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BEFORE THE WASHINGTON UTILITIES AND

2

TRANSPORTATION COMMISSION

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4 In the Matter of the Petition ) Docket No. UT-991991  
of ) Cause No. U-86-79

5 ) Cause No. U-86-101

6 MCI WORLDCOM, INC. and SPRINT )  
CORPORTATION, )

) Volume IV  
) Pages 245-264

7 for an Order Disclaiming )  
Jurisdiction, or in the )  
8 Alternative, Approving the )  
Transfer of Control of Sprint )  
9 Corporation's Washington )  
Operating Subsidiaries to MCI )  
10 WORLDCOM, Inc. )

11 In the Matter of the Petitions )  
of )

12 )  
U.S. SPRINT COMMUNICATIONS )  
13 COMPANY, and )

14 MCI TELECOMMUNICATIONS )  
CORPORATION )

15 \_\_\_\_\_ )

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17 A public hearing in the above  
18 matter was held on May 16, 2000, at 6:03 p.m., at  
19 1300 Evergreen Park Drive Southwest, Olympia,  
20 Washington, before Administrative Law Judge KAREN  
21 CAILLE, Chairwoman MARILYN SHOWALTER, Commissioner  
22 RICHARD HEMSTAD, and Commissioner WILLIAM R. GILLIS.

23

24 The parties were present as

25 follows:

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1 MCI WORLDCOM, INC., by Jean L.  
2 Kiddoo, Attorney at Law, Swidler, Berlin, Shereff,  
3 Friedman, LLP, 3000 K. Street, N.W., Suite 300,  
4 Washington, D.C., 20007-5116.

5 SPRINT CORPORATION, by Eric S.  
6 Heath, Attorney at Law, 330 S. Valley View Boulevard,  
7 Las Vegas, Nevada 89107.

8 THE COMMISSION, by Jonathan  
9 Thompson, Assistant Attorney General, 1400 S.  
10 Evergreen Park Drive, S.W., P.O. Box 40128, Olympia,  
11 Washington 98504-0128.

12 PUBLIC COUNSEL, by Robert Cromwell,  
13 Jr., Assistant Attorney General, 900 Fourth Avenue,  
14 #2000, Seattle, Washington 98164.

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20 Barbara L. Nelson, CSR  
21 Court Reporter

22 CHAIRWOMAN SHOWALTER: Good evening. This  
23 is a public hearing on the question of the Sprint-MCI  
24 merger. I'm Marilyn Showalter, the Chairwoman of the  
25 Commission, and to my right are Commissioners Hemstad

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1 and Bill Gillis, and together we make up the  
2 Commission. To my left is Karen Caille, who is the  
3 Administrative Law Judge in this proceeding.

4 And because this is a quasi-judicial  
5 proceeding with certain rules for taking evidence,  
6 she is going to both conduct the hearing and also  
7 explain just a little bit what those rules are to  
8 help members of the public who have come here know  
9 what to expect and how to present themselves. So I  
10 will turn it over to Karen Caille.

11 JUDGE CAILLE: Good evening, and welcome.  
12 We're very glad that you came tonight. This is a  
13 public comment hearing. It is part of the  
14 Commission's formal hearing process as it considers  
15 whether to approve, approve with conditions, or  
16 disapprove the merger that MCI WorldCom and Sprint  
17 hope to complete later this year.

18 The Commission's hearing process is one  
19 where we take both technical evidence from the  
20 parties who formally appear in front of us, and then  
21 we also take public testimony. And that is what we  
22 are doing tonight.

23 The purpose of this hearing this evening is  
24 to provide the Commissioners with information which  
25 they can use to decide if this merger is in the

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1 public interest. Let me just take a minute or two to  
2 acquaint you with the process here. The purpose of  
3 your testimony is not to ask questions of the  
4 Commission or of myself. The purpose is to give a  
5 statement, and hopefully give the Commission some  
6 idea of whether this is in the public interest for  
7 this merger to occur.

8           The Commission Staff and company  
9 representatives are in the audience tonight. And I  
10 think what I'll do is direct you to Penny Hansen at  
11 the back of the room. And she can, if you have  
12 questions that you want to ask of those people, she  
13 can direct you to them.

