1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION 2 COMMISSION 3 GTE NORTHWEST INCORPORATED,) 4 Complainant,) DOCKET NO. UT-951240 5 vs. VOLUME 1 6 PAUL C. and BARBARA STEPHANUS,) PAGES 1 - 24 7 and the marital community composed thereof, d/b/a PAUL C.) STEPHANUS INVESTMENTS and U.S.) 8 TELCO, INC., a Washington 9 corporation, Respondents. 10 _____ 11 A pre-hearing conference in the above matter 12 was held on November 8, 1995, at 9:30 a.m., at 1300 South Evergreen Park Drive Southwest, Olympia, 13 14 Washington before Administrative Law Judge JOHN 15 PRUSIA. 16 17 The parties were present as follows: 18 GTE NORTHWEST, INC., by TIMOTHY J. O'CONNELL, Attorney at Law, 1800 41st Street (5LE), Everett, Washington 98201. 19 20 WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF, by SHANNON SMITH, Assistant 21 Attorney General, 1400 South Evergreen Park Drive Southwest, Olympia, Washington 98504. 22 U S WEST COMMUNICATIONS, by LISA A. ANDERL, 23 Attorney at Law, 1601 7th Avenue, Room 3206, Seattle, Washington 98191. 24 Cheryl Macdonald, CSR 25 Court Reporter

1	APPEARANCES (Cont.)
2	PAUL and BARBARA STEPHANUS, d/b/a STEPHANUS INVESTMENTS and U.S. TELCO, INC., by SCOTT
3	A. SMITH, Attorney at Law, 3000 First Interstate Center, 999 Third Avenue, Seattle, Washington 98104.
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1 PROCEEDINGS 2 JUDGE PRUSIA: The pre-hearing will please 3 come to order. The Commission has set for pre-hearing conference at this time and place docket No. 4 5 UT-951240. It is the complaint of GTE Northwest, б Incorporated against Paul C. and Jane Doe Stephanus and the marital community composed thereof d/b/a Paul 7 C. Stephanus Investments and against U.S. Telco, Inc., 8 9 a Washington corporation. The Commission entered its 10 notice of pre-hearing conference on November 1, 1995 11 setting the pre-hearing conference for today which is 12 November 8, 1995. The pre-hearing conference is being held before John Prusia an administrative law judge 13 14 with the Commission.

15 As is indicated in the notice of hearing, 16 we will be considering any petitions to intervene, discuss scheduling of any future hearings and discuss 17 18 other matters specified in WAC 480-09-460 including simplification of issues, necessity or desirability of 19 amendments to the pleadings, the possibility of 20 21 obtaining admissions of fact and of documents which 22 will avoid unnecessary proof.

I will begin by taking appearances
beginning with the representative for the complainant,
Mr. O'Connell.

1 MR. O'CONNELL: Timothy J. O'Connell on 2 behalf of GTE Northwest, Incorporated. 3 JUDGE PRUSIA: Please state your business 4 address. 5 MR. O'CONNELL: 1800 41st Street, Everett, б Washington 98201. JUDGE PRUSIA: And for the respondent. 7 8 MR. SMITH: Scott Smith of Short Cressman 9 and Burgess, 999 Third Avenue, Suite 3000, Seattle, 10 Washington, and our appearance here is simply a 11 special appearance. We have some concerns and 12 questions about whether the Commission has jurisdiction over this issue as a threshold matter, 13 14 and by appearing here I'm not waiving any 15 jurisdictional claims that we may have. 16 JUDGE PRUSIA: Are you appearing on behalf 17 of all of the respondents?. 18 MR. SMITH: Yes. 19 JUDGE PRUSIA: Could you identify Jane Doe 20 Stephanus. 21 MR. SMITH: Her name is Barbara. 22 JUDGE PRUSIA: For Commission staff. 23 MS. SMITH: Shannon Smith, assistant attorney general. My business address is 1400 South 24 Evergreen Park Drive Southwest, P.O. Box 4012, 25

