 Also, the other big bugaboo that has
24 happened, for me to get to the doctor, to get out for
25 any necessities that I have in life, my gasoline

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1 price has risen so rapidly, it's almost sickening to
2 stop in a gas station. The discount station in
3 Arlington, where I live, ran out of gas yesterday and
4 the day before, so I have to go to a higher-priced
5 gas station.

6 The other is a proposal in the federal
7 budget that's been proposed is a drastic cut in
8 housing subsidies. The people that are living on
9 housing subsidies rely upon this very, very much. I
10 have many friends and talk with people and I read the
11 statistics.

12 I remember my first class in statistics way
13 back when in college was figures don't lie, but it
14 appears that all liars figure, and sometimes I apply
15 that to politicians when they begin to put out this
16 erroneous material.

17 The next thing is a tremendous increase in
18 drug prices. It was a fake on the prescription drug
19 bill that was passed. The other is clothing. I go
20 to the store, whether it goes to Wal-Mart or to
21 Nordstrom's or wherever it may be, and the labor
22 shows it's manufactured in China, assembled in Mexico
23 or put -- some foreign country at slave labor wages,
24 and yet I'm expected to pay higher prices than what I
25 was paying 25 years ago when I was working.

0826

1 Family wage jobs are disappearing and being
2 replaced by those service industries which -- doing
3 good to get \$10 an hour, and you can't support a
4 family and live in an apartment or buy a home on that
5 salary. Try going down and asking for that. The
6 working poor and the retired poor, our income is
7 being eroded rapidly. There is no stopping of it
8 unless somebody steps up to the plate.

9 Interest rates are rising, which will
10 impact, believe it or not, on seniors who have to get
11 a reverse mortgage to live in a good life, and this
12 will also impact other credit that's needed.

13 Oh, yes, I've got a whole lot of things I
14 could ask you, and I'm sorry, you're -- whatever you
15 did to come to this 30 percent figure reminds me of
16 when I read the agenda for our Washington State
17 legislature and it talks about an executive session
18 where they close the door and the public is not
19 allowed in and the TV cameras are banned.

20 I asked several legislators in this
21 district. And they look at me, realize, Oh, you have
22 to understand, we have to discuss things we don't
23 want the public knowing. And of course, being an old
24 farm boy, I know about horse trading and jockeying
25 back and forth, and this is really a disgrace that 75

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1 percent was asked.

2 And remember this. One thing I'd point
3 out, in my working days, I was a union negotiator,
4 and I know what -- to go in and take the high number
5 and hope that somebody will give me something so I
6 can go back to my membership and say, Hey, look what
7 I got for you. And I can remember the days when I
8 argued with our membership about the company said
9 we'll give you \$5 on your benefits, I go back and,
10 with certain expertise by certain members, \$5 buys my
11 kid a pair of shoes. Nowadays, it's \$125 for Nikes,
12 and we can't see how we're going to get through this.

13 I'm urging you to take a good look. And in
14 all due respect, while he's here, AARP sold us down
15 the river on prescription drugs, and I don't agree
16 with them, because they've never come out and asked
17 about us poor people. It's all done at the top
18 levels and it doesn't get down to where the real
19 members are still paying and the number of people who
20 dropped out after the fiasco with the prescription
21 drugs.

22 Thank you for the opportunity to speak. And
23 I know I don't say pleasant things, but I'm trying to
24 tell you the truth, and I still got my hand up and
25 raised, so help me God, I am telling you what I see.

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1 Thank you.

2 JUDGE WALLIS: Thank you, Mr. Cummins.

3 Bernice Bower, next person.

4 MS. BOWER: My name is Bernice Bower, and I
5 belong to the phone company. Up to now, it was okay,
6 but when I read that paper, I had to decide what I
7 needed most. And I do need heat, and that may go up,
8 but I'm going to have to do away with the phone, and
9 I speak for many seniors in the senior service
10 low-income housing. One's going to get a cell phone,
11 some have already quit. When you add that on,
12 because you've raised for an unlisted number, too,
13 that runs -- will run me 25, 30, and when you add all
14 of those taxes on, it runs -- I'm not sure on that,
15 eight and \$10 on there, but it runs between 35 and
16 37. No, that's too much. Before you even make one
17 call. No, I'll cut off my service. I have to.

18 JUDGE WALLIS: Thank you, Ms. Bower. Steve
19 Neighbors. Mr. Bower -- or Mr. Neighbors, would you
20 state your name for our record, please?

21 MR. NEIGHBORS: Yes, my name is Steve
22 Neighbors.

23 JUDGE WALLIS: Are you a Verizon customer?

24 MR. NEIGHBORS: Yes, I'm a residential
25 customer and a business customer.

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1 JUDGE WALLIS: You're representing an
2 organization; is that correct?

3 MR. NEIGHBORS: I'm representing my company,
4 yes.

5 JUDGE WALLIS: Please proceed.

6 MR. NEIGHBORS: Thank you. I'm here today
7 to offer support for the proposed Verizon general
8 rate increase settlement. As you're aware, this is a
9 unanimously agreed upon compromise between Verizon,
10 WUTC Staff, the Attorney General's Public Counsel and
11 customer advocates. Verizon has not had a general
12 rate increase in 22 years.

13 As the owner of a small business in Everett
14 with 12 incoming lines, the increase of \$2.43 per
15 service package in a general rate will increase my
16 costs by about \$29 a month, an increase that is
17 hardly noticeable in the larger picture for my
18 company.

19 By contrast, my firm, Terra Resource Group,
20 has seen huge increases in costs over the past 22
21 years. Terra is a staffing company. Twenty-two
22 years ago, we paid an entry level receptionist \$5 an
23 hour. Today we pay them \$12 an hour. The costs in
24 every level of our business have increased, as well.
25 To ensure our gross profit margins, our billing rates

0830

1 to our clients have to keep pace with our costs. It
2 simply has to be for us to be profitable and to stay
3 in business.

4 I understand that businesses like Verizon
5 play in a strictly regulated world unlike the world
6 in which I must compete. However, the same market
7 forces that drive up my costs affect
8 telecommunications companies like Verizon, as well.

9 My employees spend the major part of every
10 workday on the telephone. It is absolutely crucial
11 to my business and my customers' business that our
12 telecommunications system is up to date, runs
13 smoothly and without interruption. The service we
14 have received from Verizon has always been superb.

15 While I am never thrilled to hear my costs
16 are going up, in this case, I will say that it seems
17 very reasonable to me. I urge the Commission to
18 approve this negotiated settlement.

19 JUDGE WALLIS: Thank you, Mr. Neighbors.
20 Our next person's indicated a maybe when asked if you
21 wanted to comment. Elizabeth or John Taylor.

22 MS. TAYLOR: That was me. I said maybe
23 because I didn't know about the meeting until about a
24 couple of hours ago and I've been out of town, and
25 I'm certainly not going to be for the raise. I'm a

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1 senior citizen with fixed income, and a 30 percent
2 increase -- I thought the 75 was sheer gall, and I
3 thought, Well, there must be something to this, so
4 sure enough, they've knocked it down to 30 percent.
5 I think that is absolutely ridiculous.

