



1                                   P R O C E E D I N G S

2                   CHAIRMAN SIDRAN: Good afternoon. Welcome to a  
3 public hearing of the Washington State Utilities and  
4 Transportation Commission. It is March the 23rd, 2005,  
5 and the purpose of this public hearing is to hear comments  
6 regarding a proposed settlement in the Verizon Northwest  
7 general rate increase.

8                   My name is Mark Sidran, I'm Chairman of the  
9 Utilities and Transmission Commission, and I'm joined here  
10 by my colleagues. On my right, Commissioner Philip  
11 Jones, and on my left, Commissioner Patrick Oshie. Also  
12 with us is the presiding judge for this hearing, Bob  
13 Wallis.

14                   Judge Wallis will be conducting this hearing, and  
15 the hearing will begin with presentations from the parties  
16 about this proposed settlement, and then the citizens will  
17 be invited to comment on this hearing.

18                   With that I will ask Judge Wallis to convene our  
19 hearing.

20                   JUDGE WALLIS: Thank you, Chairman Sidran.

21                   When Verizon originally filed the tariffs that  
22 were under consideration in this matter, it asked to  
23 increase its rates by about 75 percent, or about \$10 a  
24 month. It argued that its evidence, in addition, would  
25 show that it had a need for almost that much additional

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1 money, and it filed a depreciation case so that it could  
2 recognize shorter lives of some of its equipment that it  
3 said would result in a need for an additional \$50  
4 million.

5 All that is history now. The principal parties  
6 to this litigation have filed a proposed settlement that  
7 would resolve all of the issues in the general rate case,  
8 it would resolve all of the issues in the depreciation  
9 case, and it would resolve another case that's now on  
10 appeal in the courts. None of the other parties object to  
11 that settlement.

12 The proposal would allow Verizon to increase its  
13 monthly rates by 2.47 on April 1 of this year, and another  
14 \$1.43 in 2007. And it would increase some of its other  
15 charges including those for directory assistance and for  
16 late payments. The total is nearly \$39 million or  
17 slightly more than a third of their original request. It  
18 will only become effective if these Commissioners decide  
19 to approve it. The reason that they're here today is to  
20 hear your comments about whether they should approve it or  
21 not.

22 This hearing is part of the formal rate case  
23 process. Like a trial, all of the testimony that is given  
24 today, the comments of the lawyers and the Commissioners,  
25 will be taken down by the court reporter, who's seated to

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1 my left, and the record will be available to the  
2 Commissioners when they make their decision.

3 Today it's your opportunity to tell the  
4 Commissioners what you think about the proposal. And  
5 because it's like a trial, we ask everyone to be  
6 restrained in responding to speakers. If you approve of  
7 what the speaker is saying, when you get to the stand, you  
8 may say so. If you don't approve, you may say so.

9 I'd like to start by introducing the attorneys  
10 who are here, and ask them to identify Staff people who  
11 would be available to respond to questions that you have.  
12 If you have questions about your service, if you have  
13 questions about how the Commission operates, if you have  
14 questions about the public counsel section, there are  
15 people here today who will be able to answer those  
16 questions.

17 Can we ask the attorneys to introduce themselves  
18 and the Staff people who are present, and then we'll go  
19 back to the attorneys and the Staff people for a  
20 description of this litigation.

21 Let's start with the Company.

22 MS. ENDEJAN: Thank you, Judge Wallis, and good  
23 afternoon. We appreciate you all being here. My name is  
24 Judy Endejan, and I'm the attorney for Verizon Northwest,  
25 which is the phone company that's involved in today's

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1 hearing.

2 Mr. David Valdez, who is the Vice President of  
3 Public Affairs, will be addressing you and explaining to  
4 you from the Company's perspective why he believes that  
5 this rate case settlement is in the public interest, and  
6 is a good idea.

7 We'd also like you to know that we have a number  
8 of Company representatives in the back row there who would  
9 be prepared to address any questions or concerns that you  
10 might have about your phone service from Verizon, or to  
11 provide you with more information about the rate case and  
12 its effect on you.

13 Thank you.

14 JUDGE WALLIS: Could we ask the Company  
15 representatives to raise your hand so people will know who  
16 to speak with? Thank you.

17 For Commission Staff.

18 MR. SWANSON: My name is Chris Swanson, Assistant  
19 Attorney General, and as Judge Wallis indicated, I  
20 represent the Commission Staff in this proceeding. And in  
21 addition to myself, Cathy Bolsom and Deborah Reynolds are  
22 in the back row, and can answer questions about the  
23 Utilities and Transportation Commission, and the process  
24 of obtaining rates the process the Company undergoes in  
25 order to get a new rate increase in the Company today.

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1 Thank you.

2 JUDGE WALLIS: Could the Commission Staff please  
3 raise your hand so folks can identify you? Thank you very  
4 much.

5 For Public Counsel.

6 MR. FITCH: Thank you, your Honor. I'm Simon  
7 Fitch, I'm with the public counsel office. We're with  
8 the Department of the Attorney General's Office.