1 Olympia, Washington 98504-0128.

2 JUDGE PRUSIA: Is there anyone else present 3 in the hearing room who intends to file a petition or make a motion to intervene in this matter? 4 5 MS. ANDERL: Yes, Your Honor. Lisa Anderl on behalf of U S WEST Communications. We'll be б 7 petitioning orally to intervene at the time that you 8 accept those petitions. My business address is 9 1600 7th Avenue, Room 3206, Seattle, Washington 98191. 10 JUDGE PRUSIA: Now would be an appropriate 11 time to consider. 12 MS. ANDERL: That might be good. U S WEST Communications would petition orally at this time to 13 14 intervene in this matter. It appears as though statutes and rules are going to be involved that the 15 16 Commission might be interpreting as a matter of first 17 impression, specifically RCW 80.36.370, and U S WEST 18 is very interested in any proceeding in which the 19 Commission would be looking at the interpretation of 20 that statute. We don't at this point anticipate 21 filing any prefiled testimony, but would like to 22 reserve the right to cross-examine witnesses and file 23 a brief. We would not expand the scope of the 24 proceedings in any way.

25 JUDGE PRUSIA: Is there any objection to

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1 the intervention of U S WEST or any comment on the 2 motion?

3 MR. O'CONNELL: No objection. 4 JUDGE PRUSIA: Let the record reflect that 5 there are none. The motion to intervene is granted. б I just found out yesterday that I would be presiding 7 this morning and I don't know a lot about this 8 proceeding so perhaps Mr. O'Connell could just give us 9 a thumbnail sketch of what this involves. 10 MR. O'CONNELL: Thank you, Your Honor. Ι 11 would be happy to. In a nutshell, Mr. Stephanus, and 12 he has represented to us, operates four apartment 13 complexes in Snohomish County. In those apartment 14 complexes he maintains a private shared 15 telecommunications service as that is defined in RCW 16 80.36.010 -- excuse me, 80.04.010. In a series of communications from Mr. Stephanus he threatened to 17 disconnect or discontinue service to GTE customers 18 residing in those apartment complexes who were 19

21 local exchange company serving that area, rather than 22 through the shared telecommunications service. The 23 threat was that this service would be unilaterally 24 discontinued unless and until GTE made some payment to 25 Mr. Stephanus in an amount that was not specified.

receiving service directly from GTE Northwest, the

The threat was that GTE's service to these customers
 would be discontinued on November 1 unless GTE had
 made payment to him by that date.

4 At that time or rather prior to that time 5 GTE commenced this proceeding as well as a parallel б proceeding in the Snohomish County Superior Court. In 7 the Snohomish Superior Court action the judge has entered a temporary restraining order which by its 8 9 terms barred the defendants -- rather directed the 10 defendants to cease and refrain from disconnecting, 11 interfering with or discontinuing telephone service provided by GTE Northwest Incorporated to residents of 12 13 the apartment complexes at issue.

14JUDGE PRUSIA: And you filed the complaint15here at the same time?

MR. O'CONNELL: Yes, Your Honor. I believe Timing wise the complaint before the Commission was filed the day before the complaint was filed in Snohomish County Superior Court but approximately contemporaneously.

21 JUDGE PRUSIA: And how we ended up back 22 here?

23 MR. O'CONNELL: We've ended up here, Your 24 Honor. Assuming that the Superior Court continues the 25 restraining order in the form of a preliminary

1 injunction -- and that motion will come before the court in approximately two weeks -- the need for 2 emergency relief from the Commission may be mooted. 3 The fundamental substantive issue, however, needs to 4 5 be resolved by this Commission and that is the б priority under RCW 80.36.370 sub 5 of Mr. Stephanus's demand that the local exchange company pay him some 7 amount of money for the privilege of providing local 8 9 telephone service to persons who reside in his 10 apartment complex who desire to obtain that service 11 from the local telephone company as the statute 12 indicates they have the right to do.

13 We believe that Mr. Stephanus's threats to 14 discontinue the service will form the basis for a finding from this Commission that the customers lack 15 16 alternative access to the local exchange company as is 17 called for in that subsection of the statute and 18 therefore it is the obligation of this Commission to 19 fix the rates, terms and prices on which those 20 services are to be offered, and the fundamental 21 question who is going to pay those rates, terms and 22 We believe the statute and when it is prices. interpreted contemporaneously with the other 23 regulations of this Commission and GTE's tariffs, 24 which have been approved by this Commission, makes 25

clear when all of those are viewed as a whole that
 whatever those rates are as they are fixed by this
 Commission they are to be charged not to the local
 exchange company but either borne by the landlord as a
 cost of providing rentals or borne by the tenant who
 is the renter, so those substantive issues still
 remain for resolution by this Commission.