6 Many people before me here have said to you
7 the situation that most of us are faced with. We
8 can't really live without the telephone. We really
9 have no option. The cell phones, the Internet, so
10 complicated and so complex, and you try to get to the
11 bottom of a good deal, and I don't think there's a
12 good deal anywhere. And I would just like to ask
13 what kind of profits did Verizon make last year or
14 for the last 22 years where they haven't asked for a
15 raise? What has caused them now to see the need, 30
16 percent, to get by? Or is it to get by or is it to
17 make a lot more? Thank you.

18 JUDGE WALLIS: Thank you for your comments.

19 MS. TAYLOR: Oh, I'd still like to know the
20 figure for the profits for Verizon for last year.

21 JUDGE WALLIS: I would refer you to Mr.
22 Valdez, from the company, or the Commission Staff may
23 be able to answer that question.

24 UNIDENTIFIED SPEAKER: Eleven percent.

25 MS. TAYLOR: Eleven percent profit? Shear

0832

1 profit?

2 JUDGE WALLIS: Would you state your name for
3 the record, please?

4 MR. JAKES: I'm William Jakes.

5 JUDGE WALLIS: And what is --

6 MR. JAKES: I'm a residential customer of
7 Verizon.

8 JUDGE WALLIS: You're a residential
9 customer. Please proceed with your comments.

10 MR. JAKES: First of all, I'd like to start
11 out and say that I have Verizon residential service,
12 but I live in Clearview, if you know where that is,
13 by Maltby, between Snohomish and Woodinville, and I
14 can't even call Woodinville. Everything's long
15 distance. I can't even call, you know, anywhere in
16 King County, three miles away, everything's long
17 distance, so that's very expensive.

18 I've never been to one of these meetings
19 before or said anything, but when I consider our
20 increase in natural gas prices, you know, my natural
21 gas bill's doubled, my electrical bill has doubled in
22 the last year, gas has doubled, and when I saw this
23 75 percent increase, I said, I've got to go, I've got
24 to do something about this.

25 And the thing that kind of bothers me is,

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1 you know, they broke all the bells down into baby
2 bells. That seemed to be a good thing. There was
3 competition. And now they're buying everybody back.
4 It's a complete monopoly and we don't even have a
5 choice. So I don't really think that that is a good
6 deal.

7 You know, all of these utility companies,
8 like my gas, electric, and telephones, utility, you
9 know, their stock pretty well stays even. They're
10 not growth companies. They pay dividends, so people
11 will invest in the company, but Verizon has become a
12 growth company, and they really never should have
13 been a growth company.

14 I guess Verizon has completed the
15 acquisition of MCI. I know Qwest was trying to buy
16 MCI, but I've got some information off the Internet.
17 This one's MSN Money, and it actually says here that
18 -- this was on 2/18/2005, it says -- it's a report.
19 This morning, in a CNBC interview, John Hussman, of
20 Hussman Strategic Growth Fund, listed Verizon as one
21 of its top picks as a growth stock. Describes it as
22 very well integrated and represents the core
23 communications industry.

24 That's fine, but it's a utility company. It
25 shouldn't be a growth company, a growth stock.

0834

1 There were some questions about finances
2 and, you know, they're trying to recoup \$110 million
3 for whatever reason, that they have not made or have
4 lost or whatever. However, I'd like to point out,
5 and I don't know if the Commission is aware of this
6 or people here are aware of these figures, but the
7 financial statements, I've got the financial
8 statements here, and actually, I'd like to leave this
9 information for the record, if I can. I don't know
10 if that's possible.

11 But their sales -- and it was mentioned
12 earlier that their sales have decreased or the
13 revenues decreased or something, but their sales,
14 since 2000 through 2004, even 2005, have increased at
15 a substantial rate. Their net income for total
16 operations has increased three times, from 2003 to
17 2004. Their net income has doubled from 2003 to
18 2004, and these are in millions. It goes from net
19 income, 3,077,000 to 7,831,000. Their dividends have
20 been pretty stable, and that's good for those
21 investors. And the important thing for, of course,
22 people buying their stock is earnings per share, and
23 that has tripled, from 93 cents in 2003, to \$2.83 in
24 2004. The earnings per share has tripled in one
25 year.

0835

1 They tell me they're not making money.
2 Their sales are up, their earnings are up, their
3 earnings per share is up. And just for 2004, all
4 four quarters of 2004 have seen an increase in the
5 revenue and earnings per share.

6 I do have for the record, also, it's a copy
7 of a stock chart that I copied off the Internet. It
8 shows their stock really, you know, being up almost
9 \$60 a share in 2000, end of '99, 2000, of course
10 where the bubble was in the stock market. Everything
11 went down from there for about four years. It hit a
12 bottom at about 25, and actually hit a three-year
13 high about last December. So they've been doing
14 pretty well.

15 The stock market this year hasn't done quite
16 as well, so their stock is back down a little bit
17 from their high in December, but it's still around --
18 well, today it was down big because the raise in
19 interest rates, and it was down to like three, four
20 and a half dollars a share.

21 Another thing I want to point out, and it
22 was mentioned before, the people stole a little bit
23 of my thunder, but it says that Verizon
24 Communications paid their chairman and chief
25 executive \$17.3 million in cash, equities and perks

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1 during 2004. This is according to the annual proxy
2 statement filed by the telephone company with the
3 Securities and Exchange Commission on Monday, and
4 this report was as of today.

5 And it also points out that in 2003, the CEO
6 made \$19.1 million overall. There's a whole list of
7 all the perks and extras and, you know, the airplanes
8 and everything he's got and stuff, but 17.3 million
9 in 2004 and 19.1 -- it's gone down a little bit. I
10 suppose he's really in bad shape.

11 Also, I'd like to point out their retirement
12 plans. And this is a supplemental executive
13 retirement plan that they're given, and actually
14 their retirees have held back their proxy votes in
15 the last couple of years because they even think the
16 executives are getting too much in retirement, and
17 they have compromised and they've agreed that they
18 won't raise their retirement or pension.

19 It says, Currently, Verizon senior
20 executives receive SERP -- which is Supplemental
21 Executive Retirement Plan -- contributions equal to
22 32 percent of their combined base salary and plus
23 bonus for every dollar above \$210,000 during the
24 first 20 years in the plan. And of course, when
25 you're making millions, over \$210,000 isn't -- is

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1 where they're getting their pay.

2 It says last year Verizon projected \$161
3 million contribution to its non-qualified pension
4 plans for 2004 alone, and more than \$400 million over
5 three years just for the executives.

6 Well, I guess I just don't understand. And
7 I felt a little better coming today. I heard that
8 the Commission had worked out a deal, settled for
9 less, but when the 75 percent, when I read that, that
10 was way out of line. It's kind of like going, seeing
11 a furniture store going out of business sale where
12 they say, you know, 60 percent off after they've
13 raised it, you know, doubled or tripled the prices.