9 We participate in these cases to represent the  
10 residential small business customers. We're basically the  
11 rate payer advocate, a unit of the Attorney General's  
12 Office.

13 I'm here today by myself, but I'll be happy to  
14 talk to anybody afterwards. After the presentations and  
15 testimony, I'll stick around and be happy to talk to  
16 anybody who has questions.

17 JUDGE WALLIS: In addition, there's one other  
18 attorney present who represents the Department of Defense  
19 and Federal Agencies in this docket, Mr. Melnikoff.

20 MR. MELNIKOFF: Hi. I'm Steve Melnikoff. I'm  
21 with the Department of Defense. I represent the  
22 customer's interest of the revenue competition in this  
23 proceeding. We did participate in the proceeding and the  
24 negotiation of the settlement. We support the settlement,  
25 and I'm here to hear your comments. Thank you.

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1 JUDGE WALLIS: Thank you very much.

2 I'd like now to ask counsel, and to the extent  
3 you would like, persons associated with your position to  
4 describe the settlement, and the settlement process.

5 Again, can we please begin with the Company?

6 MS. ENDEJAN: Thank you. At this point I'd like  
7 to turn the mike over, even though we don't have a mike,  
8 the floor over to Mr. Valdez.

9 JUDGE WALLIS: You are welcome to use the podium  
10 if you'd like.

11 MR. VALDEZ: Sure.

12 First of all, good afternoon to everyone, good  
13 afternoon, Commissioners, and all the parties in the  
14 case. I want to thank everybody for taking time from  
15 their schedules to be here today.

16 I guess I'd like to accomplish three things  
17 today. One, I'd like to just provide you with an overview  
18 of exactly what rate increases we're talking about and how  
19 that relates to Verizon.

20 Under state law, there is what is known as the  
21 intrastate business. The intrastate business is the  
22 business that provides you your basic telephone service at  
23 home. That is the business that is regulated by the  
24 Commission, and it is the business that is under the  
25 authority, the jurisdiction, of the Commission.

1           Verizon has other businesses, for example, we  
2 have long distance, and we have DSL service. That is not  
3 the issue in this proceeding today. The issue today is  
4 the intrastate operations. The operations that provides  
5 you with the dial tone when you pick up your phone, and  
6 you get the phone service. And that's the first point  
7 that I wanted to kind of share with everyone.

8           The second point I want to make is that we  
9 understand that rate increases are hard. We understand  
10 that for people on fixed incomes that is a very difficult  
11 pill to swallow, if you will.

12           During the course of the negotiations, we had a  
13 variety of parties at the table. We had Public Counsel,  
14 we had AARP, we had Commission Staff, we had Department of  
15 Defense, and other intervenors to look at what are the  
16 balance of interests that must be taken into consideration  
17 when you do a rate case.

18           At the end of the day, or the end resolved, we  
19 have an overall increase of \$3.90. That is significantly  
20 lower than what was originally proposed, the \$9.80. The  
21 reason the company agreed to the \$3.90 is that we thought  
22 it was a good compromise and a good result.

23           The second thing that the company did in  
24 negotiation with the other parties was to try to spread  
25 the rates over a period of time to minimize mitigating the



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1 impact of an overall rate increase. So the first increase  
2 of the \$3.90 is going to happen at \$2.43. That would go  
3 into effect, if approved, in 2005.

4 The second part of the rate, which is \$1.47,  
5 would go into effect in 2007. Again, part of that was a  
6 recognition that general rate increases are difficult, and  
7 you have to try to minimize the blow to the local  
8 service.

9 The third thing we did was to try to -- instead  
10 of putting those rates on the basic residential services,  
11 we try to pin them on other discretionary services. So  
12 services such as, for example, call forwarding, so that we  
13 would minimize the overall impact on the basic local  
14 rate.

15 And then finally what we did was add a late  
16 payment charge. And the reason that we added a late  
17 payment charge was that we thought it wasn't fair to have  
18 the low income, or the local rate payer, pay for the other  
19 party who's not paying their bill on time. So we added a  
20 late payment charge. And what this, again, does is to  
21 minimize the overall impact on the basic local rate.

22 The next kind of point that I'd like to highlight  
23 is that Verizon is a company that is very committed to  
24 Washington State. If you want to, for example, look at  
25 the investments we have made, that we filed with the

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1 Commission, this year alone we have filed in our report  
2 that we have earmarked \$100 million for upgrades to the  
3 Verizon network.

4           The network, the overall service that you get  
5 when you pick up your phone, and you know that you get a  
6 dial tone, the one service that you can count on is the  
7 basic telephone service. That network requires  
8 investments to keep it going, to keep providing you with  
9 the quality of service that you receive on a going forward  
10 basis, or an ongoing basis, rather.

11           And another point I would like to highlight is  
12 that Verizon is a member of your community. We employ  
13 1,600 people in Washington State. We just entered into an  
14 agreement with the union to provide union jobs for an  
15 additional five years. That's 1,600 employees who are  
16 residents of Washington, that are residents of your  
17 community, who benefit from Verizon's involvement in the  
18 community.