3 JUDGE PRUSIA: Mr. Smith, you are making a
9 special appearance this morning? Were you going to be
10 making a sort of motion this morning?.

MR. SMITH: I can make that orally thismorning or we can file it at some later point.

13 JUDGE PRUSIA: Did you have a preference on 14 which?.

15 MR. SMITH: I can make the point right now. The statute by its terms -- it's subsection 370 sub 5 16 -- states that the Commission does not have authority 17 18 to regulate private shared telecommunications services 19 except in certain circumstances which don't apply, and 20 that involves a hearing and a decision by the 21 Commission as to certain findings which have not taken 22 place. We have a parallel proceeding going on in 23 Superior Court. It seems inappropriate for GTE to be 24 having two bites at the same apple in terms of the 25 issue that is being raised here and in Superior Court.

1 Given the limited scope of the Commission's authority to regulate what is really a dispute between 2 a private property owner, Mr. Stephanus, and a local 3 telephone company, that's not something that I believe 4 5 the Commission has jurisdiction to consider. б JUDGE PRUSIA: Are you going to be filing a 7 formal motion later on then?. 8 MR. SMITH: I can do that if you would 9 prefer that. 10 JUDGE PRUSIA: All right. Why don't you do 11 that then later in writing. Is there a need for hearings in this proceeding? Is this a matter that 12 could be -- does everyone agree on the facts? Is this 13 14 a matter that can simply be submitted to the 15 Commission on stipulation? 16 MR. O'CONNELL: Your Honor, I might suggest 17 in that regard there is a potential that the parties 18 can resolve some factual disputes. There are some 19 factual disputes at this point. In conversations that 20 Mr. Stephanus and I have had, we have mutually agreed 21 to attempt to work those out. To give Your Honor some 22 impression of what those concern, Mr. Stephanus believes that at some point he purchased what we 23 would refer to as the entrance cable. That is the 24 cabling which connects from the public right-of-way, 25

1 our facilities, to the point of demarcation, which, as 2 is normal in large complexes or office parks, that point of demarcation is located somewhere on the 3 property that is convenient for the landlord. 4 He 5 believes he purchased that entrance cable, the cable б that connects the cable of demarcation to the point of right-of-way. We believe that is incorrect and in 7 fact I have brought with us here printouts from the 8 9 company's plant record which indicates that in fact 10 that is incorrect.

11 Mr. Smith and I have committed that we're going to try and work through that issue. If we are 12 -- if we do resolve that issue such that Mr. Stephanus 13 14 can agree that GTE does indeed own the cabling up to 15 the point of demarcation, I think that will resolve 16 the primary fact dispute. There may be an ancillary 17 fact dispute because it occurs to me that I neglected in my initial overview to raise what I think can 18 19 fairly be characterized as an ancillary issue.

20 One of the four apartment complexes is 21 serviced by a conduit; the cabling runs through a 22 small conduit. Under the tariffs it is the owner's 23 obligation to maintain that conduit. The conduit to 24 this one complex has been crushed. The cabling is 25 still in perfect operation, but the conduit is

crushed. Therefore, we can't place any reinforcing
 cable through the conduit, and we have held orders at
 that apartment complex.

4 And it is the second cause of action on our 5 complaint. We believe that Mr. Stephanus should be б held to his obligations under tariff which is to essentially repair that conduit. Assuming that there 7 are no fact disputes over that issue -- and I don't 8 9 know that there are any fact disputes on that 10 essential question, is there a conduit there and is it 11 crushed or obstructed such that reinforcement cable 12 cannot be placed. Assuming that we can resolve that issue I think that there are not substantial fact 13 14 issues on the preliminary substantive issue, the 15 preliminary substantive issue being is there a charge 16 for these services, for the local exchange company to 17 offer local service to the residents living in the 18 complex. If the substantive issue is decided in Mr.Stephanus's favor that in fact the landlord is free 19 20 to pass that overhead on to the telephone company, 21 then I think there may be some fact disputes because 22 then under 370 sub 5 it is subject to the Commission to establish what the fair rates and prices are for 23 24 those services, and I suspect that that process would involve the same type of a fact issue that the 25