14 Well, I believe that if they haven't had an
15 increase over -- how many years is it, 20 years or
16 something? You know, the rate of inflation is --
17 this year's probably going to be two, two and a half
18 percent, maybe 10 percent is acceptable. So I really
19 urge the Commission to not look at 30 percent; maybe
20 look at ten percent.

21 And I do appreciate them spreading the
22 increase over two years, but I would like to see it
23 maybe even spread over three or four years. So that
24 would help me out. I am retired. I had to take
25 early retirement because of medical reasons, so I'm

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1 not on social security. I'm on a fixed income, and
2 it isn't a whole lot. Thank you for listening to me.

3 JUDGE WALLIS: Thank you very much for
4 coming tonight.

5 MR. FFITCH: Your Honor?

6 JUDGE WALLIS: Mr. ffitich.

7 MR. FFITCH: I've taken these documents from
8 Mr. Jakes, and if other parties have written
9 materials they want to submit, we can -- and Public
10 Counsel, we will take those from the witnesses and
11 offer them as part of the formal public exhibit for
12 the hearing.

13 JUDGE WALLIS: Thank you, Mr. ffitich. Did
14 everyone hear that? If you have written materials,
15 give them to Mr. ffitich and he will offer them to the
16 record.

17 The next person on our list is Louise
18 Stanton-Masten. Step forward, please. State your
19 name for our record.

20 MS. STANTON-MASTEN: My name is Louise
21 Stanton-Masten.

22 JUDGE WALLIS: And are you a Verizon
23 customer?

24 MS. STANTON-MASTEN: I'm a Verizon
25 residential customer in Lynnwood. We have two

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1 residential lines. I'm also the CEO of the Everett
2 Area Chamber of Commerce.

3 JUDGE WALLIS: And are you here representing
4 the Chamber of Commerce, as well as yourself?

5 MS. STANTON-MASTEN: I am.

6 JUDGE WALLIS: Please proceed.

7 MS. STANTON-MASTEN: Thank you. I
8 appreciate the opportunity to provide comment to you
9 at the public hearing on the rate request. While the
10 Chamber has not taken a formal position on the
11 matter, I believe that it's important to make several
12 points for the Commission's consideration.

13 We've been following the issue since last
14 year, when Verizon came before the UTC with their
15 interim rate increase request and also filed the rate
16 for the general increase.

17 When Verizon originally filed that rate
18 increase in April of 2004, it argued then that its
19 in-state revenues were \$220 million, below the level
20 necessary to earn a reasonable profit, and
21 subsequently, as you identified, the rate request was
22 adjusted to the 110 million, which was supported by
23 the rate design that could support the requested
24 increase.

25 The settlement proposal that the UTC is

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1 considering at this hearing is the result of that
2 agreement reached between Verizon, the Public Counsel
3 of the Attorney General, customer advocates, and the
4 Staff of the UTC, and as you've identified, that rate
5 increase in the proposal would raise in-state rates
6 by 38.6 million.

7 I'm here to personally commend all of the
8 parties who have worked together to achieve the
9 negotiated settlement. It appears to be a reasonable
10 compromise of a complex issue that will allow Verizon
11 to continue to provide essential telecommunication
12 services. It will be the first rate increase in 22
13 years and will result in an increase in the price of
14 basic local and business services by the \$2.43 a
15 month in 2005 and the \$1.47 a month in 2007 that has
16 been discussed.

17 The additional proposed changes that we've
18 heard about include those increases in rates for
19 directory assistance calls, custom calling services,
20 additional directory listings and that new late
21 payment charge, all of which are discretionary
22 purchases or charges that do not impact basic monthly
23 customer costs.

24 We recognize, and I do personally, that any
25 rate increase will impact both general customers and

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1 the business community. However, we also recognize
2 that Verizon's request for this rate increase
3 directly impacts the company's ability to continue to
4 provide essential telecommunications infrastructure.
5 Since the company's basic rates for business and
6 residential customers has remained unchanged for the
7 past 22 years, it seems reasonable and fair to allow
8 a rate adjustment after this time.

9 The UTC permits Verizon to charge basic
10 rates to cover expenses, needed investment, and a
11 reasonable rate of return on the investment, which is
12 essential for any business to continue to provide
13 capital investment and high quality service.

14 Telecommunications is very capital
15 intensive, especially for a company like Verizon that
16 serves customers throughout Western Washington with a
17 service territory that includes urban areas of
18 Central Puget Sound and remote, sparsely-populated
19 rural areas. Businesses and customers alike benefit
20 from a robust telecommunications network.

21 Our focus at the Everett Area Chamber of
22 commerce is on improving the competitive climate for
23 business in our area. It is important to have an
24 adequate infrastructure to serve current businesses
25 and to attract and retain new companies to this area.

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1 Transportation, electrical power and
2 telecommunications are all essential to the future
3 growth and prosperity of the region.

4 The UTC is considering a rate increase that
5 has been agreed to by all the parties. Again, we
6 commend each of them for working together to achieve
7 this negotiated settlement, which appears to be a
8 reasonable compromise to allow Verizon to continue to
9 provide essential telecommunications services, and we
10 thank you for the opportunity to come before you.

11 JUDGE WALLIS: Thank you for your testimony
12 today. Jean Hales.

13 MS. HALES: Jean Hales, I'm both a
14 residential and a commercial customer. I represent
15 the South Snohomish County Chamber of Commerce. I'm
16 their president and CEO. Louise and I work and our
17 chambers work quite closely together. So I'm not
18 going to go through everything that she did, because
19 I agree with it.

20 But taking off from the point of the
21 importance of the competitive business environment in
22 this state, it is just absolutely critical that
23 Verizon be able to support our businesses in as good
24 a way as you can find anywhere else in the country,
25 and that is another point.

0843

1 Verizon is not an unknown entity out there
2 that's the enemy. Verizon is our friends and
3 neighbors who work here and have family wage jobs and
4 are providing us with services. Verizon is an
5 excellent corporate citizen. Not only does the
6 corporation itself support organizations throughout
7 -- certainly throughout our county, but I know far
8 beyond its borders, but the citizens -- or the
9 workers themselves, the employees themselves also go
10 beyond that effort and provide support within the
11 community.

12 My heart goes out to people who are on fixed
13 incomes, and I know that every little chink really is
14 devastating to them, and I would certainly hope, as a
15 citizen in this county, that we can provide services
16 that enable everyone to have a telephone. It's
17 unthinkable that someone would have to go without a
18 telephone. But, on the other hand, it is vitally
19 important to all of us that Verizon -- boy, they're
20 serving all masters. This is a very complex issue,
21 and it's just vitally important that they be able to
22 stay at the cutting edge of technology and to provide
23 the other end of the service needs, also.

24 A complex issue, and we certainly think that
25 the fact there was an agreement that was able to come

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1 to by all parties is the best of all worlds. Thank
2 you.