19           In addition, Verizon also has given about  
20 \$800,000 worth of grants and programs because our  
21 customers are important to us, and our involvement in the  
22 community is important to us.

23           And finally, what I'd like to say is there is the  
24 W Tax Fund, there is the Washington Telephone Assistance  
25 Program. And the Washington Telephone Assistance Program

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1 is for low income customers. And if you qualify as a low  
2 income customer, there is an agency that is managed by the  
3 State that will provide you and subsidize your rates if  
4 you qualify under the low income customer, and there will  
5 be information at the table outside at the end of this  
6 hearing, or even during this hearing, if you want  
7 information on, how do I sign up for this low income  
8 fund.

9           And the only thing I will leave you with is, I  
10 want to explain the rates that I think people will  
11 probably be more interested in, that is, the basic local  
12 service rate is \$13 that will go up to \$15.43, the first  
13 year, and \$16.90 --

14           However, there is also what is known as basic  
15 measured service, and basic measured service is intended  
16 to be for those customers who don't use their phone all the  
17 time, but they want to have a phone in the house in case  
18 they have some kind of emergency. If, for instance, they  
19 need to be contacted by a family member, or they need to  
20 contact a family member, they don't really use the phone a  
21 lot, but they want to have a phone in the house, that  
22 service is \$7.25. Under the proposed rate increase, it's  
23 going to up to \$9.68 the first year, and in 2007, it will  
24 go up to \$11.15.

25           That's what I wanted to leave with you. And

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1 again, if you have questions, I, myself, or people from my  
2 team will be here to answer any questions. Again, thank  
3 you for your time.

4 JUDGE WALLIS: Thank you, Mr. Valdez. For  
5 Commission Staff, Mr. Swanson.

6 MR. SWANSON: Thank you, Judge.

7 As I mentioned earlier, my name is Chris Swanson,  
8 Assistant Attorney General, and I represent Commission  
9 Staff, one of the signatories to this settlement  
10 agreement.

11 The agreement before the Commission is in the  
12 public interest because it resolves these dockets that are  
13 important to rate payers and the Commission.

14 First, it resolves the Company's appeal to  
15 Commission's access charge in the rate case order. If the  
16 company prevailed, that could have resulted in a \$30  
17 million increase in the rates long distance companies pay  
18 to Verizon to complete calls, and that would translate  
19 into higher toll calls. Under the settlement, that case  
20 will be dismissed.

21 Second, the agreement resolves the depreciation  
22 case, in which, the Company was asking to increase its  
23 depreciation expense by around \$48 million per year.  
24 Under state law, the Commission describes how much Verizon  
25 can depreciate its plan. This issue directly impacts

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1 customers because increased depreciation means higher  
2 expenses be covered through rates. Under the settlement,  
3 that case has resolved allowing a much lower increase than  
4 the company requested using the concepts the Commission  
5 has traditionally used.

6 Finally, the agreement resolves the rate case.  
7 Verizon was seeking to increase its residential rates  
8 about 75 percent, and there were many other areas of  
9 dispute in the case. The Company could have filed another  
10 rate case when this one was done and appealed the  
11 Commission's order in the meantime.

12 Under the settlement, customers get two years of  
13 rate stability and predictably with rate increases much  
14 smaller than the Company proposed. Overall, the agreement  
15 reflects a compromise of several divergent interests.  
16 Obviously, no one gets everything they hoped for, but the  
17 parties could agree this result was in the public  
18 interest. Thank you.

19 JUDGE WALLIS: Thank you, Mr. Swanson.  
20 Mr. ffitich.

21 MR. fFITCH: Good afternoon, everyone. My name  
22 is Simon ffitich, and I'm with the Public Counsel Section  
23 of the Attorney General's Office. We are separate from  
24 the Commission and its Staff. Our office is located in  
25 Seattle, and our job, on behalf of the Attorney General,

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1 is to represent the residential small business customers  
2 of regulated companies in Washington, like Verizon. We  
3 also work on cases involving Qwest, Puget Sound Energy,  
4 Pacific Corp, and companies like that.

5           In this case and other cases before the  
6 Commission, our job is to present detailed evidence to the  
7 Commission about how proposed company rate increases, or  
8 other actions, would affect the customers, especially  
9 residential and small business. And the way that we do  
10 that, typically, is that we hire our own accountants and  
11 engineers, and economists to take a very hard look at the  
12 details of any company proposal, and that's what we did in  
13 this case, along with the AARP, another large consumer  
14 group in the State, who chipped in with us and helped hire  
15 those expert analysts and consultants.

16           This case was originally filed in April of 2004,  
17 and starting in April and all the way up through the  
18 beginning of this year, the accountants and other analysts  
19 that we hired examined very closely the company's request  
20 and the justification for the requests. And part of that  
21 included what's called "discovery", a legal term for the  
22 process where we have the legal right to ask the Company  
23 to provide us with backup information about just about  
24 anything having to do with their rate request. So if they  
25 give us a written justification for their request we can

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1 ask backup questions about that, we can ask for further  
2 books and records backing that up. And that's what we  
3 actually did in this case.

