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

2 JUDGE WALLIS: The hearing will please come
3 to order. This is a hearing on a proposal for
4 settlement in the principle matter of Docket No.
5 UT-040788, which is a general rate case initiated by
6 Verizon Northwest. It also involves Docket UT-040520,
7 which is Verizon Northwest's request for a change in
8 depreciation schedules, and it involves Docket No.
9 UT-020406, which is a complaint by AT&T against Qwest,
10 which is now going through the process of judicial
11 review.

12 This hearing is being held pursuant to due
13 and proper notice to all interested parties at Olympia,
14 Washington, on March 18, 2005, before Chairman Mark
15 Sidran, Commissioners Patrick Oshie and Philip Jones,
16 and Administrative Law Judge C. Robert Wallis.

17 I would like to ask for appearances at this
18 time beginning with the Company. You need not state
19 your address and other contact information if it
20 previously appears on the record.

21 MR. CARRATHERS: My name is Charles
22 Carrathers. I'm general counsel of Verizon Northwest.

23 MS. ENDEJAN: Good afternoon. I'm Judy
24 Endejan, and I'm counsel for Verizon Northwest in this
25 matter from Graham and Dunn.

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1 MR. MELNIKOFF: Good afternoon. My name is
2 Stephen Melnikoff. I represent the Department of
3 Defense and all of the federal executive agencies.

4 MR. ROSEMAN: Good afternoon. My name is Ron
5 Roseman, and I'm a private attorney representing, in
6 this case, AARP.

7 MR. FFITCH: Good afternoon, Commissioners
8 and Judge Wallis. My name is Simon ffitich, assistant
9 attorney general, section chief of the Public Counsel
10 office of the Washington Attorney General.

11 MR. TROTTER: Donald T. Trotter, and to my
12 right is Chris Swanson, assistant attorneys general for
13 Commission staff.

14 JUDGE WALLIS: Moving now to the bridge line,
15 for WeBTEC?

16 MR. BUTLER: Arthur A. Butler from the law
17 firm Ater Wynne, LLP, representing WeBTEC.

18 JUDGE WALLIS: For XO Washington and Time
19 Warner?

20 MR. KOPTA: Gregory J. Kopta of the law firm
21 Davis, Wright, Tremaine, on behalf of XO and Time
22 Warner Telecom.

23 JUDGE WALLIS: For MCI?

24 MS. SINGER NELSON: Good afternoon. Michel
25 Singer Nelson appearing on behalf of MCI.

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1 JUDGE WALLIS: Our process today will involve
2 the receipt of statements of counsel and of witnesses
3 and responses to questions from each other, if there
4 are any, or from the Bench. I would like to begin the
5 discussion of administrative issues by asking if the
6 parties are willing to offer the exhibits that have
7 been prefiled into evidence in this docket so that
8 there is a full record of the parties' initial views.

9 MS. ENDEJAN: Your Honor, we have no
10 objection to that. In fact, we have prepared a list of
11 all of the exhibits filed with the Commission by the
12 Company in both the rate case and the depreciation
13 docket if that would assist the Bench.

14 JUDGE WALLIS: Yes, it would. Thank you very
15 much.

16 MR. TROTTER: Commission staff has no
17 objection to that procedure. We don't have a list
18 available, but we can get it to you within a day or
19 two.

20 JUDGE WALLIS: If you could provide that.

21 MR. FFITCH: Public Counsel has no objection,
22 and in addition, we would tender the testimony of
23 Mr. King in the depreciation docket, and we would also
24 be able to provide an exhibit list after the hearing.

25 JUDGE WALLIS: Very well. Any other counsel

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1 wish to address this? Mr. Melnikoff?

2 MR. MELNIKOFF: The Department of Defense has
3 no objection to that. We will provide a list of our
4 exhibits after the hearing as well.

5 JUDGE WALLIS: Very well. Upon receiving
6 those documents, we will assign exhibit numbers to
7 them, and we will circulate an exhibit list to the
8 parties that identifies the exhibits and the numbering.

9 MR. KOPTA: We also prefiled some testimony
10 that we would like to introduce into the record, and we
11 will also provide a list of that testimony and the
12 attached exhibit.

13 JUDGE WALLIS: Thank you, Mr. Kopta. As the
14 parties proceed today, I would like both counsel and
15 the witnesses to address a question; that is, what
16 information is there in the record from which the
17 Commission may conclude that the proposed rates are
18 fair, just, and reasonable? So if you would keep that
19 in mind as we proceed through the day, that would be
20 very helpful to us.

21 I would like to remind folks that the public
22 hearings have previously been scheduled. They will be
23 conducted Tuesday afternoon and early evening in
24 Everett and Wednesday over the noon hour in Kennewick.

25 Are there any other procedural matters before

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1 we begin?

2 MR. FFITCH: Your Honor, Simon ffitch for
3 Public Counsel. I would like to address the filing and
4 service of the public comments' exhibit, which you've
5 indicated will be numbered Exhibit 501, and we can do
6 that at a later time.

7 JUDGE WALLIS: Very well. My intention would
8 be to do that at the conclusion of the public session
9 in Kennewick. We will note that I have previously
10 agreed with Mr. ffitch that the exhibit will be
11 received as Exhibit No. 501.

12 It would be my intention to number the
13 documents that have come in as exhibits from the
14 Company in the 300 series, from the Staff in the 400
15 series, from Public Counsel in the 500 series, and from
16 others in the 600 series, you needn't worry about that.
17 As long as you give us a list, we will assign the
18 numbers.

19 MR. FFITCH: Thank you, Your Honor, and I
20 will just have the record reflect my understanding that
21 the Bench is requesting only one copy of the exhibit.
22 As we advised you, it's voluminous. We believe there
23 may be approximately two thousand either copies of
24 e-mails or letters that would constitute the exhibit.

25 JUDGE WALLIS: Is that a record, Mr. ffitch?

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1 MR. FFITCH: I believe it is, Your Honor. I
2 haven't officially checked with the records center, but
3 the other aspect of that is I wanted to inquire from
4 other parties whether they wanted to have a service
5 copy of that or were comfortable with relying on the
6 record copy that will be available at the Commission
7 for review. So I guess I'm asking if we can adopt a
8 procedure where we do not serve the two-thousand-page
9 exhibit on parties unless they request it from us.

10 JUDGE WALLIS: Let me ask at this time if
11 there is any party that does request a copy of that
12 document?

13 MS. ENDEJAN: Your Honor, if the Company
14 wishes to see the document, I think it would be
15 satisfactory to review the Commission copy.

16 JUDGE WALLIS: Very well.

17 MR. FFITCH: Thank you, Your Honor.

18 JUDGE WALLIS: Let the record show there is
19 no other request. All right. Are we prepared to get
20 into the meat of this afternoon's dinner? Perhaps we
21 can call on counsel. Let me ask before we actually
22 begin whether all counsel wish to offer comments at
23 this point or whether there are counsel who do not wish
24 to. I hear no indication that there are counsel that
25 do not wish to speak. That must have some relationship

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1 with the profession in which the counsel are engaged,
2 and we will begin with Ms. Endejan or Mr. Carrathers as
3 you choose on behalf of the Company.

4 MS. ENDEJAN: Thank you, Judge Wallis. On
5 behalf of the Company, we would like to welcome
6 Chairman Sidran and new Commissioner Mr. Jones, and as
7 always, Commissioner Oshie. We look forward to working
8 with you in the days ahead and hope to assist you about
9 our industry and our world to the best extent we can.

10 We are here today to present for the
11 Commission's review a settlement of three
12 heavily-contested cases: a rate case, a depreciation
13 case, and what's known as the access charge complaint
14 case. We would like to explain to the Commission why
15 we view this Commission as in the public interest
16 through the testimony of Mr. Valdez, and at such time
17 as we would call him to the witness stand, he would
18 then explain to the Commissioners the Company's
19 position with respect to the settlement. I have no
20 independent attorney remarks. I could. Any attorney
21 here could, but I'm trying to keep this thing succinct,
22 so thank you.

23 JUDGE WALLIS: On behalf of Commission staff?

24 MR. TROTTER: Thank you, Your Honor. Donald
25 T. Trotter for Commission staff. I would like to make

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1 a couple of comments, but I will note that Ms. Roth of
2 the Commission staff will be a witness today and will
3 make a statement in support of the settlement.

4 I wanted to inform the Commissioners as a
5 general matter that the settlement process in this case
6 involved all parties. All parties were invited to
7 participate from the beginning. Every draft of every
8 agreement was provided to every party. Every party was
9 encouraged to participate, and I believe almost all
10 parties did participate. No one was excluded from the
11 process. Although some elected not to sign, I believe
12 we don't have any party that's opposed to the
13 settlement at this time.

14 Just a general response to your core
15 question, Your Honor, about information on the record
16 for concluding that the rates are fair, just and
17 reasonable. From a legal perspective, when we talk
18 about that standard, fair, just, and reasonable, in a
19 constitutional sense -- and I believe once the evidence
20 is admitted in this record, the range is quite a wide
21 one -- the parties are quite a bit apart on what is a
22 reasonable revenue requirement for this company. The
23 Company is at approximately 220 million in need of
24 revenue, and the Staff is showing a surplus in revenue.

25 So that's quite a large range, if you want to

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1 call that a reasonableness range on a prima facia
2 basis, because none of that evidence has been subject
3 to cross-examination. I think the other factors that
4 weigh on this is some intangible factors that we are
5 settling, some other litigation. It's a two-year
6 package that has some value, because the Company does
7 have the discretion to file a rate case immediately
8 upon the resolution of another and even to file while
9 one is pending with the Commission's permission.