3 JUDGE WALLIS: Thank you for appearing.
4 Carl Zadora.

5 MR. ZAPORA: Hi, I'm Carl Zadora, and I'm a
6 residential customer of Verizon.

7 JUDGE WALLIS: Please proceed.

8 MR. ZAPORA: Thank you. Just several
9 comments. I've lived in many parts of the country,
10 including Texas, Chicago, and New Jersey, and I'd
11 like to just thank the officials here today for just
12 a really good process. I've seen good government in
13 action and I've seen mediocre government in action.
14 I appreciate all the intentions here.

15 For the record, I want to state that I'm
16 passionately neutral on the rate increase. I do want
17 to thank AARP for their involvement. I'm a member of
18 AARP, and a lot of people don't recognize the work
19 that AARP does for the benefit of communities and for
20 the benefit of its members. I've seen them do a lot
21 of good work and I appreciate their being involved in
22 the process and also their coming to an agreement
23 along with the officials here, and also the
24 Commission and the Public Counsel for the work that
25 they do and the service that you provide.

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1 I just want to echo some of the comments
2 that were made. And I know during any heated
3 discussion on an issue like this, it oftentimes
4 happens that intentions are not as clear as they
5 might want to be and people paint a picture of an
6 organization or a company in a negative light, and I
7 just want to talk about the Verizon that I know,
8 similar to comments that have been made.

9 It is a fine company, it is involved in the
10 community. I go to many community events that are of
11 a charitable nature, and always Verizon is there
12 trying to be helpful.

13 I think we're fortunate to have a company of
14 that high caliber in our community that is not only
15 providing quality service, but is also involved in
16 the community. To me, that's very important.
17 So being neutral on the topic doesn't mean that I'm
18 not interested in it. I am trusting the process. I
19 very much trust the Public Counsel and AARP and the
20 Commission to make the right decisions and thank them
21 for the work that they're doing. I appreciate the
22 opportunity to comment. Thank you.

23 JUDGE WALLIS: Thank you for your comments
24 today. Mike Guzman.

25 MR. GUZMAN: Good afternoon.

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1 JUDGE WALLIS: State your name for our
2 record, please.

3 MR. GUZMAN: Mike Guzman, residential
4 customer.

5 JUDGE WALLIS: Please proceed with your
6 comments.

7 MR. GUZMAN: Okay. There's a couple points
8 I'd like to make here, and before I begin, I just
9 wanted to ask the Commission, because I'm not clear,
10 if this is a forum where we're strictly coming here
11 to vent or is this something where we're going to,
12 you know, bring our case to you and we could possibly
13 negotiate this settlement even further?

14 JUDGE WALLIS: This is your opportunity to
15 present comments on the proposal. The proposal has
16 been formally presented by people who've been parties
17 to the proceeding, official intervenors who've been
18 with it since the beginning, and it is only they who
19 have the authority, because of our process, to make
20 this kind of a proposal.

21 MR. GUZMAN: But ultimately the Commission
22 will approve?

23 JUDGE WALLIS: The Commission will consider
24 the proposal based on what the other parties have
25 said, based on the written record that they've

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1 provided, and based on the comments that the
2 Commission hears tonight and tomorrow in Kennewick.

3 MR. GUZMAN: Okay. Very well. Thank you.
4 Well, I'd like to make a couple points and follow up
5 on some things that some other speakers have said
6 thus far.

7 To clarify, Verizon -- and the information
8 I'm reading is based on Internet sites like MSN Money
9 and also what's been in the Seattle Times and so
10 forth. It's a hundred billion dollar company. There
11 was questions about how much did they make last year.
12 Well, to clarify, the total net income, minus cost of
13 sales, taxes and so forth, is \$7.8 billion, not
14 million. That's 7.8 billion.

15 Mr. Trotter pointed out earlier that there's
16 been a decline in revenue. That is not entirely
17 accurate. Now, while revenue has not been as high as
18 the end of the year in 2000, where they made \$11.797
19 billion, it has decreased considerably in 2001, but
20 it has gone up gradually since.

21 The first proposal they offered was the
22 beginning of last year, I believe, April of 2004.
23 The end of December 2003, they made \$3 billion. At
24 the end of 2004, \$7.8 billion. That is a profit --
25 that's an increase of \$3.8 billion in one year's

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1 time. That's pretty significant, so it looks like
2 things are shaping up pretty nicely for the company
3 so far.

4 As far as the MCI, it's agreed upon, but
5 it's not finalized. They've offered the company
6 \$6.75 billion. They've -- MCI has agreed in
7 principle so far. They will stand to gain a company
8 that already has a year cash flow of \$2 billion
9 yearly. They'll inherit a 98,000-mile Internet
10 network that's in 140 countries, \$6.7 billion that
11 will be paid for in just a little over three years
12 time by this merger.

13 Now, if this falls through, Verizon is going
14 to receive a \$200 million penalty from MCI if they
15 back out of this deal. That covers quite a bit of
16 this so-called lost revenue that they're trying to
17 get from the average customer. Make no mistake about
18 it, it is a monopoly. I like the analogy used about
19 the garage sale. The problem is we can't walk away
20 from it. People -- I mean, a phone is a way of life.
21 It's something that people need in case, you know,
22 for emergency situations and so forth.

23 I'm a person who -- I don't have a cell
24 phone, I try to live within my means, I try to, you
25 know, live with what I need. I have a computer. I

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1 need my residential line for dial-up. It costs a lot
2 more if you want to go to DSL and so forth. I don't
3 want to pay 40, 50 bucks a month. I have it on
4 dial-up and that makes things better for my monthly
5 expenses, and I'm sure it does for a lot of other
6 people.

7 There's a lot of focus on the charge of the
8 line itself. And one thing I want to point out is
9 some of the fees, I'm not sure how much they've been
10 negotiated on so far and what exactly they are, but
11 I'm just going to quote on the statement I got from
12 my last phone bill from Verizon.

13 The packages with the caller ID and so forth
14 are going up as much as a dollar to \$4 per service.
15 Now, the one thing I really want to point out, I
16 really want you to consider this carefully. I pay 55
17 cents a month for a non-published listing. This
18 would go up to 2.50 a month. That's over a 400
19 percent rate increase, okay, 400. Even though it's
20 just 2.50, that is considerably high. Now, this is
21 to pay them to not do something, to not have my
22 number listed.

23 This is not -- this is an ethical issue, and
24 I'll tell you why, because every other company,
25 whether it's in the private or public sector, has an

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1 opt-out policy. It wants to share your information,
2 no, fine, you don't pay for that. Right now you have
3 identify theft, which is a major problem, I'm sure as
4 you're all aware of. Having anybody want to -- who
5 wants your information, just a phone call away, they
6 can have your address, your number, where you live
7 and everything about you, and that's one of the first
8 steps in basically achieving -- you know, stealing
9 somebody's identity.

10 You have people who maybe are in abusive
11 relationships, they got out of it, they don't want to
12 be found. You type in someone's name who's listed,
13 all you have to do is go to Google and there you are.
14 You know, Michael Guzman, my address, my number,
15 everything. I'd say this is definitely a moral
16 issue. Privacy is a right, it is not a convenience.
17 And people shouldn't have to pay 2.50 a month to pay
18 you to not do something.