4 That process went on for quite a number of  
5 months. And after our experts took a look at those  
6 numbers, they put together detailed written technical  
7 evidence in the form of testimony, which was filed with  
8 the Commission. And this is essentially how we were able  
9 to form an opinion on behalf of the Public Counsel Office  
10 about what was a reasonable level of an increase for this  
11 company.

12 And as we started to get into the negotiation  
13 process here in the January or February time period, we  
14 felt like we had with Public Counsel, and AARP, a good  
15 solid understanding of the Company's request, where it was  
16 weak, where it was justified. Based on that kind of input  
17 that we had available to us, we have agreed with the other  
18 parties to the case, with the Commission Staff and with  
19 the Company, that the level you heard about, the \$38  
20 million, \$38.6 million, is a reasonable level of the  
21 revenue increase for Verizon.

22 We also concluded that the original request was  
23 unjustified, and we filed formal testimony before the  
24 Commission to that effect. However, as you've heard, the  
25 settlement is at a level that, I think, all the parties in

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1 the case believe is a reasonable one.

2           You heard details about the settlement from the  
3 other parties, and I won't repeat those. There is a  
4 handout on the front table, which was prepared by our  
5 office, which gives you some of the facts and figures  
6 about specific changes on specific rates. There's also  
7 another handout that describes what our office does in  
8 these cases, and who we are. And I'll be around  
9 afterwards to answer any questions that you have about the  
10 case.

11           I'll also let you know that Verizon's customers  
12 around the State have been vocal on this case. They have  
13 filed either by Email or written letters over 2,000  
14 comments with the Commission, and part of our job is to  
15 put those together into a formal exhibit, which is then  
16 submitted to the Commission for its consideration, and  
17 we'll be doing that later this week along with any other  
18 written materials that you folks here submit as part of  
19 your testimony with the Commission.

20           So with that I'll wrap up, and again, invite you  
21 to check in with me afterwards, if you have any questions  
22 for public counsel.

23           JUDGE WALLIS: Thank you, Mr. ffitch.

24           Mr. Melnikoff, did you wish to add to your  
25 comments at this time?



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1                   MR. MELNIKOFF: No, I have nothing further to  
2 add.

3                   JUDGE WALLIS: Thank you.

4                   Now we're going to turn you, the members of the  
5 public, to hear your comments. When you signed in, there  
6 is a line on that form that says that, if you testify, you  
7 agree that the testimony will be true to the best of your  
8 knowledge. So I won't have to swear each of you in.

9                   Some of you indicated whether you wanted to  
10 testify or not. I'm going to read those names and ask you  
11 at this time if you would like to address the Commission.

12                   Beginning with Chuck Kersten. You didn't  
13 indicate if you would like to present testimony.

14                   MR. KERSTEN: Not at this time.

15                   JUDGE WALLIS: Not at this time. Okay. Betty  
16 Kromer, did I get that correct? Ms. Kromer, did you want  
17 to testify? It appears not. Glenda Wolverton. You  
18 indicated that you were unsure whether you wanted to  
19 testify.

20                   MS. WOLFERTON: I don't have anything at this  
21 time.

22                   JUDGE WALLIS: Thank you. Pamela Smith, also  
23 unsure.

24                   MS. SMITH: Mr. ffitch has spoken to most of my  
25 concerns.

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1 JUDGE WALLIS: Thank you. Bessie Trego.

2 MS. TREGO: Not at this time.

3 JUDGE WALLIS: Rosco Slade, Jr., you indicated  
4 you would like to testify.

5 MR. SLADE, JR.: Yes.

6 JUDGE WALLIS: Step forward, please. Would you  
7 state your name for our record, and please indicate  
8 whether you are a Verizon customer.

9 MR. SLADE, JR.: My name is Rosco Charles Slade,  
10 Jr. I live in Richland. I am a Verizon customer.

11 I oppose the increase mainly because of the  
12 exorbitant amount. It seems to come up every couple of  
13 years, and then after a holler from the public, they  
14 recompute these and come down to a much lower figure,  
15 which I think reflects on management of the company.

16 If the rate increase is granted, I ask the  
17 Commission to insure that in some way it is audited to  
18 insure that this money goes to the purpose for which it is  
19 requested. I have one comment -- or question for the  
20 Verizon people. If I -- if I can --

21 JUDGE WALLIS: You can indicate on the record  
22 what your question is, and then you can talk with the  
23 folks afterwards to see --

24 MR. SLADE, JR.: Well, it has to do with the  
25 interruption of service that happened a few months ago.

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1 JUDGE WALLIS: Very well. Please consult with  
2 Verizon staff when the hearing's over.

3 MR. SLADE, JR.: Okay. Thank you.

4 JUDGE WALLIS: Thank you Mr. Slade. Mr. Mach  
5 Reeves, you didn't indicated you would like to testify?

6 MR. REEVES: No.

7 JUDGE WALLIS: Very well. L.E. Towner said, yes,  
8 you would like to testify. Step forward. Very well.  
9 L.E. Towner, you said you would like to testify. Please  
10 step forward.