14           Also, I want to let you know that this is  
15 not your only opportunity to comment. We will take  
16 comments I think probably through -- well, Public  
17 Counsel and I were discussing this, and I'm trying to  
18 decide when the briefs -- I think maybe when the  
19 initial round of briefs are due would be a good --  
20 but I don't -- perhaps we should do it a week, two  
21 weeks from tonight? Is that two weeks -- would that  
22 be --

23           MR. CROMWELL: I think that would probably  
24 be sufficient, Your Honor.

25           JUDGE CAILLE: All right.

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1 MR. CROMWELL: Saves us from having to try  
2 to resurrect our trial calendar.

3 JUDGE CAILLE: All right. So any more  
4 written comments can be turned in by that date. If  
5 you have written comments tonight, will you please  
6 give those to Mr. Cromwell, because he will be making  
7 an exhibit of all the public comments, and those will  
8 be entered into the official record.

9 I'm going to ask Counsel who are here to  
10 make your formal appearance at this time. This means  
11 that they will be stating their name and whom they  
12 represent, and I will ask Counsel to introduce any  
13 representatives that are here with them tonight. So  
14 how about we begin with Staff.

15 MR. THOMPSON: Okay. My name's Jonathan  
16 Thompson, and I am the lawyer for the Commission  
17 Staff.

18 MR. CROMWELL: Thank you, Judge Caille. My  
19 name is Robert Cromwell. I'm also an Assistant  
20 Attorney General with the state of Washington. I'm  
21 with the Public Counsel section, and our job is to  
22 appear in front of the Utilities and Transportation  
23 Commission to represent the citizens of this state,  
24 particularly the customers of the regulated  
25 telecommunications, electric, and natural gas

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1 utilities. And we have been an active participant in  
2 this case.

3 MS. KIDDOO: My name is Jean Kiddoo, and  
4 I'm an attorney for WorldCom. I have with me today  
5 Mr. David Porter, who is Vice President of WorldCom  
6 Government Affairs.

7 MR. HEATH: My name's Eric Heath. I'm  
8 Counsel for Sprint Corporation. With me today is  
9 Nancy Judy and Richard Pfeiffer.

10 JUDGE CAILLE: All right, thank you. Next,  
11 I believe Mr. Cromwell has some comments for us.  
12 Then, following Mr. Cromwell's comments, I will swear  
13 you in, and then you will be assisted with the  
14 process of making your statement by Mr. Cromwell.  
15 When you finish speaking, please remain at the  
16 microphone in case someone -- the Commissioners or  
17 one of the attorneys may have a question for you.  
18 And then, after you've answered your questions, if  
19 there are any, you will be excused and we'll call the  
20 next witness. All right. Public Counsel.

21 MR. CROMWELL: Thank you, Judge Caille.  
22 Just to give you a brief bit of background on the  
23 case, the companies have filed a petition with the  
24 Commission asking that it disclaim jurisdiction, or  
25 in the alternative, approve the transfer of control

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1 of Sprint's Washington assets to WorldCom.

2 To put it in plain English, the companies  
3 have asked the Commission to either say that they  
4 don't have jurisdiction over this merger or to  
5 approve it, if they feel they do have jurisdiction.  
6 The parties to this case include WorldCom, Sprint,  
7 SBC Communicaitons, the Utilities and Transportation  
8 Commission Staff and Public Counsel. Please remember  
9 that WorldCom is the new name for what had formerly  
10 been MCI, was for a little while MCI WorldCom, and  
11 now we're referring to it as just WorldCom. You  
12 should also know that SBC is a company that competes  
13 with WorldCom and Sprint in some markets.

14 After the hearings are complete, the  
15 parties will file briefs with the Commission,  
16 asserting their respective views on the law and facts  
17 of this case. The Commission has not yet made its  
18 decision. This is an opportunity for you, the  
19 public, to comment on this proposed merger and  
20 whether you think that it is in the public interest.

21 At this point, I'm ready to call on members  
22 of the public who wish to speak tonight. The one  
23 thing, as Judge Caille mentioned, that needs to  
24 happen first, is that she will swear everyone in. So  
25 I'll pause for a moment to let that happen.

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1 JUDGE CAILLE: Anyone in the room who will  
2 be testifying, please raise your right hand.