19 If I order a steak dinner and I say, No, I
20 don't want the salad, but the salad comes with it,
21 and I get my bill and they're going to have me pay
22 2.50 extra because I didn't want the salad. You'd be
23 scratching your head. Weird analogy, but an analogy
24 nonetheless.

25 It is a monopoly, and that is why you're

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1 here to regulate this. I would hate to walk away
2 from my phone. It's something that I need. The
3 proposal of 70 percent, I don't see how anyone in
4 this room, including Verizon, realistically expected
5 that proposal to be accepted. Basically, there's a
6 term that says shoot high, aim low. I think they
7 aimed high, they shot higher. It's just like jacking
8 up the prices, something, with the intention of
9 getting what you want.

10 And so I'd like, in closing, I would like
11 you to please look at the erroneous charge of the
12 non-published listing. If that isn't an erroneous
13 fee, I don't know what is. And I would like to look
14 at the 30 percent -- I would like the Commission to
15 look at the 30 percent proposal as the starting
16 ground for negotiations. Every company stands --
17 needs to make a profit. I mean, that is totally
18 understandable, but it has to be within reason. And
19 this should be the starting ground. It shouldn't be
20 where the proposal ends. Thank you, Your Honor.
21 Thank you.

22 MR. FFITCH: Judge Wallis?

23 JUDGE WALLIS: Thank you for your comments.

24 MR. FFITCH: Just a point of information.

25 JUDGE WALLIS: Mr. ffitch.

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1 MR. FFITCH: I don't know if you can hear me
2 on this. Mr. Guzman may want to talk with Staff or
3 other representatives afterwards, but I believe that
4 the -- some of the privacy listing charges are not
5 going to change in this settlement, so some of the
6 initial proposals may not have been adopted and there
7 may be something of a better outcome on some of
8 those. You need to check with the right people on
9 that here, but I think that there may be some good
10 news on at least some of the privacy listings.

11 MR. GUZMAN: Thank you.

12 JUDGE WALLIS: Thank you, Mr. ffitch. Next
13 on our list, we have Ted or Pat Pearson.

14 MR. PEARSON: Thank you. My name's Ted
15 Pearson. I am a Verizon customer. We live in
16 Seattle, but we, my wife and I, have a cabin near
17 Lake Wenatchee, and that is where our Verizon service
18 is, at our cabin. We only get there maybe once a
19 month. We use the telephone when we're there
20 probably not at all. The actual number of calls we
21 make in a year probably isn't more than ten, so the
22 phone is there for emergency purposes only.

23 We -- our service was a basic one party
24 measured, which we have been charged \$7.25 a month
25 for. The proposed rate increase per what we got in

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1 the mail was \$17.05, which is a 135 percent increase.
2 We were outraged at that, and that's why we're here.

3 Now, I understand that the settlement
4 proposal would reduce that, I guess to \$2.43 a month
5 in the first year, which is still a 35 percent
6 increase for us, and if there's another \$2.43
7 increase in another year, then over two years we're
8 talking about a 70 percent increase. This is
9 ridiculous. There's no need for Verizon to increase
10 their rates by that much.

11 We've heard testimony from a number of
12 people who have stated that Verizon is a profitable
13 company, that they've been doing very well. They do
14 not need that kind of an increase. Now, just as a
15 thought, it seems to me like the people like us, who
16 have a phone that is seldom used, there maybe should
17 be some other rate, but I just feel that even the
18 proposed increase is just far too high. Thank you.

19 JUDGE WALLIS: Thank you. Victor Goetz.
20 Please state your name for the record.

21 MR. GOETZ: My name is Victor Goetz, and I'm
22 a residential customer in Lynnwood. Most of the
23 people have said most of the things I want to say,
24 but I'd like to add a couple minor things.

25 Like most of us, when we got the first

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1 notice of 75 percent, it obviously was outrageous and
2 it was an opening point to get halfway. And your
3 first cut was 30 percent, and I gather now it's,
4 what, about 10 percent, 40 percent, now 20? The last
5 cut?

6 MR. FFITCH: The settlement proposal that's
7 before the Commission is the \$38.6 million right now.
8 That's the formal proposal.

9 MR. GOETZ: Okay. So quite an improvement.
10 I don't have a problem with that. I recognize they
11 need the money. I'd like to see what they're going
12 to do with that to improve the service. Now, there's
13 a couple items here. One, obviously more and more
14 people are getting rid of their land lines and going
15 to cell phones. So what's going to happen, the cost
16 of handling the land lines are going to constantly go
17 up and eventually -- who knows what's going to
18 happen. So they're going to keep trying to get money
19 for that.

20 The second issue that I have problems with
21 is you see lots of advertisements, get five cents a
22 nickel -- or five cents a minute for long distance
23 calls, but I can't take advantage of any of those,
24 because 80 percent of my phone calls -- long distance
25 calls are within the state of Washington, and there

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1 is eight to ten cents a minute. So I'd like to see
2 them do something with that.

3 I do have a service with them now, 300
4 minutes a month, seven cents a minute, and it
5 includes local Washington, and that's about what I
6 use, about 300, 250, 350, 400, maybe. I don't do a
7 lot of long distance calls. As I say, 80 percent --
8 our kids are in the state.

9 So I'd like to see some kind of improvement
10 in the service and understand how they're going to
11 handle the fact that they're losing the land lines.
12 And I know they want to use this money to begin to
13 put fiber optics into the home to eventually compete
14 with -- I presume they want to compete with cable, to
15 give them that kind of service. So I'd like to see
16 what they're going to do.

17 I will make one other minor comment. If
18 they're really having financial problems, I'd be
19 happy to offer my services. I'm retired from a
20 multinational and traveled the world developing total
21 quality, time and productivity improvement programs.
22 That's what my profession is, I'm a management
23 consultant, both with a company and as independent.
24 I'll be happy to volunteer my services. I spent 40
25 years doing that, citing problems in industry. I'll

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1 be happy to help Verizon do whatever they want done.
2 Okay?

3 JUDGE WALLIS: Thank you. Shanna Koepp.

4 MS. KOEPP: My name is Shanna Koepp. I'm a
5 Verizon residential customer speaking for myself.
6 And actually, all of my thanks and appreciation to
7 the Commission members and my concerns for the
8 proposed settlement have already been expressed.

9 JUDGE WALLIS: Thank you very much. Alan
10 Feigenbaum.

11 MR. FEIGENBAUM: Pretty good.

12 JUDGE WALLIS: Thank you.

13 MR. FEIGENBAUM: My name is Alan Feigenbaum.
14 As you can tell, I'm a senior citizen, retired. I'm
15 a residential customer and I have a DSL line and I
16 have an unlisted number. I have a question before I
17 get into my comments. This notice that came in the
18 bill, the first paragraph says that Verizon is trying
19 to recover revenue each year. Did they lose it?
20 What does this mean, recover? Is this revenue that
21 we used to pay them and now they're not getting it
22 anymore, they want to get it back? That's my
23 question. What's the answer to that? I'm confused
24 by what they mean by recover revenue every year.