11 Mr. Towner, please tell us your name for the  
12 record and tell us whether you're a Verizon customer.

13 MR. TOWNER: My name is Larry Towner, I live in  
14 Richland, and I am a Verizon customer.

15 JUDGE WALLIS: Please proceed.

16 MR. TOWNER: My major question is not in the  
17 basic increases, but in the ancillary increases. Since  
18 there was only one specifically mentioned, the call  
19 waiting and that kind of package, going from a few cents  
20 to \$3 seems to be rather exorbitant for that particular  
21 thing. I would also like to know what other items in that  
22 area are being increased and by what amount.

23 JUDGE WALLIS: Very well. Will the Company be  
24 able to provide that information?

25 MR. VALDEZ: Yes, yes.

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1 JUDGE WALLIS: Company indicates that it will.

2 And Lamar Trego, please step forward. Please  
3 state your name for our record, and indicate whether you  
4 are a Verizon customer.

5 MR. TREGO: Yeah, thank you. Lamar Trego  
6 resident here of Richland, a Verizon customer of both  
7 phone service and the DSL. And as I do thank you for the  
8 opportunity, and it does look to me that a lot of good  
9 work has been done in our behalf, and I appreciate that.

10 I do have some concerns. And I would comment --  
11 as a point of credibility, I have personally spent my  
12 career -- I am now retired -- doing these and have  
13 negotiated contracts both for and with the government, and  
14 with self, and been party to lawsuits, and settling  
15 lawsuits in numbers of this magnitude. So I have  
16 considerable experience in these things.

17 And so my concerns go like this. Verizon chose  
18 to start with, according to this, 240 million, what I call  
19 a super outrageous number. Now, this is a well known  
20 tactic in negotiating, and the more outrageous you can  
21 start with, the better you're gonna' end up. And so I  
22 learned to deal with that. If somebody submitted a  
23 super outrageous number with me, the first thing I did was  
24 say, what part of no don't you understand. And then they  
25 lowered to an outrageous number of -- because when you

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1 talk about \$9.80 a month and now they say they're happy  
2 with the \$2.30 a month, plus something, tells me they knew  
3 darn good and well they started with an outrageous number  
4 to begin with. You just don't start with something and  
5 come in and say you're happy with a quarter of it. So I  
6 have a whole lot of problems with the process that  
7 everyone is saying they're happy with, they were starting  
8 way too far out of bounds on that one.

9 I also listened very carefully to the gentleman's  
10 comments, and I must say I could have written his speech  
11 before I even came here. I knew what he was going to say,  
12 but I was listening to see if Verizon was doing something  
13 to get more efficient to save money. You know, they have  
14 a lot of new customer base, in our area the number of  
15 customers must be double, and their cost surely does go up  
16 with the customers, but I didn't hear any words about  
17 being efficient.

18 Now, I don't have only my own data points, but I  
19 can tell you, we spend an inordinate amount of time on the  
20 phone resolving errors. In the one case, we have it set  
21 up so it goes to Verizon direct to our MasterCard, and all  
22 this very easy, they manage to screw it up every other  
23 month. And then my wife has to get on the phone, and call  
24 and this is not easy -- they have a very inefficient phone  
25 system -- You call and that goes here, and oh, yes, it's

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1 an error. But, you know, the way that's going to happen,  
2 you can't let that error exist because it's going to get  
3 through your credit and everything in today's world.

4 Well, then the latest one is we received the  
5 letter from Verizon informing us just this last week of  
6 their sadness that we have now stopped being their  
7 customer for our DSL. Well, why this was sure news to  
8 us. The bill keeps being paid, we own an Internet, and so  
9 my wife once again spends a lot of time on the phone going  
10 through this, their phone process, and finally, oh, my  
11 goodness, it's an error.

12 Now, I would say maybe this is just endemic to my  
13 account, but from the kind of conversation happens on the  
14 other end of the phone leads you to believe this is a very  
15 generic problem.

16 So I would ask the Commissioners, as they view  
17 this, to take into account and certainly ask Verizon to  
18 understand that they're asking us for money, but we're not  
19 seeing any improvement in the service. I must say, and  
20 sometimes with the DSL we've been delighted with it in  
21 general, and it worked very well and you get a  
22 good technical response, it's been the business response.

23 So I would just say those are my comments, those  
24 are my concerns. I think, again, a lot of good work was  
25 done in our behalf, but I'm concerned the final result was

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1 too biased toward Verizon because they were allowed to  
2 start at way too high a level. Thank you.