10 So those are some of the intangibles that are
11 hard to place a specific dollar value on but still
12 important in the legal sense in determining whether the
13 settlement meets that standard, and then there is also
14 in Paragraph 50 a statement by the signatories that the
15 rates would be fair, just, reasonable, and sufficient,
16 so I'm sure there will be a lot more of this subject as
17 the day goes on, but I wanted to give you that
18 perspective from a legal basis and then also to explain
19 briefly how the process of getting to this document
20 occurred. Thank you.

21 JUDGE WALLIS: Thank you, Mr. Trotter.
22 Commissioner Jones?

23 COMMISSIONER JONES: Mr. Trotter, I don't
24 want to get into a big discussion of process here, but
25 when you say all parties were invited, could you

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1 explain a little bit more? Who did the inviting? Was
2 that your responsibility? Was it the responsibility of
3 other parties, and at what point were the invitations
4 extended and were they extended throughout the process?

5 MR. TROTTER: It's my recollection that Staff
6 and Company talked about the project of settlement, and
7 then it was decided that all parties should be invited
8 to engage in that endeavor. I believe I probably was
9 the one that issued invitations, and I probably did it
10 by e-mail. I put a list of all the parties together
11 and sent out the e-mail telling when we would get
12 together, and there were a series of meetings, mostly
13 versus teleconference, but I believe I took on that
14 responsibility, and I certainly know I did circulate
15 all the drafts personally.

16 COMMISSIONER JONES: Thank you.

17 JUDGE WALLIS: For Public Counsel?

18 MR. FFITCH: I will defer my comments with
19 regard to the substance of the settlement to the panel
20 portion of the presentation. In addition, we do have
21 Dr. Loube available on the phone bridge to act as a
22 virtual member of the panel.

23 I did want to at this point just comment on
24 the settlement process that's already been discussed,
25 and essentially, I guess, indicate our approval of the

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1 process. Mr. Trotter's memory is a good one. He did
2 provide electronic e-mail notice to all the parties,
3 and the process then continued with ongoing notice to
4 all the parties and inclusion of all the parties who
5 wished to participate in sharing of the draft document.

6 We feel that this case from the very
7 beginning has been a good example of an inclusive
8 settlement process that has provided notice and an
9 opportunity to participate to all the parties in the
10 proceeding, and the result, as we see here today, is an
11 agreement that has wide support across the spectrum of
12 interests and no opposition. Thank you, Your Honor.

13 JUDGE WALLIS: Mr. Roseman?

14 MR. ROSEMAN: Thank you, Your Honor. I fully
15 concur that in this case, in this alone, the process
16 has been has worked fine from the consumer group's
17 perspective. Don did a good job of keeping us
18 informed, I think, at a very early date, and we fully
19 participated in the proceeding.

20 As we well know by other discussions, that
21 has not been our experience in other cases, but we are
22 here on this one, and I can do nothing but amplify what
23 both Mr. ffitch and Mr. Trotter said about this
24 process, and I don't think from at least the consumers'
25 perspective we have any problem, and we applaud how

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1 this worked for all of us, and I think the result is a
2 settlement that -- I would like to reserve my comments
3 after I hear the panel.

4 I do have some comments about how the
5 settlement worked and how it affects residential
6 customers and some challenges for the future, but I
7 think that can wait, but on this issue, I stand firmly
8 with Staff and with Public Counsel, and we have
9 absolutely no complaints about this process.

10 JUDGE WALLIS: Thank you, Mr. Roseman.
11 Mr. Melnikoff?

12 MR. MELNIKOFF: I also would like to
13 compliment the process here. I operate in a lot of
14 jurisdictions, and I found this to be most inclusive
15 and very workable, and I compliment the Staff and
16 Public Counsel and the other parties.

17 Our position is reflected in the narrative
18 that was distributed with the proposed settlement. We
19 have participated actively in this process from the
20 start. We filed testimony and intend to fully
21 participate actively in the cross-examination process
22 as well. We support the proposal, and I don't need to
23 burden you any further. Maybe later.

24 JUDGE WALLIS: Thank you. From the bridge
25 line; Mr. Butler?

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1 MR. BUTLER: I would agree that this is an
2 excellent example of the way the settlement process can
3 and should work. We think we have a balanced and fair
4 compromise of all of the competing issues and
5 interests. We have a true settlement in this case,
6 which is an agreement of all of the parties, or at
7 least one opposition of the parties that did not agree,
8 and I think that is an excellent result.

9 I also wanted to make a comment about the
10 fact that we believe in this case settlement was aided
11 in large part by a very cooperative attitude on the
12 part of the Company trying to address and accommodate
13 all of the various competing interests represented in
14 this case, and I think we have an excellent result.

15 JUDGE WALLIS: Mr. Kopta?

16 MR. KOPTA: Thank you, Your Honor,
17 Commissioners. We do not oppose the settlement
18 agreement, but that having been said, the issue that we
19 had sought to have some resolution on in this
20 proceeding is omitted from that settlement, which is
21 the primary reason we are not able to sign on, but we
22 don't oppose it because the agreement does address the
23 issue to the extent that it allows the issue to be
24 raised in the future, specifically the issue of the
25 availability of wholesale services from Verizon to

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1 local exchange competitors at cost base rates. We
2 believe that is still an issue that will need to be
3 addressed by the Commission.

4 The fact that it's not addressed in this
5 proceeding does not by any means mean it's an issue
6 that is not still present and one that at some point
7 will need to be dealt with, but for now, at least the
8 opportunity to raise it in the future was sufficient
9 for us not to oppose the settlement agreement.

10 JUDGE WALLIS: Thank you, Mr. Kopta.
11 Ms. Singer Nelson?

12 MS. SINGER NELSON: MCI joins in the comments
13 of all of the other counsel about the process, and I
14 would like to particularly compliment the Commission
15 staff. I think they did a great job of acting as
16 mediator and of being very inclusive as others have
17 explained.

18 MCI did not sign the settlement agreement,
19 but MCI does support it and we don't oppose it. We
20 don't have a witness today, but I will be on the phone
21 during the whole conference if any of the Commissioners
22 or Judge have any questions for us. Thank you.

23 JUDGE WALLIS: Thank you very much. Are
24 there any further comments? Let's proceed then to
25 receiving the statements of the witnesses. While

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1 Mr. Valdez and Ms. Roth step forward to the witness
2 stand at this time, let me ask if the parties intend
3 that the settlement agreement and the accompanying
4 narrative be part of the record?

5 MR. TROTTER: That's acceptable to Staff,
6 Your Honor.

7 MS. ENDEJAN: That's acceptable to the
8 Company.

9 JUDGE WALLIS: Is there any objection? Let
10 the record show there is none. I would propose we mark
11 the settlement agreement proposal as Exhibit No. 201
12 and the narrative as Exhibit No. 202. We will confirm
13 the numbers in the exhibit list that is circulated
14 after receiving information from the parties.

15 Are the witnesses ready to proceed?
16 Mr. Loube, are you still on the line?

17 MR. LOUBE: Yes, I am.

18 JUDGE WALLIS: I will ask you to raise your
19 right hand, and I will ask the witnesses in the hearing
20 room to rise and raise your right hands.

21 (Witnesses sworn.)

22 JUDGE WALLIS: Let's begin with a statement
23 from Mr. Valdez.

24 MS. ENDEJAN: Your Honor, would you like me
25 to lay some foundational questions?

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1 JUDGE WALLIS: Please do.

2 MS. ENDEJAN: Mr. Valdez, could you please
3 state your name, address, and position with Verizon
4 Northwest for the record?

5 MR. VALDEZ: Yes. David Valdez, Vice
6 President for Verizon, public policy and external
7 affairs. I am located at 1800 31st Street, Everett,
8 Washington, 98201.

9 MS. ENDEJAN: Are you here today to testify
10 on behalf of the Company in support of the settlement
11 agreement and narrative, which has been filed as
12 Exhibits 201 and 202?

13 MR. VALDEZ: Yes, I am.

14 MS. ENDEJAN: At this time, I would like to
15 ask Mr. Valdez to indicate that support.

16 JUDGE WALLIS: Please proceed.

17 MR. VALDEZ: First of all, welcome to the new
18 Commissioners. I look forward to a continued
19 relationship, and I also must mention that this is the
20 first time that I've ever been a witness before
21 Commissioner Oshie, so this is a beginning for me as
22 well, and again, I look forward to a continued and long
23 relationship.

24 The purpose of my discussion today is just to
25 provide a little bit of a perspective from Verizon on

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1 why this is, in our opinion, an outstanding settlement
2 agreement. Before beginning, I would like to also
3 commend the Staff, Public Counsel, AARP, and the other
4 parties to this case, because as we all know,
5 negotiation is a very, very difficult process, but I
6 think at the end of the day, all of the parties
7 committed to stay engaged to have ongoing dialogue, and
8 at the end of the day, we had what I think is an
9 outstanding settlement agreement.

10 It is an outstanding settlement agreement
11 because at the end of the day, the consumer is better
12 off. The consumer is better off because one, I think
13 that we sought to minimize as much as possible an
14 increase to basic rates, and we did so by doing a
15 spreading of the rates across basic, business, and
16 discretionary services. That would be the first
17 reason.

18 The second reason is is that we sought to
19 minimize again the impact by doing it over a two-year
20 period, and that again, in our opinion, is a win for
21 the consumer, and finally, it was a balancing of the
22 interests. Thank you.

23 JUDGE WALLIS: Thank you. Let's proceed to
24 Ms. Roth.

25 MR. TROTTER: Ms. Roth, would you please

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1 state your name and business address for the record.