25 JUDGE WALLIS: Can the company respond to

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1 that?

2 MS. ENDEJAN: Basically, what that means is,
3 because it's a regulated utility, every year, you
4 have this bucket of expenses, okay, to provide phone
5 service. And in order to cover those expenses, you
6 need that amount of revenues. So when we say we need
7 to recover our revenues, it means to recover an
8 amount sufficient to cover our expenses, plus a
9 reasonable rate of return. That's kind of telephone
10 talk, but does that make sense?

11 MR. FEIGENBAUM: No, I'd say that you used
12 the wrong word, recover. You should have said
13 acquire, not recover. Recover means you're trying to
14 get something back that you lost or you want to
15 recover from an injury. This is not the way you use
16 the word recover. You're trying to acquire
17 additional revenue to cover your expenses. That's
18 not unreasonable. But I was confused. Now I know
19 what you mean. So I'm saying you used the wrong
20 word. Thank you.

21 Verizon's a pretty big company, and one
22 brief observation about the rate increase, if there's
23 going to be one, is I don't think it's going to make
24 my telephone line work any better. I have a DSL line
25 for my computer and I also have one of these things.

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1 And eventually, I may convert my DSL line over to
2 cable. And when that happens, my land line's going
3 to go away, because I'm paying \$25 a month for my
4 land line. I make very few phone calls on it. I
5 have an unlisted number.

6 And I would say that if I was on the
7 Commission, I would be a lot more aggressive in my
8 reaction to the telephone company's request for
9 additional revenue. For example, I'm paying 55 cents
10 a month, as this gentleman said, to have the company
11 not do anything for me. It costs them zero for me to
12 not have my phone number listed. Once they
13 programmed their computer X number of years ago to
14 not list my number every year in the phone book,
15 there's no longer any cost to them. That happens all
16 the time. So why I have to pay 55 cents a month for
17 a service I'm not getting is beyond me.

18 I think the gentleman behind me made a very
19 good analogy with going to the restaurant and paying
20 extra for not taking your salad with your dinner.

21 If I was on the Commission, I would say that
22 this rate increase should be zero. I don't think the
23 telephone company justified it. For example, the
24 last 12 months, Verizon has \$71.8 billion in sales,
25 they had a 20.8 percent return on equity, which is

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1 pretty damn good, better than the S&P, which only
2 averages about 18 percent.

3 I don't know whether you guys look at
4 Verizon's financial health or not. It's a good
5 company. I have nothing bad to say about Verizon.
6 In fact, I might buy some of their stock one of these
7 days if I can afford it. They have a good dividend.
8 I think S&P gives it a four-star rating. A number of
9 other advisory services do the same, so Verizon is
10 doing quite well. They had 11 percent net profit
11 margin last year. They had \$28 billion net income
12 last 12 months. They're going to be paying almost \$7
13 billion if the deal goes through for MCI.

14 So they're talking about \$110 million, \$38
15 million for what? I mean, what are we going to get
16 for that? Is my phone going to work any better? I
17 don't think so. My phone works fine the way it is.
18 It rings, I answer it, people hear me and I can call
19 them.

20 Now, if they want to use the money for
21 making improvements in the phone service, that's
22 probably fine, but given the health of the
23 corporation and how much money they're paying their
24 executives, which you heard from other people, and I
25 won't repeat the numbers, they're fairly accurate, I

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1 don't see any justification for giving Verizon an
2 increase of any sort at this time.

3 Now, if they were -- if they had a three
4 percent profit margin and their net income was down
5 and they were really hurting, I'd say, Yeah, okay,
6 then you need an increase. But they're doing quite
7 well. Everybody ranking the company, it's a good
8 company. And again, I have nothing bad to say about
9 Verizon, but it's just that the economics of this
10 rate request puzzles me that you'd even want to give
11 them \$38 million. I haven't seen what they're going
12 to do with the money.

13 It was stated before that the telephone
14 business is capital intensive. That's not true.
15 It's capital intensive for new installations. Once
16 the phone lines are in and the people who are getting
17 the service have to pay for that, it's not free,
18 they're pretty well recouping their capital. And
19 after that, everything is computerized and things run
20 fine. You have to occasionally repair a line. It's
21 a relatively small expense compared to the amount of
22 revenue that those lines generate.

23 So I don't believe that the total telephone
24 business is capital intensive, because they do
25 recuperate (sic) or recover those expenses right at

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1 the top. Because if I want to have a telephone line
2 installed, if I'm living out in the woods somewhere
3 and I have to pay for them to run a line for a mile,
4 they're going to charge me for that. They're not
5 going to do it for free. I'm going to have to pay
6 for the installation of a phone in a new area. So
7 they get their money back. And if they're not
8 getting all of it back, that's their fault. They
9 have a right to charge for that, and I would be
10 willing to pay it. So I don't think that's a big
11 problem.

12 But I think you should have to look at the
13 economics of the phone company and find out exactly
14 how this money is going to be used, and I would like
15 to see the 55-cent charge to go to zero, like it used
16 to be. I don't know why the Commission was ever
17 conned into giving them money for not doing
18 something. It never made sense to me.

19 And as far as this 22 years without an
20 increase, I haven't been paying \$25 a month for my
21 phone service for 22 years. I'm paying \$13 a month
22 for the basic phone, and everything else is on top of
23 that, which is mostly taxes. Ten years ago, I wasn't
24 paying \$13 a month for phone service. So to say that
25 they haven't had a rate increase, baloney. They've

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1 gotten their rate increases. Somebody has, anyway.
2 I know my phone service has gone up in the past
3 quarter century. I think all of these people can say
4 the same thing. Phone lines have gone up in price.

5 And the phone, it's a good service, it's a
6 good bargain, I think. But, again, I don't think
7 this is justified. Thank you very much.

8 JUDGE WALLIS: Thank you for your comments.
9 R.F. Barrett.

10 MR. BARRETT: He's getting up and leaving.
11 Oh, well. Richard F. Barrett. I am a residential
12 customer. Things bother me about the company. One
13 thing I was attempting to do was to get the holiday
14 phone service. This was available at least in the
15 past where no one could call in to your residence
16 while you were away on vacation. I was told I could
17 not get this. It's like the previous people have
18 said, I can't even pay to get them not to do
19 something. They said I could not get this done.

20 Why is this important to me? Frequently,
21 I'm working nights, and it's real nice to have a
22 telephone solicitor call you right when you're
23 getting a good day's sleep so you can work at night.
24 I'm sure you'd like to be awakened at 2:00 a.m. to
25 listen to a phone jockey.

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1 Another thing that I'm a little displeased
2 with is the long distance haranguing. Every bill I
3 get is a five-color card, you know, nice, hard bond
4 paper, whatever you want to call it. If they could
5 use the money that they're trying to tell me to use
6 for long distance, I think they could recoup some of
7 their money right there.