3 JUDGE WALLIS: Thank you Mr. Reeves.

4 The next person on our list is Robert -- and I'm  
5 going to take a stab at the name -- Gretzuga, does that  
6 ring a bell for someone? It's looks G-R-U-T-Z,

7 MR. GRATZINGER: G-R-A-T-Z?

8 JUDGE WALLIS: On West 10th Place?

9 MR. GRATZINGER: Yes.

10 JUDGE WALLIS: Please step forward. And if you  
11 would, please tell us how to pronounce your name?

12 MR. GRATZINGER: Easy German name. Just -- my  
13 name is Robert Gratzinger, and I live in Kennewick, and  
14 it's an easy German name, I'll spell it.

15 JUDGE WALLIS: Thank you very much.

16 I wish -- glad the Commission can talk -- one of  
17 my concerns is with -- of what Verizon is coming under  
18 rate increase, with all the problems I've had with  
19 Verizon, I'm really disappointed that they haven't took to  
20 heart what the customer has complained to them, and it's  
21 all the same thing.

22 My biggest complaint is, I'm a power of attorney  
23 for an older lady who lives in a nursing home, she's 96  
24 years old, I've been her power of attorney since '82. I  
25 sent my power of attorney papers to -- GTE was here, I

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1 didn't have no trouble. But when Verizon took over, I had  
2 to start all over again, I sent my -- faxed my copies to  
3 them, three times. Just two months ago, we had trouble  
4 with our bill again. The same thing happens to her bill  
5 that happens to my bill. It's nothing -- what happens is,  
6 our bill -- we pay, and they put it on somebody else's  
7 bill, and then the next month, we get our bill and they  
8 say we are a late payment.

9           Now, when they come around and say they're going  
10 to charge for late payments on the next month, that is  
11 something that's not our fault, that they then get it  
12 corrected in their -- and when you go through to them, you  
13 go through all -- I went through their local places, then  
14 you gotta' end way up in Everett and talk to -- every time  
15 I gotta end up talking to a manager and explain what's  
16 happened. After we get through it, and he looks through  
17 it, and he says, I'm sorry, we got a mistake. I'm very  
18 sorry this happened. But it's been happening so much that  
19 I just want to get off of Verizon and go and get on  
20 another local phone -- I got a portable phone now,  
21 Cingular -- and I may just get rid of it because I use MCI  
22 as my long distance. So if I just get rid of it -- the  
23 service is bad. I just want the Commission to know that  
24 the service is --

25           The other thing I wanted to explain about, where



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1 I live up there, it was a subdivision here when I moved in  
2 there in '92, and they've had trouble with the wiring  
3 service up in there, and it's just terrible up in there.

4 They talk about all the money they're going to  
5 spend on picking us up, and I've been complaining when GTE  
6 had it and they were going to do something. Now, Verizon  
7 has had it and they haven't done anything about it.

8 The only thing is for the FCC guy -- sorry, I  
9 don't know what your name is. I didn't hear it. Verizon  
10 come out and advertise that I can get a DSL. So I called  
11 them, yeah, I can get DSL, they come back to me -- they  
12 didn't come back to me. I waited and waited. Finally,  
13 got to -- we have no way to do DSL. What my thinking --  
14 what my complaint is, why did they send this advertisement  
15 out to a person if they can't support you?

16 And that's all I have to say.

17 JUDGE WALLIS: Thank you very much for your  
18 comments. Bob Pitens, P-I-T-E-N-S,

19 MR. PETERS: Peters, Bob Peters.

20 JUDGE WALLIS: Of --

21 MR. PETERS: Of Richland?

22 JUDGE WALLIS: Richland.

23 MR. PETERS: Yes.

24 JUDGE WALLIS: Please step forward. Start please  
25 by stating your name and indicate whether you're a Verizon

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1 customer.

2 MR. PETERS: Yes. My name is Bob Peters, and I  
3 live in Richland, I am a Verizon phone and Internet  
4 customer.

5 I apologize for my handwriting, it never was  
6 good. Since strokes, it's gotten worse.

7 Several years ago, I retired, and in the last few  
8 years, I worked with a number of community agencies around  
9 the Tri-Cities. Verizon has a Verizon Foundation that a  
10 lot of people don't know about. They have contributed,  
11 according to my records, to over 35 social service  
12 programs in the Tri-Cities in the last four years, several  
13 of them, several times. And they have funded these  
14 programs to a total of \$102,725. That's a lot of money  
15 for a company that's out of our community. We have  
16 trouble getting that much from some of our local  
17 resources.

18 Again, this year, they're going to be funding  
19 literacy and work place development programs for these  
20 organizations for people that work up there, people less  
21 fortunate than some of us. And I'd like to say I'd urge  
22 the Commissioners to grant their request. Verizon is a  
23 good neighbor to a lot of us in the area. Thank you very  
24 much.

25 JUDGE WALLIS: Thank you for your comments.

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1           Tim Rosenthal, you didn't indicate whether you'd  
2 like to speak or not. If you would like to speak, please  
3 step forward now.

4           Vinay Pandey, P-A-N-D-E-Y.

5           MR. PANDEY: Right.

6           JUDGE WALLIS: Please state your name and whether  
7 you're a Verizon customer.

8           MR. PANDEY: Yes. My name is Vinay Pandey. I  
9 live in Kennewick, and I have Verizon phone line.

10           I had no idea I would be speaking here, but I  
11 guess it got into me, and I said, okay, I will do whatever  
12 I can.