2 MS. ROTH: My name is Jing Roth. My business
3 address is 1300 South Evergreen Park Drive, Olympia,
4 Washington, 98504.

5 MR. TROTTER: Who is your employer?

6 MS. ROTH: Washington Utilities and
7 Transportation Commission.

8 MR. TROTTER: What is your position at the
9 Commission?

10 MS. ROTH: I am currently the acting
11 assistant director for the telecommunications section.

12 MR. TROTTER: Are you here to give a
13 statement in support of the settlement agreement that's
14 been filed as well as to answer questions regarding it?

15 MS. ROTH: Yes.

16 MR. TROTTER: Please proceed and make your
17 statement.

18 MS. ROTH: Good afternoon, Chairman Sidran
19 and Commissioners Oshie and Jones. I'm Jing Roth. The
20 agreement before you is the result of negotiations and
21 compromise. Staff believes that the agreement is in
22 public interest because it resolves three dockets that
23 are important the Commission.

24 The first one resolve the Company's appeal of
25 the Commission's access charge complaint case order.

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1 That case could have resulted in \$30,000,000 increase
2 in access charge revenue. That would likely impact the
3 rates that the Verizon customers will eventually pay.

4 The second agreement resolved the
5 depreciation case in which the Company was requesting
6 to increase the depreciation by around \$48,000,000 per
7 year. This could also directly impact customers
8 because increased depreciation means higher expense to
9 be covered through the Company's rates. The settlement
10 resolved the issue using the concept of economic lives
11 that the Commission has traditionally used.

12 Finally, the agreement resolved the rate
13 case. Verizon was asking the Commission to increase
14 residential rates by about 75 percent from its current
15 rates. Translate that to a dollar amount of \$9.80 per
16 line per month. And there are several other areas of
17 dispute. The Company could have filed another rate
18 case when this was done and appeal the Commission's
19 rate case order in the meantime.

20 However, instead the agreement gave customers
21 two years of rate stability with initial rate case much
22 smaller than the Company proposed. Overall, the
23 agreement reflected a compromise of several divergent
24 interests. No one got everything they hoped for, but
25 the parties could agree this was a result that is in

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1 public interest, and that concludes my opening remarks.
2 I'm available for questions.

3 JUDGE WALLIS: Let's proceed to the next
4 witness. Mr. ffitch?

5 MR. FFITCH: On behalf of Public Counsel with
6 the leave of the Bench, I will make a statement in
7 support of the settlement agreement. I would like to
8 mention just five basic areas: The revenue requirement
9 area; the ITAC, or the interim terminating access
10 charge; merger issues; rate design issues, and
11 depreciation, and I will make an effort to draw your
12 attention to portions of the record as you had
13 indicated, Your Honor. Some of them may be quite
14 general, but I will make that effort as we go through.

15 With regard to revenue requirement, I think
16 the significant customer benefit that we see here is
17 the dramatic reduction in the revenue requirement from
18 the 110 million requested to the 38.6 million agreed to
19 in the settlement.

20 The revenue and accounting analysis that took
21 place on our behalf in this proceeding was done by
22 Michael Brosch and Steve Carver, who are witnesses
23 retained by Public Counsel, AARP, and WeBTEC jointly to
24 take a look at the revenue requirement issues in the
25 case. They focused on some specific issues, not on the

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1 full breadth of all the revenue issues in the case. So
2 you will not see in their testimony a specific ultimate
3 recommendation on total revenue requirement. You will
4 see focus on some big items, including directory
5 imputation, for example.

6 Mr. Carver's direct testimony at Page 4 does
7 attempt to quantify his adjustments as far as they go
8 so that it gives you a sense of if they had all
9 prevailed, what impact that would have had on the
10 Company's revenue requirement.

11 We also retained, Public Counsel on its own
12 retained a cost-of-capital expert, David Parcell, who
13 reviewed the Company's case and recommended a rate of
14 return in the range of 8.04 percent to 8.49 percent
15 with an ultimate recommendation of 8.26.

16 All of these witnesses with our assistance
17 conducted extensive discovery in the course of the
18 preparation of their testimony. All of the witnesses
19 concluded, as their testimony indicates at the original
20 level, the request was unjustified, and with the
21 assistance of their analysis, we have now concluded
22 that the 38.6 million-dollar revenue requirement is at
23 a reasonable level, and one reason that we feel
24 comfortable with recommending that level to the
25 Commission is because of the amount of analysis that

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1 the witnesses were able to do on our behalf. This
2 settlement is recommended to you at a late stage of the
3 case where we really do have a level of knowledge about
4 the Company's filing.

5 The second point I wanted to address is the
6 ITAC, or interim terminating access charge. In this
7 area, Public Counsel does not agree with the Staff
8 analysis of the issue. We have a concern that full
9 elimination of the ITAC does place significant pressure
10 on ratepayers to the tune of several millions of
11 dollars, and we also feel that the elimination of the
12 ITAC is premature because of ongoing current federal
13 review of access charge issues and universal service
14 issues, particularly in the intercarrier compensation
15 proceeding.

16 The reason why we are comfortable with this
17 settlement is that it reaches a compromise on this
18 issue. It leaves in place two-thirds of the ITAC
19 revenue for Verizon until 2007 so that we can determine
20 whether the federal government, through the FCC or
21 other means, takes any action which would enable the
22 Commission to moderate the 2007 rate increase
23 reflecting some federal action on universal service or
24 access charges. That possibly is explicitly left open
25 in the agreement, and we think that's a benefit for

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1 ratepayers.

2 We see also in the merger area a benefit for
3 ratepayers. Paragraph 40 of the agreement specifically
4 clarifies that the Commission's authority in merger
5 proceedings is not constrained by this agreement.
6 Obviously that comes up because there had been some
7 preliminary discussion about a possible merger between
8 Verizon and MCI. The language would cover any
9 potential merger, but the concern here is that the
10 Commission would retain the ability to exercise its
11 full powers in the merger case if one were to come
12 before the Commission, including doing such things as
13 ordering merger benefits to be passed through to
14 residential and small-business customers.

15 In the area of rate design, Dr. Robert Loube,
16 who is on the bridge, was retained jointly by Public
17 Counsel and AARP to review rate design and has filed
18 testimony recommending a certain rate design in the
19 case. The issue of rate design is important because it
20 tells you, once you come up with a total number, it
21 tells you which customers and which customer classes
22 and which services pay what part of the total rate
23 increase.

24 We came at this question, actually, in a
25 similar way to what Mr. Valdez testified to, which is

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1 we felt that it was important to look to discretionary
2 services versus basic services to spread any increase
3 fairly and try to minimize the impact on the most basic
4 essential service, the dial tone service the customers
5 use. We feel that this agreement accomplishes that.
6 That's a benefit to customers.

7 Within the rate design area, there are a lot
8 of specific individual changes. As you see when you
9 read through it, different areas are addressed,
10 directory assistance, late payment, custom calling
11 services. Within the specifics, there are some areas
12 where we compromised for settlement purposes, and those
13 compromises, which in some cases are inconsistent with
14 the testimony that was filed by Dr. Loube, are simply
15 for purposes of resolving the case and do not represent
16 a policy concession on our part with respect to that
17 issue.

18 The depreciation docket is also settled. In
19 the depreciation case, Public Counsel retained Charles
20 King. He filed testimony on our behalf and conducted
21 discovery and participated in discussions with the
22 Commission depreciation witness, Mr. Spinks, and with
23 the Verizon depreciation witness, and the result is, in
24 our view again, a reasonable result. Our
25 recommendation in the case would have resulted in a

0064

1 depreciation increase in the range of 4.7 million
2 dollars as compared with the original request of 48
3 million.

4 The Staff recommended a slightly larger
5 increase in depreciation expense. The settlement is in
6 the part of the range that's close to the Staff and
7 Public Counsel recommendation and is consistent with
8 the use of FCC service lives, which we had recommended,
9 so we believe that the Staff and Public Counsel
10 testimony in this case provide some markers to show the
11 reasonableness of the depreciation settlement.

12 That, I think, concludes the overview, Your
13 Honor. Those are the five areas that I think we would
14 highlight as providing benefits to Washington's
15 residential and small-business customers, and for that
16 reason, we believe the settlement is in the public
17 interest, and we recommend that you adopt it. I am
18 available for questions, and Dr. Loube is also on the
19 bridge.

20 JUDGE WALLIS: Would you qualify Dr. Loube
21 for us, please?

22 MR. FFITCH: Good afternoon, Dr. Loube.
23 Would you state your full name and spell your last name
24 for the record?

25 MR. LOUBE: Yes. My name is Robert Loube,

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1 L-o-u-b-e.

2 MR. FFITCH: For whom are you appearing in
3 this proceeding?

4 MR. LOUBE: I'm appearing for Public Counsel
5 and AARP.

6 MR. FFITCH: Have you filed testimony in this
7 proceeding?

8 MR. LOUBE: Yes, I have.

9 MR. FFITCH: What was the topic of your
10 testimony?

11 MR. LOUBE: Rate design.

12 MR. FFITCH: Do you have anything further
13 that you wanted to add in support of the settlement?

14 MR. LOUBE: Not at this time. I think I do
15 need to put in my address and my job description. I'm
16 at 10601 Cavalier Drive, Silver Spring, Maryland, and
17 I'm the director of economic research for roads and
18 sign.

19 MR. FFITCH: Thank you, Dr. Loube.

20 JUDGE WALLIS: Very well. I believe we are
21 at the point where we will begin with questions. Are
22 there any questions from counsel of the witnesses at
23 this time?