8 I would say that it must be quite apparent
9 to them how little I use my phone, and if they could
10 project that to how little I'd be using the long
11 distance service, it must be apparent to everyone
12 that they'd just be lining their pockets. I wouldn't
13 be using it at all. I have a phone card and use that
14 as -- rather infrequently.

15 I'd like to digress a little bit. This was
16 on cellular phone and, once again, it's on the kind
17 of topic of denial of service. I had considered it
18 at one time. One of the things I would like to get
19 would be to have generally availability in the Puget
20 Sound region, and that seems to be, shall we say, on
21 an annual basis, not so much of a problem. But then
22 I tell them, Well, once, maybe during one month of
23 the year, when I'm on vacation in another state,
24 another Western state, I'd like to have roaming, you
25 know, for that area, just for one month. They

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1 assured me they could not do it.

2 Their competitors didn't seem too -- I
3 forget who it was -- did not seem to be that certain
4 that they could not do it, and they said they could.
5 So rather than possibly getting a good rate, since
6 I'm already a customer, I find that it's just not
7 available and a useful feature would be just denied
8 me.

9 I'd like to digress on things that I know
10 less of, but have -- I have come across. Once and --
11 well, numerous times, what I've found is that when
12 they -- people dial information, and I kind of point
13 to the phone industry, I don't know if it is
14 specifically Verizon, they do not get accurate
15 information.

16 I'm called at work because somebody wanted
17 to get to the Highway Department. Well, I have
18 nothing to do with their central -- what do you say
19 -- the central area or clearinghouse. They call me
20 because it's the first number. I mean, there's
21 339-1700, and the next number up, which happens to be
22 the State Patrol, next number up is 339-1701. So
23 somebody wants to talk to some executive or
24 something, he gets my number. That's not very good.
25 They shouldn't have to pay that kind of money for

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1 that kind of wrong information. I have to sit there
2 and try to be courteous to these people.

3 Another thing that's happened on certain
4 phone companies, there have been a great deal of
5 exodus of jobs. I don't know if this is Verizon, as
6 well. They like to talk about our local area. I've
7 heard that many jobs have been kind of exported to
8 Colorado. Maybe that's why they don't know which
9 number to give. Could be.

10 And lastly, there's a little bit of
11 conjecture I have is that they kind of overextended
12 themselves in making fiber optics here a few years
13 back. And if there's any problem, it seems to me
14 that there should be no lack of fiberoptic
15 infrastructure. I mean, the ancillary stuff would
16 probably be debatable, but I think that many of those
17 things would be available for, you know, very cheap
18 leasing. So I guess that's about it and, you know,
19 keep the money down.

20 JUDGE WALLIS: Thank you. Chuck Morrison.

21 MR. MORRISON: Hi, my name's Chuck Morrison.
22 I'm a residential, as well as a commercial customer.
23 I choose to live by Mt. Pilchuck, up there. My rate
24 from Verizon is \$1 a day for reliable phone service
25 every day, all the time. For that, I'm thankful, and

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1 for that I truly wish that you grant the increase.

2 As a commercial customer -- excuse me, I
3 have a little bit of a sinus problem today. I beg
4 your pardon. As a commercial customer, I work for
5 Red Cross of Snohomish County. Verizon is a partner,
6 both as a contributor to Red Cross and both as the
7 provider of our reliable phone service to help folks
8 in time of a disaster. Again, I would appreciate
9 your consideration of their request.

10 JUDGE WALLIS: Thank you very much. Susan
11 O'Connor.

12 MS. O'CONNOR: Hi, my name is Susan
13 O'Connor. I am a residential customer, and so is my
14 95-year-old mother. These increases in phone rates
15 would put a heavy, disproportionate and unnecessary
16 burden on Verizon's customers, especially the ill,
17 elderly, those with disabilities and low income.
18 Verizon has no discount program of any kind for the
19 low income, seniors, or those with disabilities.
20 These people rely on their phone to call someone for
21 help when they have a problem and to call 911 when
22 they have an emergency.

23 Any settlement with this phone service,
24 which is a link in saving lives, should include a
25 substantial discount program for such people. You

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1 are telling us what you want from us, more money.
2 I'd like to know what you're going to do for these
3 vulnerable people. Thank you.

4 JUDGE WALLIS: Thank you, Ms. O'Connor.
5 That concludes the testimony of people signed in and
6 indicated that they wanted to address the Commission.
7 Well, it may not. I see Ms. Johnson stepping
8 forward. Yes, we have one more person indicating a
9 desire to testify. James Brodhead.

10 MR. BRODHEAD: My name is James Brodhead.
11 I'm a residential customer. I wish I could have been
12 here earlier to hear what others had to say so I
13 don't reinvent the wheel.

14 The biggest concern I see is this equates
15 to, I'm assuming, a 50 percent increase in fees.
16 Their \$110 million, I'd see approximately a \$12 a
17 month increase. That doesn't include all the
18 additional services. I didn't see caller ID on the
19 list. They didn't say whether or not it was there,
20 but there are other options that people have, and it
21 just adds up. And then you throw tax on top of that,
22 the city, the county, whoever has to have their
23 nickel and dime out of that, also.

24 What I don't understand is why Verizon also
25 needs a 50 percent increase in fees, or thereabouts.

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1 I don't know, maybe it's 35, if you average it all
2 out for all the services. If they've been losing
3 that much money, then they should have been asking
4 this a long time ago and gotten incremental steps,
5 but to get a big jump like this, it's a shock. Most
6 people are on a fixed income.

7 If I went to my supervisor and said, I'd
8 like a 35 percent wage increase, he'd laugh at me and
9 say, Try again next year, you know. I don't see that
10 Verizon's done anything really to offer additional
11 service, I don't see improvement in service, I don't
12 see any promise to improve service. You know, just
13 asking -- we're a captive group. We don't have a
14 choice to go out and pick another residential phone
15 carrier.

16 And you know, if there was competition,
17 maybe they'd find a better way to spend the assets
18 that they have and be more frugal. You know, it's
19 real easy when you've got an unlimited bucket to go
20 to just keep asking for more. It's tougher when you
21 have to live in a budget and only increase things
22 when you really find you need to make those changes.

23 If they're trying to pass on the costs of
24 development, adding phone lines into new areas, those
25 should be picked up by those that are developing

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1 those areas, rather than passing them on to current
2 customers, but I just -- I was amazed at -- it seems
3 like just about everything that they offer, they want
4 to up it a little bit, and I don't see -- computer
5 services, are they -- does it really cost more to run
6 the computer that they ran yesterday, does it all of
7 a sudden cost more to run it today. A lot of those
8 things remain fixed, as far as the cost.

9 Now, if they have maintenance they need to
10 do or whatever, I don't see anything saying why they
11 need that increase, and so if they would spell that
12 out, it might make a little more sense to customers.
13 But when they just say, Give us more money, I would
14 say no, and I'd ask you to keep them in check and
15 encourage them to be more frugal with the funds that
16 we give to them as customers. Thank you.