13           My stand on this is I'm opposed to any increase  
14 in basic, basic need. So it's like I pay my \$13, go to  
15 \$15, go to \$19, pretty soon, go to 20, 21. My suggestion  
16 would be to increase where the choice is up. If you  
17 call waiting, like you want forwarding, or you want to  
18 know who is calling, sure we can increase that, and the  
19 people want, then they will pay. And when you pay on a  
20 basic rate, we have to no choice, you have to regardless  
21 whether you want it or not. So I'm opposed to that and  
22 Commission should -- I think they already know this, but  
23 they should pay more attention to basic need.

24           Verizon is very large company nationwide, very,  
25 very large company. So when you -- not really that

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1 problem. And also, I believe they have lost revenue in  
2 two -- or many main fields -- or two especially in the  
3 telephone area. All telephone companies, they have lost  
4 revenue when people are carrying a cell phone, they don't  
5 need a phone anymore.

6 Another thing Verizon also has revenue, I  
7 believe, in the long distance. Their rates are long  
8 distance were always higher than people can get from the  
9 other sources.

10 In my guess, a few years ago I switched back from  
11 Verizon to different company, and they are working very  
12 fine. Now, after two, or three years, Verizon has dropped  
13 their rate for about five cents a minute. So where the  
14 competition is there, they are coming down. But where  
15 there is no competition, they want to up. That should not  
16 be allowed. They should allow the rate -- they should  
17 raise the rate on where the competition is. So because  
18 there's no competition here in basic provide -- but they  
19 want rates increased and they -- like the gentleman says,  
20 they came up with a big figure -- oh, no, this is  
21 negotiation, and when you come from the top, you're going  
22 to -- this guy going give a little bit, that guy give a  
23 little bit, you want to come in circle --

24 But again, they also need to see what they can  
25 cut in their operation. Because very easy to ask for more

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1 money, but what they have, they done to cut all their  
2 expenses?

3 My point is if they look on the -- as your  
4 customer look on the salary these days they are sky  
5 rocketing. If they cut that, I believe, probably then  
6 your monthly bill, will pay just for one guy in the  
7 organization. So this kind of thing need to be look  
8 forward. I hope the accountant appointed they may have  
9 paid a little attention to this, but I don't have anything  
10 else to say, other than I'm opposed to any basic --  
11 because you can't do without the telephone. So that  
12 should not be allowed any -- on that part, but let them  
13 raise the rate on the other part, where we have more  
14 choices. Thank you very much.

15 JUDGE WALLIS: Thank you for your comments.

16 Mark Biller. Please state your name for our  
17 reporter and whether you're a Verizon customer.

18 MR. BILLER: Certainly. My name is Mark Biller.  
19 I live in Kennewick, and I am a Verizon customer.

20 Many of the things I wanted to mention today have  
21 already been mentioned by a couple of individuals. I  
22 think it's obscene that Verizon would put forth a notice  
23 to their customers, a few weeks ago, requesting a 75  
24 percent increase in their rates. In these uncertain  
25 times, we can't absorb that, the elderly certainly can't

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1 absorb it. I heard mention of the poor getting subsidies  
2 to help thier phone bill, that's great, but I'm in the  
3 middle. I don't get the subsidies. I'm not a wealthy  
4 person, I can't absorb the cost. My only way to handle  
5 this then is to drop Verizon.

6 Couple years ago, had the same situation, had to  
7 make some difficult decisions, Tri-City Herald goes out  
8 the door. I don't do it. One gentleman mentioned earlier  
9 today, if the Commission passes this request that there be  
10 an audit performed. And I wholeheartedly agree with  
11 that. I believe that there should be an annual  
12 independent audit done of Verizon on the parameters of  
13 this rate increase, and that report to their customers on  
14 an annual basis.

15 We've had the Enrons, and many other  
16 corporations, where the corporate offices are lining their  
17 pockets. I don't want to see that here. If we need it  
18 for upgrades, basic services and so forth, fine, but it  
19 has to be justified, it has to be monitored, and we have  
20 to get everything we can for our dollar. That's all.

21 JUDGE WALLIS: Thank you, Mr. Biller.

22 Mr. Biller and some of the prior witnesses also  
23 referred to comments that had been made earlier, and  
24 rather than repeat those, merely indicate agreement. And  
25 that's perfectly okay if you wish to testify as well.

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1 Brian Gingardo.

2 MR. GRINGARDO: No, thank you.

3 JUDGE WALLIS: Al Watson.

4 MR. WATSON: No, thank you.

5 JUDGE WALLIS: George Sudacatis.

6 MR. SUDACATIS: Yes. My name is George

7 Sudacatis, I live in Richland and I'm a Verizon customer.

8 I received notice of this increase, and it sounds  
9 like from what I've heard so far, the Commission and  
10 everybody else agrees to it, and now has hearings on it.  
11 Does this mean that we're going to go back and possibly  
12 renegotiate after these hearings, or is this a fait  
13 accompli. I'm a little bit concerned about that.