24 MR. ROSEMAN: Your Honor, I don't have a
25 question, but I thought I would -- I have a few little

0066

1 different twists from Mr. ffitch, and I thought --
2 would it be appropriate to speak to this now?

3 JUDGE WALLIS: You may proceed.

4 MR. ROSEMAN: On behalf of AARP, this
5 settlement, we believe, is good for residential
6 customers. We also believe it was a painful exercise,
7 and I guess what I thought I should say about our
8 interest in this proceeding is the number one goal of
9 my clients is to keep dial tone, basic service
10 affordable, as affordable as possible, and with that
11 overarching concern, that is the reason we recommended
12 that discretionary services that are not necessary to
13 have basic dial tone be increased since those are
14 discretionary, and therefore, you increase your revenue
15 requirement and you put less pressure on basic rates.
16 That is the theory.

17 We have one overarching concern with the rate
18 design aspect of this settlement, and that was how the
19 revenue was collected, and I'm not backing away from
20 the settlement, but I think that this is a trend that
21 we should all be aware of, which is that it appears
22 that when there is a large need to raise revenue
23 requirements, the vast majority of that comes from
24 residential customers rather than from other customers.

25 In this instance, the increase was by an

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1 equal dollar amount to all customers, meaning
2 residential customers received a two-dollar increase.
3 Their rates were, let's say, \$13, so they go up to 15.
4 Business customers got a two-dollar increase. Their
5 rates are \$40 or \$30, take your choice. The point I'm
6 making is that as a percentage increase, residential
7 customers pay a much larger amount.

8 That being said, this is a settlement. You
9 don't get what you want 100 percent. We think it's
10 fair. We think it's in the public interest, but it is
11 a concern of ours and one we try to push through the
12 process. That's all I have, Your Honor.

13 JUDGE WALLIS: Very well. At this time, let
14 me ask if there are questions from the Bench.
15 Mr. Oshie?

16 COMMISSIONER OSHIE: I'll start things off
17 with the parties. First of all, does the stay-out
18 include any changes in rates as a result of
19 depreciation, another depreciation case?

20 MR. TROTTER: Yes, it would. I think if I
21 can find the provision -- just a moment.

22 MR. CARRATHERS: Verizon agrees.

23 COMMISSIONER OSHIE: I think I would like to
24 turn the parties' attention to Exhibit 201. I'm on
25 Paragraph 39 and Paragraph 45. When I read Paragraph

0068

1 39, it appears to stop any party, even including the
2 Commission who is not a party, from initiating a
3 proceeding that would change Verizon Northwest rates.

4 Now, if I turn to Paragraph 45, and I'm
5 looking at the last sentence, and I'll read it into the
6 record: "Therefore, in the event any other rate
7 changes are ordered as a result of Commission action
8 during the stay-out period that increase or decrease
9 Verizon Northwest revenues, Verizon Northwest will be
10 permitted to make offsetting rate adjustments to
11 achieve revenue neutrality."

12 If everyone is barred from seeking rate
13 changes, including the Commission would be also
14 estopped from doing so if we would agree to do that in
15 this order, then what's the purpose of the language in
16 Paragraph 45? Perhaps the parties can explain.

17 MR. TROTTER: Your Honor, Paragraph 45, I
18 don't think you are quite reading it in context. First
19 of all, in Paragraph 47, there is a potential of
20 special access rate change case to be filed, and also,
21 I think that paragraph is also referring to the
22 permitted filings in Paragraphs 41 through 45.

23 If you read Paragraph 45, it talks about
24 revenues based on the rates agreed in Paragraphs 27
25 through 37, and those are the lists of agreed rate

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1 changes, and then the preceding few paragraphs talk
2 about permitted rate changes, 41-44, and I believe
3 that's primarily what is being referred to in the last
4 sentence of Paragraph 45. Those would be the other
5 rate changes. Does that help?

6 COMMISSIONER OSHIE: It helps. I think the
7 reference and language to other rate changes, I didn't
8 know how broadly the parties intended that to apply to.

9 MR. TROTTER: I think then it could also be a
10 third-party nonsignatory, non Commission could file a
11 complaint against the Company's rates and say they are
12 excessive, and in that event, that would be a permitted
13 filing by a third party, and this agreement would say
14 that the case could proceed but any rate changes would
15 be permitted on a revenue-neutral basis. So if the
16 Commission decides that those rates subject to that
17 complaint need to go down, there would be an offsetting
18 rate change raising other rates so that the Company is
19 revenue neutral.

20 COMMISSIONER OSHIE: Maybe I can ask the
21 witnesses. Why do the parties believe that rate
22 rebalancing is in the public interest?

23 MR. VALDEZ: It is a global question, and if
24 I understand the question correctly, the last time
25 Verizon filed a general rate increase was over 20 years

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1 ago. That is a long time. Secondly, in 2002, we had a
2 decision by the Commission in the access charge that
3 reduced the Company's revenues by 29.7 million dollars.

4 At that point, we had a stay-out provision,
5 and even though in 2001 we felt that our revenues were
6 declining, we had a stay-out provision that was in
7 effect in the same year, and as a result of that order,
8 we were required to file this general rate case and did
9 not come in sooner because of this stay-out provision.

10 COMMISSIONER OSHIE: Ms. Roth, would you like
11 to respond as well? My concern is why rate rebalancing
12 can have a dramatic effect on all ratepayers, but in
13 this situation, the rates will be spread equally among
14 residential and business, and if I recall, that's about
15 how they were spread similarly in earlier discussions
16 before this commission involving our order in the AT&T
17 complaint, but I would like to explore this just a bit
18 further with you, Ms. Roth.

19 Why is rate rebalancing, just as a tool that
20 could be used by the Commission, why is that or how is
21 that in the public interest? How can we be assured the
22 Company wouldn't be over- or underearning in the
23 scenario if we apply this tool of rate rebalancing and
24 in other circumstances?

25 MS. ROTH: First of all, the settlement

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1 providing the 38.6 million dollars additional revenue
2 to the Company, so for the two years, the Company is
3 prohibited from increasing its rates, so there is no
4 additional revenue. So from practical point of view,
5 they review the tariffs.

6 However, if address the rebalancing in
7 Paragraph 45, if a third party is not to the
8 settlement, like AT&T come to the Commission and file
9 another complaint saying hypothetically that it will
10 reduce \$20,000,000 of fair and reasonable rates and
11 Commission grant that request, say, in 2006, the
12 consideration is that the Company should make a filing,
13 make revenue neutral somewhere else, and make that 20
14 million dollar increase.

15 Instead of that, the Commission is not
16 bounded by \$20,000,000 that we didn't decide how this
17 \$20,000,000 would be, where to get this \$20,000,000.
18 Staff would make a recommendation on the merits filing,
19 review that to see what we think is best to get from
20 where. So the merits of redesign is not endorsed by
21 this. It's purely revenue neutral within the two
22 years.

23 COMMISSIONER OSHIE: Maybe I'm reading
24 between the lines, but Staff's comfort level of rate
25 rebalancing under these circumstances is really founded

0072

1 in that you had a good look at the Company's records
2 and you understand their rate requirement going
3 forward, and so if there were a change at least until
4 2007, because of Staff's comfort level with the
5 recommended revenue requirement, that it would also --
6 it has agreed to rate rebalancing in this settlement.

7 MS. ROTH: I agree with you.

8 MR. FFITCH: Your Honor, may I respond also
9 to the Commissioner's question?

10 JUDGE WALLIS: Mr. ffitch?

11 MR. FFITCH: Commissioner Oshie, we share
12 your expressed concern with rate rebalancing as a
13 general proposition. Public Counsel feels that rate
14 rebalancing in general is not in the public interest as
15 an automatic response to a revenue change for a
16 company, as you indicated.

17 The mere fact that a company loses revenue,
18 for example, from one source doesn't necessarily mean
19 that that company has a need to increase rates because
20 you need to look at the whole financial health of the
21 company and see if they continue to be earning an
22 adequate level of revenue, because they could be losing
23 somewhere, could be gaining somewhere else. So we
24 share that concern as a general proposition.

25 With regard to this settlement, first of all,

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1 I don't think it's really appropriate to characterize
2 the settlement or the revenue requirement we've arrived
3 at here as a rate rebalancing in itself. This is
4 instead just an analysis of what we think. All the
5 parties think is an absolute correct level of revenue
6 that yields fair, just, and reasonable rates. It's not
7 a rate rebalancing settlement. It's simply an analysis
8 of the Company's books and appropriate revenue levels.

9 However, once you get into rate changes
10 within the stay-out period, there is an agreement that
11 a certain limited type of rate rebalancing can occur,
12 as you've identified. The reason why we have agreed to
13 that is because we have agreed that the revenue level
14 is appropriate for the two-year stay-out period.

15 However, one of the reasons we are
16 comfortable with that, if you look at Paragraph 48 of
17 the agreement, we have not waived a right to contest on
18 the merits any filing that would seek to change or
19 trigger the limited rebalancing, including rate design
20 issues, so that even if there were some sort of a
21 revenue filing, and Ms. Roth alluded to this, even if
22 there were some sort of revenue change filing during
23 the stay-out period, we preserve the right to argue
24 that that shouldn't all be put on the backs of the
25 residential or small business ratepayers, and that's

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1 what Paragraph 48 does for us.

2 MR. MELNIKOFF: Your Honor, I would point out
3 that Paragraph 48 reserves the right for all parties so
4 that the Department of Defense and all federal
5 executive agencies would be in here as well to make
6 sure that large businesses were not inappropriately or
7 disproportionately burdened by rate rebalancing. We
8 may disagree with Public Counsel on what the
9 appropriate level is for residential and business.