17 JUDGE WALLIS: Thank you very much. Shirley
18 Keltner. We do have two people signed up on this
19 list, and there will be some questions from the bench
20 for counsel before we conclude, and we are looking to
21 begin another matter at about 6:00, so I just wanted
22 to advise people what our time frame is. Ms.
23 Keltner, would you state your name for our record
24 please, whether you're a Verizon customer and then
25 make your comments?

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1 MS. KELTNER: My name is Shirley Keltner,
2 and I am a Verizon customer. I live in Lake Stevens.
3 Naturally, I'm against the raise. I personally think
4 that companies that don't run their companies the way
5 we have to run our households are less accountable
6 than we are. We have a budget, we know that we can't
7 spend more than we make, and I ask you not to spend
8 more than you make. And we have to weigh things,
9 whether this is worth what we need to take more
10 income -- more money in from us, so I ask you don't
11 raise it, please. Thank you very much.

12 JUDGE WALLIS: Thank you. Shirley Morris

13 MS. MORRIS: Shirley Morris, residential
14 customer from Edmonds. And I recently received my
15 Verizon bill, and I think someone else addressed
16 this. Advertising is very expensive, and especially
17 when you do it in three or four colors. The message
18 is the same if it's in black and white. That's one
19 way I think Verizon could contain some of their
20 costs.

21 Additionally, on the envelope, it says, Save
22 postage, save time, pay electronically. I think
23 Verizon needs to pay attention to their costs. Also,
24 the advertising seems to be very redundant. It's on
25 TV, it's on billboards, it's three or four colors

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1 advertising. That's something that really needs to
2 be considered.

3 And I find it absolutely nauseating at the
4 wages that are paid to CEOs. Perhaps they're taking
5 their lead from Ken Lay and Jeff Schilling of Enron,
6 but I raised four children on my own, and that was
7 before child -- the enforcement of any child welfare
8 or -- actually, my salary was a nickel an hour over,
9 so I did not qualify for any assistance from the
10 government, but I managed to raise the four children
11 on my own, and I find this just so appalling.

12 The other thing I'd like to ask is on the
13 bill, you have this read -- what is it called,
14 Verizon Reads, and it's supposed to be a program to
15 help illiterates to learn to read. And they solicit
16 a dollar a month from the customer. I want to know
17 what the administrative cost is for such a program.
18 Does it outweigh that dollar? How much does Verizon
19 donate? Is it a match fund? Where do those funds
20 actually go, into our community or across the nation,
21 overseas? We don't know.

22 So I think, to finalize it, I think that
23 raising four children on my own, I know that we have
24 to tighten the belt, tighten the belt. Thank you.

25 JUDGE WALLIS: Thank you for your comments.

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1 Chairman Sidran, do you have some questions?

2 CHAIRMAN SIDRAN: Well, first I want to
3 thank all of those who came to this hearing. Your
4 comments were helpful and much appreciated by the
5 Commission.

6 There's one question that I have, and I'll
7 address it to whichever of the parties wishes to
8 respond, but in light of the repeated concern that's
9 been raised, I think it would be helpful if this
10 issue was addressed, and that is how Verizon, which
11 is a, needless to say, a large company, with many
12 lines of business, how the land line business, which
13 we are addressing here today and which this
14 Commission regulates, how the land lines business and
15 its revenues are considered in the rate-making
16 process, as distinguished from other lines of
17 business, such as the wireless business, for example,
18 that Verizon's earnings are reflected when people
19 refer to the overall performance of the company.

20 So could someone, one of the parties speak
21 to the issue of that in the context of how Verizon's
22 financial performance and its lines of business
23 relate or do not relate to the consideration of
24 rate-making in this case?

25 MS. ENDEJAN: Chairman Sidran, I'd like to

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1 take a stab at that. Let me return to the sort of
2 bucket analogy. A lot of people who spoke today have
3 commented on basically how much money Verizon appears
4 to be making. Now, that is the big -- the Verizon
5 overall parent, and the Verizon overall parent has a
6 lot of different lines of business. The wireless
7 side, long distance side, and the side that we're
8 concerned about here today, which is called the
9 intrastate, meaning it happens in Washington State,
10 provision of your land line phone, okay.

11 And that's all what we're concerned about
12 here, because there's a separate company that's
13 called Verizon Northwest, Inc. that runs the
14 intrastate operation. Granted, it's owned by the
15 parent corporation, but the Commission only has
16 authority over the rates that are charged for
17 intrastate service, and the reason that there's a
18 rate case is because when you look at the expenses on
19 an intrastate basis, basically, the revenues coming
20 in aren't sufficient to meet those particular
21 expenses.

22 So the company had to ask for an increase
23 for that part of the business. So I think that you
24 have to keep in mind that there are a lot of
25 different units of the same big company, and so when

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1 you think that Verizon is making a whole bunch of
2 money, that's not necessarily true when you peel it
3 down and bring it down to the state level. David.

4 MR. VALDEZ: First of all, on behalf of
5 Verizon, I appreciate everybody's comments, I
6 appreciate everybody taking time from their day to
7 come here and we understand the concerns. Rate cases
8 are difficult.

9 But to address the questions that the
10 Chairman has raised and my colleague has answered, I
11 would just like to say that, in Washington State, we
12 operate by the rules that are set by the state, and
13 under the state rules, the intrastate part of the
14 business is the business that is regulated and that
15 is part of the business that we have to go to the
16 Commission and have our rates regulated by them.

17 That is what is at issue today, and that is
18 why the company seeks a rate of return based on the
19 investment that we have made in the network. To give
20 you an example, last year, or in the last couple of
21 years, we've put about a hundred million dollars of
22 investment into the network. In 2005, we've
23 designated about another hundred million dollars
24 worth of investment into the network.

25 So this rate case is about providing the

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1 very basic service so that, out of all the services
2 that people currently have, the one thing you can
3 count on is picking up your phone and knowing that
4 you're going to get a dial tone. That dial tone
5 requires a year-to-year investment to upgrade it and
6 to maintain it.

7 The other final point I'd like to make is
8 that I hear an overriding theme about the low income
9 customer. We are concerned about the low income
10 customer and we have a desk outside the door where
11 you can go talk to a customer service representative
12 to find out about the WTAP Fund. The WTAP Fund is a
13 fund that has been created by the State that seeks to
14 provide a sort of subsidy to those people who qualify
15 as low income.

16 If you want information about how to sign up
17 for the fund, get information about the fund, at the
18 end of this session, go outside the doors and talk to
19 a Verizon representative and they will put you in
20 touch with the administrator of that fund. But
21 that's my closing remark. And again, I'd like to
22 thank everybody for coming out.

23 JUDGE WALLIS: Thank you, Ms. Endejan, Mr.
24 Valdez. Are there any other questions from the
25 bench? It appears that there are none.

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1 I want to again thank those of you who took
2 time from your day, those of you who made comments.
3 We do have a record of those comments. The
4 Commissioners will be considering the entire record
5 when they make their decision. Thank you for
6 appearing today. This session is concluded.

7 (Proceedings adjourned at 6:00 p.m.)

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