14 Last year, I lived in an apartment in Richland  
15 and experienced some of Verizon's network "upgrades", as  
16 the gentleman from Verizon mentioned, where cables were  
17 added to allow DSL service to my apartment complex.  
18 Okay? My phone service did not need upgrading. Phone  
19 service was fine. I believe that the only reason for the  
20 upgrade was to allow Verizon to earn more money from a non  
21 regulated business, namely, DSL.

22 I am also getting advertisements in the mail. I  
23 see full page ads in the newspapers for DSL service.  
24 Okay? I don't use Verizon DSL. I have no need for it.  
25 I'm afraid that part of this rate increase is to cover

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1 costs associated with their DSL service, not their basic  
2 phone service. And it may be a little bit difficult when  
3 you're running lines together to say one is for DSL and  
4 one is for telephone, but I'm afraid that the telephone  
5 customers are paying to increase Verizon's competitiveness  
6 in the Internet business, and not on the basic phone  
7 business. Thank you.

8 JUDGE WALLIS: Thank you for your comments. Jim  
9 or Marian Wetzel.

10 MR. WETZEL: Those comments have already been  
11 covered, thank you.

12 JUDGE WALLIS: I have reached the end of our list  
13 of people who have signed up. Is there anyone in the room  
14 who didn't previously indicate that you'd like to give  
15 comments.

16 Please step forward.

17 Please state your name for our reporter and  
18 indicate whether you're a Verizon customer.

19 MR. GAUNTT: Okay. My name is Chep Gauntt. And  
20 I am a Verizon customer, have been for probably 30 years  
21 with a prior company, and my business is farming, and I  
22 can't absorb these kind of increases, and I can't ask for  
23 this kind of an increase. I didn't hear the prior stuff  
24 by Verizon, why they need it.

25 And I know that if I told a dairy customer that I



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1 was increasing the cost of hay 75 percent, he'd say, well,  
2 have a good time going out of business. It doesn't work,  
3 and it's one of the most ridiculous things I've ever heard  
4 of, 75 percent in these times, and economy, and our  
5 increases. And I don't think we should absorb that. A  
6 fair increase is fine like I heard the gentleman say, with  
7 an audit. I'm okay with that. See -- but I can't believe  
8 where they came up with this rate. Thank you.

9 JUDGE WALLIS: Thank you for your comments.  
10 Would anyone else like to make a statement?

11 MR. JAMISON: I didn't get your briefing, so I'm  
12 a little bit uninformed. However, I oppose the increase.  
13 I don't see anything wrong with a very small increase, but  
14 anything close to 75 -- even in the Neighborhood of 75  
15 percent is ridiculous. I do not wish to pay for something  
16 else for just a regular house phone. So if they raised it  
17 something under \$3, I would accept that.

18 JUDGE WALLIS: Thank you for your comments.  
19 Could you please tell us your name?

20 MR. JAMISON: Oh, I'm sorry. I'm Robert Jamison  
21 of Kennewick.

22 JUDGE WALLIS: Thank you. Any other persons  
23 wishing to testify?

24 Very well, let the record show there's no  
25 response. I want to thank each and every one of you for

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1 coming out today for those of you who presented comments,  
2 thank you very much for those.

3 CHAIRMAN SIDRAN: I would also like to thank you  
4 for your comments. I think it would be helpful for  
5 clarification, perhaps from the Attorney General's Office,  
6 from Mr. Swanson -- or others are perfectly welcome to  
7 chime in as well -- and that is to explain in the context  
8 of this hearing about the proposed settlement, just  
9 procedurally as a result of the Commission's reviewing of  
10 the comments, and from all the parties, and from the  
11 citizens. If the settlement were not approved, what is  
12 the process that follows that?

13 MR. SWANSON: Certainly. As the Chairman  
14 indicated, and as the Judge also indicated, this hearing  
15 was to give folks an opportunity to present testimony  
16 about their opinion about the rates. If the Commission  
17 decided not to approve this settlement, the case would be  
18 litigated in front of the Commission. Each of the parties  
19 would be presenting their sides of the case, that is, the  
20 Company, Public Counsel, Mr. ffitch, Commission Staff, who  
21 I represent, would each be asserting their particular  
22 position on the rates.

23 And in addition, I do want to clarify, I think  
24 this was covered in a number of the presentations made by  
25 the parties here, the 75 percent rate increase is

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1 different than the actual -- than what actually ended up  
2 being settled for by all the parties in this case. And I  
3 know the details of that have been discussed earlier, but  
4 if you have any questions, I know the Company, and the  
5 Commission Staff, and I also know that Mr. Fitch would be  
6 happy to discuss the issue with you. Thank you.

7 CHAIRMAN SIDRAN: Yes, thank you.

8 JUDGE WALLIS: Thank you very much. That  
9 concludes our session, and we're off the record at this  
10 time.

11 (Proceedings concluded at 12:55p.m.)

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