10 JUDGE WALLIS: Other questions from the
11 Bench?

12 CHAIRMAN SIDRAN: First I want to commend the
13 parties for having reached a settlement and having
14 described a process that sounds like it was very
15 constructive, and I can't help but note that this was
16 accomplished, apparently, just coincidentally with
17 Commissioner Jones and I joining the Commission, but I
18 think you all deserve the credit for having reached an
19 agreement.

20 I have just a few questions. First for
21 Mr. Valdez with regard to -- I note in your comment
22 that there has not been a general rate increase, I
23 believe you said, since 1982.

24 MR. VALDEZ: I said over twenty years.

25 CHAIRMAN SIDRAN: But there have been other

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1 increases in rates. Can you give us some idea, say,
2 from a residential customer's point of view how that
3 basic service charge has risen, say, between 1982 and
4 today?

5 MR. VALDEZ: A lot of this history, Chairman,
6 was before my time. However --

7 CHAIRMAN SIDRAN: I just note for the record,
8 you look like you may not have been born.

9 MR. VALDEZ: I take that as a compliment. In
10 either case, there was a Bell Atlantic and GTE merger
11 that occurred in the year 2000. As a result of that
12 merger, there were some residential prices that had
13 been impacted. I don't have the details of what those
14 impacts are. However, I can say that for all intents
15 and purposes, the rates have remained pretty much in
16 the same orbit in which they are now, which is \$13 for
17 basic local service.

18 MS. ROTH: Briefly history since I prepare
19 for it, so I'm going to read into the record for you,
20 Chairman Sidran. The first general rate case that we
21 know so far is U-82-45/48. In that, the Company seeks
22 revenue increase. The revenue was granted by the
23 Commission and was 4.8 million dollars, intrastate
24 local revenue of 110 million dollars of the Company, so
25 put in perspective, they are asking 4.8 over their --

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1 the overall percentage increase to local rates is 4.38
2 percent. I don't know what the rates are because back
3 then, they have rate groups and multi, 50 different
4 rates for different group of customers.

5 The overall increase is 6.28 percent increase
6 is for the basic line rates, and they total 2.1 million
7 decrease to nonrecurring charges. Then the second rate
8 case is U-84-18. That revenue increase the Commission
9 granted is \$356,000 over a local revenue of
10 \$11,000,000. Overall percentage increase to local
11 rates is 3.07 percent.

12 Now we move to the merger history. Do you
13 want to hear that too? That happened recently.

14 CHAIRMAN SIDRAN: Go ahead.

15 MS. ROTH: In GTE merger, UT-910499, the
16 revenue reduction is 7.7. That reduction to local
17 rates effective June 30th, 1993. The GTE/Bell Atlantic
18 merger in UT-981367, as Mr. Valdez stated, that
19 reduction for residential line is approximately 3.6
20 million dollars. That results to the \$13 the current
21 rates you are looking at, and the business net
22 reduction is 13.4 million, increases and decreases
23 depending on which rate group they are in, which
24 results in a \$29.70 business rate currently the
25 business customer is paying. That's a brief history of

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1 all the rate impacts that Staff is aware of.

2 CHAIRMAN SIDRAN: Thank you. I wanted to
3 also ask a question, and I take the point about trying
4 to maintain the lowest possible basic service costs by
5 looking at these so-called vertical or discretionary
6 services, but as I understand it, the late-payment fees
7 are going to increase substantially. I think the
8 number is \$2.50 per month at one-and-a-half percent
9 interest charges, and I understand these charges have
10 not been increased for quite some time, but I would be
11 interested in hearing from perhaps Public Counsel or
12 Mr. Roseman.

13 I don't know anything about the demographics,
14 but I assume that late-payment fees fall mostly on
15 low-income customers than others, and just based on the
16 information I have in front of me, I don't have any
17 information about, for example, the numbers of people
18 who are affected by these late-payment fees or their
19 distribution in socioeconomic terms and population and
20 to what degree those terms were discussed in the course
21 of the settlement discussions.

22 MR. TROTTER: One clarification,
23 Mr. Chairman, the Company currently has no late-payment
24 charge, so this is the very first one they've ever had.
25 That doesn't change your question, but just a

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1 background.

2 CHAIRMAN SIDRAN: It sharpens my question
3 because I thought that this was an increase above some
4 other late payment. Is that correct? The Company has
5 no late-payment fee?

6 MR. VALDEZ: That is correct.

7 MR. FFITCH: Your Honor, I'll start off, but
8 I think the Company may also be able to shed some
9 light. This was their proposal in their filed case was
10 to establish a late-payment fee with minimum charges.

11 Public Counsel with Dr. Loube's assistance
12 took a look at that and decided that we could agree to
13 the establishment of a late-payment fee of 1.5 percent,
14 and that was for two reasons. The first reason is that
15 to our understanding, Verizon was the only company in
16 the state that did not have a late-payment charge, and
17 our customers were already living with that with Qwest
18 and other incumbent companies.

19 The second reason was as a matter of
20 fairness, sharing the costs of uncollectibles, of late
21 payments, and having more of a contribution from those
22 customers in that group rather than having any of those
23 costs being spread to just the general residential
24 customer or the general customer base. So our filed
25 testimony agreed to the one-and-a-half percent.

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1 We did not initially agree to the minimum
2 charge because obviously, it's a bigger percentage of
3 your bill than one-and-a-half percent down in the lower
4 levels. We agreed to that in this case in the
5 settlement as a matter of compromise as a way of
6 spreading the revenue in a way to keep the residential
7 basic rate down, but we did, however, insist on having
8 a lower level of a minimum charge for the residential
9 as compared to the business customers. Mr. Roseman may
10 want to elaborate on that as well.

11 CHAIRMAN SIDRAN: Could I just ask, how does
12 this proposed fee compare with other providers that are
13 already assessing late fees; do you know? The \$2.50
14 and one-and-a-half percent, how does that compare to
15 other companies?

16 MR. FFITCH: I believe the other companies
17 have the one-and-a-half percent rate. I might defer to
18 other witnesses on what Qwest's minimum is, if any. I
19 don't have that in mind.

20 MR. TROTTER: I believe there is no company
21 that has a minimum as of yet.

22 MS. ROTH: I'm trying to find the backup but
23 I couldn't. Also in my prefiled testimony, there is
24 five local exchange companies assess late-payment fees.
25 It's all at one percent. Qwest, CenturyTel, Y-Com

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1 (phonetic), and I don't recall the other two, but it's
2 about one percent. There is no minimum charge imposed.

3 MR. VALDEZ: If I may, Chairman, echoing
4 Public Counsel's point, when we were looking at how do
5 you begin to minimize the impact on the consumer, this
6 is one area where we felt that we could bring some
7 additional revenue, and it was a fair way to bring
8 revenue.

9 At the end of the day, do you want to force
10 the consumer to have to carry the burden of late
11 payments, or was it a reasonable amount, and I think
12 all parties looked at it, and we did compare where
13 Washington State was or Verizon was on this issue and
14 thought that that was a reasonable outcome for all
15 parties involved.

16 CHAIRMAN SIDRAN: Thank you. One last
17 question, and it goes back to Paragraph 39. This
18 Exhibit 201 is the settlement agreement?

19 JUDGE WALLIS: Yes.

20 CHAIRMAN SIDRAN: I would like to maybe have
21 any comments from any of the parties about this
22 language in Paragraph 39 that refers to the Commission
23 itself where it says, "...or will the Commission on its
24 own initiate a proceeding..." And understanding that
25 there is a distinction between Commission staff, which

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1 is a party, and the Commission itself, I'm interested
2 in the perspective of any of the parties as to what
3 they think that language means legally?

4 That is to say, do you believe that it means
5 that the Commission if in the event of unforeseen
6 circumstances decided that it needed to revisit some
7 issue that's part of this agreement that we would be
8 legally bound by this language, assuming that we were
9 to adopt it in an order?

10 MR. CARRATHERS: Good afternoon. Charles
11 Carruthers for Verizon. The principle intent of that
12 provision is, for example, state commissions have the
13 power to issue show-cause orders, if they think a
14 company is overearning, and they may want to initiate a
15 proceeding.

16 Of course, the other right is if a company
17 thinks it's underearning to file a rate case at any
18 time, and so what one of the principle intents of this
19 provision was with part and parcel of the two-year
20 stay-out period, the parties to the settlement,
21 including Staff, have looked at the numbers and believe
22 it's in the interest of efficiency and economy in part
23 of the settlement to have the two-year stay-out period.
24 That goes both ways.

25 The Company cannot come in and file another

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1 general rate increase. It takes the risk that it's not
2 going to be earning what it needs to earn, but it took
3 that risk and accepted it, and it cannot come in and
4 file for another rate case in two years.

5 Likewise, the sort of concomitant obligation
6 and right is that if someone thinks that we are
7 overearning for two years, that's a risk that they
8 assume. So I believe that this provision is similar
9 and one that's been in previous agreements, so I don't
10 think that it's extraordinary in that sense.

11 CHAIRMAN SIDRAN: Maybe I can clarify. I'm
12 just trying to wrap my mind around being new to the
13 Commission that a tribunal can bind itself in its order
14 to not assert its power it might otherwise have,
15 because obviously, things could change, and I'm not
16 suggesting by any means by asking this question that
17 the settlement will ultimately be approved. I would be
18 doing so with any reservations in that regard, but it's
19 just curious to me that a tribunal legally could bind
20 itself or successor commissioners, if, God forbid,
21 there should be a successor commissioner in the next
22 few years, to somehow have tied the hands of the
23 Commission by this language. So it may be my newness
24 to this role, but it seems unusual.