1 Commission would go through whenever it is in the 2 business of setting rates, and having not seen any of the cost-based documentation that Mr. Stephanus would 3 produce in order to justify those rates, I don't know 4 5 if there are fact disputes or not, but the fact that б that issue is raised suggests to me that it might be appropriate to conduct this proceeding, if you will, 7 in a bifurcated manner, which would be to address what 8 9 I refer to as the substantive issue first 10 on the legal issue of whether it is appropriate for 11 the landlord to charge for this service under the 12 statutes, regulations and tariffs, and then defer to a 13 subsequent phase in the proceeding, the question of if 14 it is, what's an appropriate rate.

15 I think the first set of issues can be 16 resolved with few or none, I hope, fact disputes. The 17 second set of issues I think will raise some 18 substantial issues of fact.

19 JUDGE PRUSIA: We have the additional legal 20 issue of the Commission's jurisdiction.

21 MR. O'CONNELL: I understand what Mr. Smith 22 is saying, and I look forward to reading his motion. 23 It strikes me as a chicken and egg kind of argument to 24 argue that the Commission does not have jurisdiction 25 to conduct the hearing that's called for by the

statute in order to determine -- the statute calls for
 the Commission to conduct a hearing to make a finding,
 and it strikes me as odd that the Commission therefore
 does not have jurisdiction to conduct that hearing, so
 I look forward to his motion.

6 JUDGE PRUSIA: Looks like then we will be 7 scheduling a bifurcated proceeding and with some sort 8 of hearing schedule this morning. Are any of the 9 parties going to request a protective order in this 10 proceeding?

11 MR. O'CONNELL: Your Honor, we may. I have not yet been able to ascertain because, quite frankly, 12 some of the work orders that are involved and some of 13 14 the records related to the placement of our physical plant may involve issues for which we would seek a 15 16 protective order. These days of a more competitive 17 telecommunications environment we consider the map of 18 our physical plant a proprietary matter.

MR. SMITH: I might note that I think Mr. O'Connell has practically conceded there is no emergency which justifies the Commission exercising its emergency powers here. There is a court order that prohibits Mr. Stephanus from unilaterally disconnecting the phone service. It's before a court that would review this Commission's decisions in any

1 event. I don't believe on a threshold instance that that threat alone would have justified exercise of the 2 Commission's emergency authority. It's not that kind 3 of immediate threat to public safety and health laid 4 5 out in the statute or the regulations, so in terms of б your scheduling I don't think it has to be at any kind of a basis under the predicate that this is an 7 8 emergency or that there is an emergency nature going 9 on here.

10 JUDGE PRUSIA: Mr. O'Connell, if we follow 11 our normal hearing procedures is that going to cause 12 any problem with the court proceedings?

MR. O'CONNELL: Your Honor, I frankly don't 13 14 disagree with Mr. Smith. My statement, however, is based on the assumption that the court would continue 15 16 what is currently only a temporary restraining order 17 in the form of a preliminary injunction which would 18 continue throughout these proceedings. My fear, if the temporary restraining order expires -- unlike a 19 20 preliminary injunction it serves only for a time 21 certain and then it would expire. If the TRO is 22 permitted to expire Mr. Stephanus would be free to carry out the threat that he has made which would be 23 to unilaterally disconnect or discontinue GTE's 24 25 service. I would think that that would raise issues

1 that this Commission would consider an emergency and has in the past. 2 3 JUDGE PRUSIA: But that would be if that occurred at that point. 4 5 MR. O'CONNELL: Correct. MR. SMITH: But if the court determines 6 that there is no legal basis for GTE's claim, how can 7 8 they come back here and try a second time to argue 9 that which a Superior Court has already ruled against 10 them on? That -- by definition they should not be 11 permitted to lose in the Superior Court and come back 12 here and make the same arguments a second time. 13 JUDGE PRUSIA: Well, they haven't lost at 14 this point. 15 MR. SMITH: No. Right now there is a TRO 16 in place. We received 24 hours notice of that. 17 JUDGE PRUSIA: Is the court expecting to 18 receive anything from the Commission? 19 MR. O'CONNELL: I can't answer on behalf of the court whether the court is expecting to. If it is 20 21 ___ 22 MR. SMITH: I don't recall that the court 23 ___ MR. O'CONNELL: Can I finish, Counsel? I 24 would anticipate that if the Commission concurs that 25