25 MR. TROTTER: Mr. Chairman, if I could offer

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1 you something. I believe I agree with the statement of
2 Company counsel as to the interpretation of this. I
3 also believe he was correct that a similar provision
4 existed in the merger agreement that the Commission
5 approved, so there is some precedent for it, but that
6 doesn't answer your question.

7 The Commission itself has taken the position
8 when it approves a settlement agreement that becomes,
9 in effect, its own order, and the Commission can change
10 its own orders, and it has done so in some orders.
11 It's reopened or permitted a settlement to terminate
12 before its natural light. So I believe the Commission
13 may, based on that evidence, the Commission may be of
14 the legal opinion that it can revisit this agreement if
15 something untoward happens.

16 There is also a force majeure clause in the
17 agreement; although, that may just apply to the
18 Company, but in extreme cases, I believe the Commission
19 has taken the position that it can take extreme action.

20 I have not briefed the issue that you are
21 directly posing, does the Commission have legal
22 authority to bind itself in this way, but I do know it
23 has in the past and I do know it has revisited
24 settlement agreements before their termination date, so
25 that's about all I can offer, an opportunity to brief

0084

1 that issue, if you would like.

2 We were reasonably comfortable with this type
3 of provision in the context of this company at this
4 time for this term. So I will offer that as well, but
5 I have not personally briefed that specific issue.

6 CHAIRMAN SIDRAN: I'm not asking this
7 question in the context of this company or this
8 agreement. It jumped out at me to see the Commission
9 binding itself in the context of an order accepting or
10 approving a settlement. Thank you. Anyone else want
11 to comment on this? Thank you.

12 MR. FFITCH: Your Honor, I guess I will add
13 for Public Counsel, and Don Trotter started going down
14 this road a bit by pointing out the force majeure
15 clause. There are a number of provisions in the
16 agreement by which the parties have established a
17 framework or a set of projected occasions upon which
18 the Commission might find it necessary to revisit the
19 terms of the agreement, and so in our view, once it's
20 adopted and becomes a binding order, the Commission is
21 also establishing a set of rules, if you will, criteria
22 by which the order can be revisited if those conditions
23 occur.

24 JUDGE WALLIS: Commissioner Jones?

25 COMMISSIONER JONES: Thank you, Judge Wallis.

0085

1 I'm not an attorney, but I have had some experience
2 with legislation before, and I find this word "fair" a
3 little bit troubling. So I hope to lighten things up a
4 little bit and ask any of you to respond to a proverb.
5 I picked two from the dictionary last night, and would
6 you respond to which one you prefer as describing this
7 settlement?

8 The first is, quote, All is fair in love and
9 war, and the second is, " A fair deal." Mr. ffitch,
10 can we start with you?

11 MR. FFITCH: I'm not sure if there is always
12 a lot of love going around the table in some of other
13 meetings. It felt more like war.

14 I believe this is a fair deal. You make an
15 interesting observation, Commissioner Jones, that the
16 term is a time-honored part of regulatory law, both in
17 our state and nationally. It is one of those wonderful
18 legal terms that has variable content to it and is
19 determined by the tribunal based on what they have
20 before them.

21 I know that the concept of a just and
22 reasonable rate goes back to Roman law, to the notion
23 that there is something other than just a mathematical
24 determination going on. There is enormative content to
25 this. That's part of what we are working with here.

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1 It does seem to us to be a fair deal.

2 We do have an analysis to back that up, as I
3 indicated. We've had our witnesses take a look at
4 this, and that's why we have a comfort level with the
5 specifics we are recommending here.

6 COMMISSIONER JONES: Mr. Valdez or somebody
7 from the Company?

8 MR. VALDEZ: I think that is a very
9 interesting question, and I would say that the process
10 where all interests are at the table and each party is
11 representing an interest, and you trust that everyone
12 is a zealous advocate of their position, and as you sit
13 around the table and get a meeting of the minds, then I
14 would characterize that as a fair deal.

15 COMMISSIONER JONES: Ms. Roth?

16 MS. ROTH: From my perspective, it is more
17 practical, not legal view. It's fair because the
18 revenue we reached is 38.6 million is taking into
19 consideration of Staff prefiled evidence in both the
20 rate case and the depreciation.

21 It is also fair the proposed rates that's not
22 proposed rates as general rate design, that's not
23 discriminating against one class of a customer. It is
24 also fair, just, and reasonable because the rates that
25 is current and proposed cover the costs from Staff's

0087

1 point of view.

2 COMMISSIONER JONES: Anybody else before I
3 move on?

4 MR. ROSEMAN: I guess I would look at fair as
5 a balanced approach. You are listening to all this
6 contradictory evidence from 220 million dollars to you
7 are earning too much, so I guess where I would start
8 from the legislative perspective is what is the public
9 policy the Commission is obligated to try to
10 accomplish? What is the role that the Commission has
11 in regulating utilities and keeping rates affordable
12 and insuring that the Company doesn't go bankrupt, but
13 what are these overarching principles, and then weigh
14 the testimony or the evidence in light of those
15 overarching principles, and I think if one does that,
16 then one can come out with a balanced or fair decision.

17 COMMISSIONER JONES: Thank you.

18 MR. BUTLER: This is Art Butler for WebTEC.
19 I would agree that we support this settlement as being
20 a fair compromise in the type that it is equitable, and
21 it is a balanced compromise of the competing issues and
22 interests in the case.

23 In fact, it is those compromises that form
24 the basis for the settlement and the proposed by the
25 Commission as opposed to asking the Commission to make

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1 detailed findings of fact based upon considerations not
2 in the record. The compromises are reached as the
3 result of a fair and open process.

4 COMMISSIONER JONES: Thank you. Question
5 for Mr. Valdez or somebody from Verizon. I note on
6 March 7th, the CFO of your Company announced an
7 increase in the dividend of 5.2 percent, and I notice
8 on Appendix 1, new rates for one party is 5.2 percent
9 as well. There is no symmetry there, is there?

10 MR. CARRATHERS: Absolutely no symmetry.

11 COMMISSIONER JONES: For Mr. Valdez or for
12 Ms. Roth, I was a little surprised. I received a
13 briefing on this first, and then last night I went and
14 looked at the rate spread and it's differential impact
15 on residential business, business trunk and new rates.
16 I wasn't aware that the percentage increase was so
17 great where you are talking about a 30 percent increase
18 residential, and on business, you are talking about
19 anywhere from 11 to 15 percent. It's much lower than
20 that, and I do understand the argument of the dollar
21 amount being the same, but is this really fair?

22 I would direct this to Ms. Roth and
23 Mr. Valdez and anybody else who wants to -- I do
24 understand your argument on no increase since 1982 when
25 GTE had the business, and you are trying to narrow the

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1 difference, so percentage-wise, the impact on one class
2 is going to be higher than another class, but on the
3 other hand, I'm trying to weigh that with the public
4 interest of being fair, just, and reasonable.

5 Then from a Company standpoint, is this your
6 strategy in other similarly-sized states as well?
7 Could you quote what would be a similar state that you
8 would compare to Washington state, maybe Colorado or
9 Ohio? Could you bring up another state and just use it
10 as a reference on this rate-spread issue?

11 MR. VALDEZ: On the rate-spread issue, there
12 were two considerations in the overall increase of
13 \$3.90, and one of the considerations was trying to keep
14 the differential between business and residential rates
15 closer to cost. So if you look at the differential
16 between current rates of \$13 for residential and \$27.90
17 for business, you will notice that there is a
18 differential between the two of 44 percent.

19 However, if you look at the differential of
20 the new rates, which will be \$16.90 and \$33.60, you
21 will notice that the differential will be 50 percent.
22 So there was a recognition that the differential
23 between those two rates needed to be brought closer
24 aligned, and in the course of negotiation and in the
25 course of discussion, the compromise was to reduce that

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1 differential to 50 percent.

2 As to the second part of your question, I
3 think I've answered that question. Is there something
4 else you would like to ask, Commissioner?

5 COMMISSIONER JONES: Is this happening in
6 other states as well where the difference between the
7 two seem to be narrowing?

8 MR. VALDEZ: I do not know of a general rate
9 case filing in any other state in recent memory, and I
10 don't know the differential of the rates off the top of
11 my head.

12 MR. CARRATHERS: Generally what we are
13 talking about is sort of a rate rebalancing. For
14 years, it's been, at least many of the incumbent local
15 exchange carriers' position is you have two services, a
16 residential service and a business service, and the
17 underlying costs are pretty close. You have the local
18 loop. You have switching for business, but
19 traditionally what regulators have done is want to keep
20 residential rates lower, and so they will push business
21 rates up a little higher to cover those costs, some
22 sort of subsidy, if you will.

23 What we find is obviously as the industry has
24 become exceedingly more competitive, you necessarily
25 get into that rate rebalancing, and I think this comes

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1 to the position that Mr. ffitch and Mr. Roseman raised
2 earlier about access charges. Traditionally, access
3 charges were set pretty high to help keep basic
4 residential rates low, but in the Commission's access
5 charge decision of the AT&T complaint case, it ruled
6 that as a matter of public policy, they wanted to lower
7 the intrastate access charges. So what that means is
8 we've got to recover that revenue elsewhere.

9 So we see this concept of rate rebalancing.
10 It has come into play in other states. Indeed, there
11 is some legislation in court and elsewhere that require
12 access charges to be reduced, but at the same time, you
13 have the ability to raise basic local rates, which
14 should put them more in line with costs, thereby even
15 promoting competition even greater in the telephone
16 industry.

17 COMMISSIONER JONES: Mr. Roseman? I have a
18 slight caveat for you, Mr. ffitch.

19 MR. ROSEMAN: I guess this is an interesting
20 discussion, and we are not going to resolve all this
21 now, but let me give you another point of view on this.
22 Let's talk about competition. I'm not really talking
23 about the settlement. I'm talking about your broader
24 issue, but if you have limited competition and you have
25 great competition, let's see where the competition is.

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1 The competition primarily is for business
2 customers and less so for residential customers and
3 land-line rates, so where does that lead you to go?
4 Competition will keep you leery of wanting to raise
5 your business rates, but if you have a captive rate
6 base that really doesn't have any alternative services,
7 if I was a company, that's where I would look for some
8 increase in rates.

9 I throw it out as a -- you are asking for a
10 dialogue, it sounds like, on the discussion, that's
11 something. The Company talks about cost driven, and
12 now we are just trying to rebalance to make, well, we
13 have a different take on that, and you can see if you
14 have a monopoly and captive customers and they only
15 have one place to go, that's a good place to raise your
16 rates rather than lose customers where you could lose
17 it to a competitor.

18 COMMISSIONER JONES: Mr. ffitch, before you
19 respond, I would like you to also answer the question
20 on this access charge complaint since we are resolving
21 three cases in one, if you will. This access charge
22 complaint in the previous case, I think it's commonly
23 referred to as the AT&T case; is that correct?

24 MR. FFITCH: Right.

25 COMMISSIONER JONES: Did you charge a

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1 stand-alone rebalancing provision in that case? Did
2 you agree to that? Just give me a little history on
3 it.

4 MR. FFITCH: You are correct, Commissioner
5 Jones. We did charge a stand-alone rebalancing in that
6 proceeding because there had been no full rate review,
7 essentially, and we filed pleadings to that effect.

8 COMMISSIONER JONES: So your position in this
9 case, as you stated earlier, in the comprehensive
10 settlement that we have before us that rebalancing
11 needs to be considered in that context as an integral
12 part of the overall agreement before us.

13 MR. FFITCH: That is entirely correct,
14 Commissioner Jones. This is what we were suggesting
15 needed to happen rather than simply an automatic,
16 relatively automatic process where you see that there
17 is a \$30,000,000 access charge reduction, and then you
18 turn around and say, Okay, someone else has got to pick
19 up that \$30,000,000. How about you, Mr. Residential,
20 and our position was, Hey, wait a minute. Let's look
21 at the company's books and see if they really need to
22 recover any of that or all of that or part of that, and
23 we felt like that required a rate case, and now this
24 has been that rate case.

25 That's why I just said earlier this isn't

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1 really rate rebalancing anymore. Let's look at all
2 their revenues and all their income over all their
3 services and all their customer classes and see what
4 they need. Part of that is the reduction from the AT&T
5 complaint case, but now we see that in full context
6 after the opportunity for everybody to participate, do
7 discovery, hire consultants to take a look at it. Does
8 that answer your question?

9 COMMISSIONER JONES: Very well, thank you.

10 MR. FFITCH: I also want to address the
11 business residential differential, which you can see
12 that you are sort of venturing into an area here that
13 would have been litigated by the parties, and as
14 Mr. Roseman indicated, we do not agree with the
15 analysis that we've heard from Mr. Carrathers about the
16 cost justifications for the differences in the rates.
17 We do not agree that business rates are subsidized
18 residential rates.

19 I will state that this was a very difficult
20 piece for us to agree to, the equal percentage on all
21 lines. This was a very, very difficult thing for our
22 office to agree to.

23 COMMISSIONER JONES: The equal percentage or
24 equal dollar amounts?

25 MR. FFITCH: I'm sorry, equal dollar amounts.

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1 It was done solely for compromise purposes. You will
2 see in the agreement the language that makes clear we
3 are not agreeing that there is necessarily a basis for
4 narrowing the differential.

5 One of the reasons we were comfortable with
6 it is when you do the math, the differential between
7 the two classes, residential, business, remains about
8 the same. There is not a dramatic narrowing. We have
9 Mr. Loube on the line who took a look at the specific
10 cost-of-service issues here, and he can address that a
11 little bit more if you would like. Again, this was
12 something we agreed not to fight about and we came up
13 with a compromise, but we do have a different position
14 on it.

15 MR. VALDEZ: Commissioner, if I may, the only
16 point I would make is that this was a small snapshot of
17 what the negotiation process was like.

18 COMMISSIONER JONES: I think I'm getting a
19 better idea.

20 MR. VALDEZ: When I say I commend the parties
21 for everybody bending over backwards, it was truly a
22 very trying and difficult process, but we all made it
23 through.

24 COMMISSIONER JONES: Aren't you new to the
25 area? Haven't you just arrived in the wonderful

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1 Pacific Northwest?

2 MR. VALDEZ: It's called baptism by fire.

3 COMMISSIONER JONES: The Chairman might refer
4 to this as the Seattle consensus.

5 MR. MELNIKOFF: Let me just weight in a
6 little as well. Our witness did address the rate
7 differential and the history of this, or the spread.

8 COMMISSIONER JONES: What is his name or what
9 is her name?

10 MR. MELNIKOFF: Robert Spangler. There is a
11 commission in Washington that ordered that in the Qwest
12 case, the US West case eight years ago, which outlined
13 certain -- keeping that differential because of certain
14 factors, such as effective and price constrained
15 competition, loop costs, weak links, and we don't need
16 to get into it at this point.

17 I think in answer to what is fair, like
18 Public Counsel and AARP, we have a very different
19 opinion, I think, that is more in line with Verizon in
20 terms of the cost differentials, the cost-based
21 differentials, and I don't want to go into them right
22 now, but in terms of what is fair, the bottom line is
23 that we can live with the results of this for two years
24 without pressing forward on litigating on rate design,
25 that spread differential.

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1 COMMISSIONER JONES: Mr. Spangler said, is
2 it still his fundamental premise that rates for
3 business services should be no more than 50 percent
4 above the rates similar for residential services? Was
5 that essentially the conclusion of his testimony on
6 rate spread?

7 MR. MELNIKOFF: That is correct.

8 COMMISSIONER JONES: That would still be his
9 testimony today if we called him to the witness stand
10 to testify on this?

11 MR. MELNIKOFF: As a general principle, yes,
12 but in terms of this settlement, in terms of the bottom
13 line, the certainty, the impact of the settlement in
14 its entirety, his answer would be no, this settlement
15 is in the public interest and fair and balanced.

16 COMMISSIONER JONES: I understand. A couple
17 of technical questions, and then I will stop before we
18 get into a real negotiation here.

19 Depreciation. I'm a little troubled -- this
20 is for the Company witnesses -- by this missing
21 equipment issue. I've been advised that there is
22 either substantial or some amount of quote, missing
23 equipment, and this relates to your depreciation
24 schedule that you filed, I would guess.

25 Can you tell me what this is, missing

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1 equipment, and give me any range of what it might be?
2 Because, Mr. Valdez, I certainly understand your point
3 that several months could be preferable to a fully
4 adjudicated rate case before this Commission. On the
5 other hand -- I'm speaking for myself, and perhaps for
6 the Chairman. I don't know -- delving in my third week
7 into a complicated complex issue like this with
8 prefiled testimony and all sorts of stuff, it's very
9 daunting to try to come up with a baseline for,
10 whether it be rate spread, depreciation schedules,
11 etcetera, so I'm troubled when I hear the word "missing
12 equipment."

13 MR. VALDEZ: Chairman, I just confirmed with
14 Staff. I don't think the missing equipment is part of
15 the depreciation docket. I can provide a general
16 overview on the issue of depreciation from the
17 Company's perspective.

18 COMMISSIONER JONES: Would you please,
19 because I have a couple of questions on the
20 depreciation schedules. As I understand it, your
21 request was originally for 9.1 percent on a composite
22 basis?

23 MR. VALDEZ: Indeed.

24 COMMISSIONER JONES: And it ended up on a
25 composite basis at 6.5 percent?

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1 MR. VALDEZ: The agreement calls for a
2 depreciation to go from 6.5 to 6.8 in 2005 and from 6.8
3 to 7.1 in January of 2007, and that is the result of
4 compromise by the parties. I will say that the
5 benchmark, the FCC benchmark on depreciation expense is
6 7.0. If you are looking at the FCC rate, it's right
7 along those lines.

8 COMMISSIONER JONES: Any comment by anybody
9 else on this? No. What is the fastest growing
10 component of your capital investment in this state?
11 For example, what I'm driving at is I noticed digital
12 switching, the rate that's been agreed to -- this is
13 not the composite -- is 9.0 percent. Circuit equipment
14 is 9.1, and they are big dollar numbers here. Is it
15 safe to assume that these will be the fastest growing
16 components of your cap-ex in the future?

17 MR. VALDEZ: Commissioner Jones, I should
18 have prefaced my statements by saying that the
19 depreciation expense filings testimony has been a part
20 of a series of Verizon expert witnesses beyond the
21 negotiated position which is the issue that was
22 negotiated in the course of settlement. It is outside
23 of the bounds of my expertise and I apologize for that.

24 COMMISSIONER JONES: Mr. ffitch, is your
25 witness prepared to answer this question?

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1 MR. FFITCH: Your Honor, I'm afraid our
2 depreciation witness is not available. We have only
3 our rate design witness.