1 the status quo should be maintained and that the telephone service offered to these individuals should 2 be maintained without disruption or discontinuance, I 3 would hope that the Commission would express that in 4 5 some form to the Superior Court. The TRO that is in б place and the preliminary injunction which we would seek to replace it is merely just that, an attempt to 7 maintain the status quo while this issue is worked out 8 9 by the body that has the jurisdiction to do so, which is this Commission. 10

11 And as counsel notes, I mean, this Commission and a Superior Court are different bodies 12 that have different bases for jurisdiction, so whether 13 14 the court is expecting anything the court did not 15 indicate to us when we were on the hearing on the TRO 16 that it anticipated receiving something. I would 17 think that that would be an appropriate piece of 18 information to put before the court.

JUDGE PRUSIA: Mr. Smith, did you havesomething you wanted to say?.

21 MR. SMITH: I would just agree with Mr. 22 O'Connell the court did not request or we didn't talk 23 about the proceeding before the Commission. I don't 24 believe the court is expecting the Commission to 25 advise it on what the law is in this area.

1JUDGE PRUSIA: Still have the matter of the2protective order which no one has requested at this3point. You indicated you might request it.

4 MR. O'CONNELL: Your Honor, to be safe I 5 would at this time move for the Commission's standard 6 protective order.

7 JUDGE PRUSIA: Are there any comments on 8 that motion?

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MS. ANDERL: No.

10 JUDGE PRUSIA: Let the record reflect that 11 there are none. I grant the request for a protective 12 order and one will be issued as soon as possible in the usual format and that format is patterned on the 13 14 protective order in the Electric Lightwave case 15 UT-901029. Remember that any protected materials 16 need to be segregated. You should not distribute 17 anything that is protected material to anyone who has 18 not signed a protective order.

Do the parties wish to invoke the Commission's discovery rule which is WAC 480-09-480 related to the methods for obtaining data in adjudicative proceedings?

23 MR. O'CONNELL: Your Honor, in light of the 24 commitment that Mr. Smith and I have made to one 25 another to attempt to work through the potential fact

1 dispute on this first phase of the proceeding, we have not had the opportunity to do that because it involves 2 pulling some of our records, but if it is possible to 3 defer a decision whether discovery should be made 4 5 available in this first phase of the proceeding until б after we have enough time to pull the relevant records and determine whether we can resolve those facts and 7 come up with an agreed version of what those facts 8 9 So if we can defer that ruling on that issue, I are. 10 would suggest that that would be an appropriate 11 conservation of our resources.

JUDGE PRUSIA: The parties are always free to use informal discovery methods if they want to. Do you feel it would be an impediment if the Commission actually entered an order invoking the discovery rule at this time?

MR. O'CONNELL: I don't know that it would be an impediment, Your Honor. My hope is just that if we can work this out informally it may not be necessary.

JUDGE PRUSIA: Any other comments? MR. SMITH: Our intention is to work it out. I don't think it would be a problem if the court entered the standard discovery order, and our intent is not to invoke that and we'll get all the issues

worked out. I think an order will be there and as you
 note we can simply try to engage in our informal
 discovery. There really isn't a whole lot of facts
 at dispute and he's got some information here that
 we're going to talk about afterwards.

6 MR. O'CONNELL: I have no substantial 7 disagreement with that.

8 JUDGE PRUSIA: Any other comments? 9 At this time I will invoke the Commission's discovery rule which is WAC 480-09-480 and again emphasize that 10 11 the parties are free to use informal methods as well 12 as the formal discovery rule. We will discuss discovery schedule and cutoff dates when we discuss 13 14 the scheduling later on. Keep in mind that responses 15 to discovery requests need to be sent directly to the 16 attorney general and not through the Commission's 17 secretary. All of the case-related matters and 18 correspondence filings must be sent through the 19 secretary of the Commission. His address is P.O. Box 20 47250, Olympia, Washington 98504. Do not send any 21 correspondence or filings to the street address.