4 MR. TROTTER: Your Honor, I'm pretty sure
5 Ms. Roth is not prepared. However, we do have
6 Mr. Spinks available to respond to that question. I
7 assume he can at least shed some light on it. If
8 you're interested, we can bring him forward.

9 COMMISSIONER JONES: No, I don't think so.

10 MS. ROTH: Can I just say you are right. The
11 two account, the digital switch and the circuit
12 equipment, yes, they fastest equipment that they are
13 going to have to becoming more obsolete because the
14 technology changes.

15 COMMISSIONER JONES: Mr. ffitch, would you
16 agree with the statement about the process, and I'm not
17 asking about the notification process. I'm asking
18 about the process of reaching an agreement on what is
19 fair, just, and reasonable. Is it fair to state that
20 the parties began with the premise of a revenue
21 requirement and then worked back into the various
22 aspects of the settlement agreement; i.e., you first
23 reach a global deal on what is required in Phase 1 and
24 Phase 2 of this agreement, and then you work back into
25 the specific components of it?

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1 MR. FFITCH: Yes, I think that's a generally
2 accurate description of how we proceeded to negotiate
3 the case. I'll defer to others to add to that, but
4 that's my perception of what we did.

5 COMMISSIONER JONES: Mr. Carrathers?

6 MR. CARRATHERS: Yes, Your Honor, we agree.

7 COMMISSIONER JONES: Mr. Carrathers, what is
8 the purpose of Phase 2 of this? Why did the parties
9 agree to splitting this into a two-plus-one-year
10 agreement? Is there any significance from your
11 standpoint of a review or that the two phases.

12 MR. CARRATHERS: As my colleague and witness,
13 Mr. Valdez, testified to, this is part of the give and
14 take. Obviously, we would have preferred to get all of
15 the increased revenue as soon as possible. It was
16 through the process of negotiation and working with
17 Staff and Public Counsel and AARP and WebTEC, and of
18 course, their interests are into trying to phase in the
19 increases and what they deem to be more reasonable,
20 digestible increments.

21 There was a lot of discussion, really, on how
22 long should the phasing be, what should it look like,
23 what rates should be implemented in the first year, the
24 third year, so I think the general thesis, as
25 Mr. Valdez explained, is one of compromise to further

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1 benefit the consumer or mitigate, really, the rate
2 increases upon the consumer through that phasing
3 process, and that was about it.

4 COMMISSIONER JONES: I have one final
5 question while I have you on the stand. Paragraph 40
6 states this issue of merger sales and acquisition
7 transactions. Since you are here, I would like for you
8 to give us your opinion on that. On Paragraph 40, if
9 this agreement in any way, does it affect the
10 Commission's power to review merger sales or
11 acquisition transactions either today or in the future?

12 MR. CARRATHERS: Thank you. What this
13 provision intends is to the extent this commission has
14 jurisdiction over any transaction, this settlement
15 agreement does not divest you of that jurisdiction or
16 responsibility. Now, there are transactions that
17 Verizon believes the Commission does not have
18 jurisdiction over, but again, those are issues that can
19 be addressed at the right time and place, but that was
20 the intent.

21 COMMISSIONER JONES: Thank you. Anybody else
22 wish to comment on that?

23 MR. TROTTER: I would, Your Honor. Donald
24 Trotter for Commission staff. Mr. ffitch addressed
25 this earlier. In large merger and acquisition

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1 transactions, commissions often attempt to pass
2 benefits of those transactions to consumers in some
3 manner or share the benefits, and we did not want the
4 revenue neutrality provision in this agreement to get
5 rid of that prospect, so we have this carve-out that
6 the Commission can do what it wishes in
7 acquisition-type transactions.

8 It does beg the question of it doesn't say
9 what transactions are jurisdictional subject to
10 approval, but if they are subject to approval, then
11 your hands are not tied in any respect by this
12 agreement.

13 COMMISSIONER JONES: Mr. ffitch, are my hands
14 tied?

15 MR. FFITCH: No, Your Honor. That was one of
16 the things I included in my opening remarks. As a
17 benefit that we see here, it can be very substantial,
18 as Ms. Roth mentioned in her review of the greatest
19 hits of Verizon in the last few years.

20 The settlement agreement in the GTE, Bell
21 Atlantic merger resulted in a 30-million-dollar revenue
22 decrease and rate decreases for Verizon customers, and
23 that was an example of a benefit we wanted to -- we
24 didn't want the Commission to be precluded from taking
25 that kind of action in a merger proceeding by this

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1 agreement, and I think we've heard Mr. Carrathers
2 indicate that assuming you have jurisdiction, you would
3 not be precluded from that type of action.

4 COMMISSIONER JONES: Thank you, Your Honor.
5 I have taken far too much time, but thank you for your
6 indulgence in my first round of questioning.

7 COMMISSIONER OSHIE: I have one follow-up
8 question, if I can, a follow-up question for Ms. Roth,
9 and I guess I will tee this up for Mr. Trotter if you
10 will allow the witness to answer.

11 I'm referring to Exhibit 202 in Paragraph 32,
12 and I will draw your attention to the second sentence,
13 and I would like to know, had Staff come in in the
14 rebuttal case with revised revenue requirement -- I'm
15 assuming this sentence refers to the revenue
16 requirement -- what would that have been?

17 MS. ROTH: The initial Staff recommendation
18 is the -- how do I put it -- negative \$52,000,000
19 revenue decrease in Staff initial testimony. That
20 sentence in Paragraph 32 basically says in the
21 litigation world is had we come into the litigation in
22 the hearing, Staff would revise is a recommendation on
23 the revenue decrease to about \$20,000,000, negative
24 \$20,000,000 decrease.

25 MR. TROTTER: Your Honor, if I might. I'm

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1 not sure we're on the same wave length here, but just
2 for the record, the Staff initially filed, on the first
3 filing date for Staff testimony in the general rate
4 case, the filing case that was in the approximately
5 \$50,000,000 surplus area. It then, based on additional
6 information provided by the Company and others, revised
7 that in the \$20,000,000 range. I don't have the exact
8 figure in mind, and Ms. Roth can correct me if I'm
9 wrong, but this particular sentence in Paragraph 32 you
10 are referring to would be an additional change based on
11 even further information that was gleaned from the
12 rebuttal case that was filed, because the first set of
13 revisions was before the rebuttal case was filed, and I
14 don't know if Staff actually developed a number based
15 on the rebuttal case. It did develop a number based on
16 the first -- because it was able to file that first
17 wave of revisions, it may have actually been two waves
18 of revisions before the rebuttal case was filed.

19 This particular sentence refers to yet
20 another set of revisions, and I don't know if Staff
21 ever developed a specific number in response to that,
22 but if Ms. Roth is familiar with that number, fine, but
23 I was not aware of another one.

24 COMMISSIONER OSHIE: Thank you, Mr. Trotter.
25 Ms. Roth, do you have a range or ballpark number that

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1 this sentence refers to, what that would have been?

2 MS. ROTH: From that \$20,000,000, if we
3 consider the Company rebuttal case, it's likely an
4 additional \$6,000,000 less than that to roughly about
5 \$14,000,000, negative \$14,000,000.

6 COMMISSIONER OSHIE: Thank you very much.

7 JUDGE WALLIS: I have a couple of what I
8 expect to be very quick questions. One is for Company
9 and Staff. Do you anticipate now that there will be
10 any need for rate rebalancing?

11 MR. VALDEZ: We certainly hope not. However,
12 the market is dynamic and the market is rapidly
13 changing.

14 MS. ROTH: Staff is not aware of any at this
15 point.

16 JUDGE WALLIS: Thank you. If there were a
17 need for rate rebalancing, what process would the
18 parties anticipate to be used for it? Would the
19 Company come in with a filing and bear the burden of
20 proving that the rate spread was appropriate under the
21 circumstances, or is some other process anticipated?

22 MR. TROTTER: Your Honor, if I might, the
23 traditional tariff filing process is anticipated, so
24 the burden of proof would be on the Company, and as the
25 agreement states, no party is waving any right to

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1 contest that filing. The only issue that wouldn't be
2 contested by the signatories would be the revenue
3 neutrality issue.

4 MR. FFITCH: Your Honor, from our
5 perspective, another significant eventuality is the
6 ITAC issue. The agreement provides that if federal
7 action takes place, in our view that would warrant, or
8 any parties' view would warrant taking a look at the
9 2007 rate changes. We would file a petition with the
10 Commission requesting that review to occur.

11 MR. TROTTER: That petition would be treated
12 as any petition normally would before the Commission.

13 JUDGE WALLIS: Are there any further
14 questions of counsel or of the witnesses? It appears
15 there are not.

16 I want to thank all of you for appearing
17 today, especially to the witnesses that we put some
18 difficult questions to. Thanks again. I remind you
19 that we will have further proceedings in Everett and in
20 Kennewick on the dates and times specified and look
21 forward to seeing some of you there.

22 Is there anything further to come before the
23 Commission at this time?

24 MR. TROTTER: This is Don Trotter for
25 Commission staff. Do you want to set a deadline for

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1 filing the exhibit lists, Your Honor?

2 JUDGE WALLIS: Would Tuesday of next week,
3 which would be the day of the Everett hearing, be time
4 enough for parties to do that?

5 MR. MELNIKOFF: By "filing," do you mean can
6 we do it by e-mail?

7 JUDGE WALLIS: Yes.

8 MR. TROTTER: That's acceptable, Your Honor.

9 JUDGE WALLIS: Very well. Anything further?
10 Let the record show there is no response. Thank you
11 again, and this session is concluded.

12 (Settlement hearing concluded at 3:30 p.m.)

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