22 Anything else we need to discuss before we 23 discuss scheduling?

Let the record reflect that there is noresponse. First we should set a schedule for

1 dispositive motions and the first part of the

2 proceeding, the legal issues.

3 MS. ANDERL: Excuse me.

4 JUDGE PRUSIA: Perhaps we should go off the 5 record and discuss the scheduling. Let's be off the 6 record.

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7 (Recess.)
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JUDGE PRUSIA: Let's be back on the record. 8 9 While we were off the record we discussed scheduling, 10 and I will attempt to summarize what we've agreed 11 upon. The proceeding will be divided into three 12 The first will be the issues of the phases. Commission's jurisdiction. The respondent will file a 13 14 motion by November 27th. Answers to that motion will 15 be due by December 13. The Commission will have an 16 order on the jurisdictional issue by December 22nd. 17 The second phase will be all of the issues in 18 80.36.370 subsection 5 except the how much issue. The 19 complainants will prefile testimony by January 16. 20 Respondents, staff and intervenor will prefile by 21 January 31st, 1996. The complainant -- or I guess all 22 parties can file -- complainant would file rebuttal by 23 February 9, 1996. Hearing is scheduled for February 22nd, 1996. And the third phase, which would be the 24 how much phase of the proceeding, if we get to that, 25

1 will be scheduled after the Commission enters an order on the second phase of the proceeding. 2 3 MS. ANDERL: Excuse me, Your Honor. I may have misheard two of those dates. What's the second 4 5 prefiling date in January? Is that the 30th or the 6 31st? 7 JUDGE PRUSIA: I had the 31st. Well, it 8 could be the 30th or the 31st. 9 MS. ANDERL: We talked about both. 10 MR. O'CONNELL: We're going to be the 31st. 11 MS. ANDERL: And then, I'm sorry, again what date did you say for the hearing? 22nd? 12 13 JUDGE PRUSIA: 22nd of February. 14 MS. ANDERL: I would just like to add, and I mentioned this off the record, that perhaps, to the 15 16 extent that U S WEST would be filing any testimony in 17 this matter, we would like to reserve the opportunity 18 to file during the rebuttal stage. I don't think we 19 will really be aware of what the respondent's position 20 is until we get their testimony on the 31st, and at 21 this point looks like our interests would be more 22 aligned with GTE and might be appropriate for us to prefile at that time. I believe that's the only round 23 we would file if in fact we do file anything. 24 25 JUDGE PRUSIA: And staff, did you prefer to

1 file prefiled during the rebuttal phase also?

2 MS. SMITH. Yeah.

3 JUDGE PRUSIA: Very well. I will change 4 that then and the 31st will be the prefiling date for 5 respondent's testimony and the 9th will be -- February 6 9th will be the prefiling date for complainant's 7 rebuttal and staff and intervenor testimony.

MS. ANDERL: Thank you. One other 8 9 question, Your Honor, is on the first set of motions, 10 the motion and the answer on the jurisdictional issue, 11 there is a provision in the WAC that allows a party to 12 file a request for leave to file a reply to an answer. By setting this schedule and the order date of the 13 14 22nd of December, are we deciding at this point that that's not going to happen? 15

16 JUDGE PRUSIA: Let's be off the record. 17 (Recess.)

18 JUDGE PRUSIA: Let's be back on the record. While we were off the record we discussed the possible 19 deadlines for filing replies to the jurisdictional --20 21 to the answers to the jurisdictional motion that will 22 be filed. The deadline we have set is that any motions for leave to file a reply to the answers must 23 be filed with the Commission by the 15th of December. 24 That is, the motion must be filed by that date. 25

Is there anything else that we need to
 cover this morning?

Let the record reflect that there is no response. I will issue a prehearing conference order as a result of this pre-hearing conference. The pre-hearing conference rule states that if you do not object to a portion of the prehearing conference order within 10 days then those are the rules that we go under for the case. If there's nothing else to come before us then I will close the hearing. Let's be off the record. (Hearing adjourned at 10:30 a.m.)