3 Whereupon,

4 ALVIN ZIMMERMANN and GERALD W. ABERNATHY,  
5 having been first duly sworn, testified as follows:

6 JUDGE CAILLE: Thank you.

7 MR. CROMWELL: Thank you, Judge Caille.

8 Mr. Zimmermann, would you please come forward, sir,  
9 and have a seat in one of the chairs in front of a  
10 microphone. We use the microphones just to make sure  
11 that everyone can hear what everyone has to say and  
12 for the court reporter's convenience.

13 Please state your name and spell your last  
14 name for the record?

15 MR. ZIMMERMANN: Alvin Zimmermann,  
16 Z-i-m-m-e-r-m-a-n-n.

17 MR. CROMWELL: And Mr. Zimmermann, where do  
18 you live?

19 MR. ZIMMERMANN: In Thurston County.

20 MR. CROMWELL: And are you a customer of  
21 either WorldCom or Sprint?

22 MR. ZIMMERMANN: I'm a current customer of  
23 Sprint.

24 MR. CROMWELL: And do you receive business  
25 or residential service or both?



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1 MR. ZIMMERMANN: Both.

2 MR. CROMWELL: Are you testifying on your  
3 own behalf today or on behalf of others?

4 MR. ZIMMERMANN: On my own behalf.

5 MR. CROMWELL: And do you have a statement  
6 tonight regarding the merger of WorldCom and Sprint?

7 MR. ZIMMERMANN: I do.

8 MR. CROMWELL: Please make your statement,  
9 sir.

10 MR. ZIMMERMANN: It's probably appropriate  
11 to tell you that I'm pretty small potatoes when it  
12 comes to telephone fees when you compare what I'm  
13 going to tell you to large business. I have three  
14 telephone lines, an incoming 800 number. I spend  
15 between \$3,000 and \$4,000 a year on telephone  
16 services.

17 I haven't any idea which company, perhaps  
18 both, stand to gain from this merger. I don't know  
19 the economics of the merger. I'm here as a consumer  
20 of their services with experience with both  
21 companies.

22 I was a customer of MCI for about a year  
23 and a half, and during that year and a half I  
24 experienced a year and a half of difficulties and  
25 problems, and problems with billing errors, with poor

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1 customer service, with an absence of follow-through  
2 on complaints, and with an extremely confusing  
3 invoicing method.

4       Every call that I placed to MCI during that  
5 period of time in attempts to correct these billing  
6 errors was met with a complete lack of attention on  
7 the part of MCI. In one instance, I called after  
8 each of three consecutive monthly invoices before the  
9 problem was resolved, and then, the following month,  
10 the error was back once again.

11       Even after I dropped service from MCI, I  
12 continued to receive monthly invoices for the ensuing  
13 four months. Each of those invoices for basic  
14 services, which I was no longer using and no longer  
15 subscribing to.

16       I'm now a customer of Sprint. The  
17 difference between MCI and Sprint, in my experience,  
18 as a consumer of their products, it is like the  
19 difference between night and day. I no longer  
20 experience billing errors; conversations I have with  
21 customer services are handled promptly and, most  
22 importantly, accurately; and their invoicing system  
23 is clear and concise. They provide service without  
24 any of the problems or hassles I experienced with  
25 MCI.

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1           And I'm testifying tonight for two reasons.  
2 First, because I'm personally fearful that a merger  
3 between these two companies will result in a  
4 deterioration in the quality of service that  
5 customers receive. My experience with merged  
6 companies typically finds that the quality of  
7 customer service deteriorates to the level of the  
8 poorer of the two. I have personal experience only  
9 with three mergers, but in all three cases, customer  
10 service deteriorated to the level of the poorer in  
11 that arena.

12           And in this case, with MCI, assuming the  
13 services provided -- currently provided by Sprint, I  
14 will have no alternative but to search elsewhere for  
15 my telephone services.

16           The second reason I'm testifying is because  
17 I believe that customers, consumers in Washington  
18 State, should have the right to choose from among  
19 alternatives, and the merger will eliminate one of  
20 our options, and that leaves me with only one other  
21 major carrier to consider. I check out my telephone  
22 alternatives on an annual basis. And among current  
23 alternatives, Sprint is the most cost-effective for  
24 my business and for my residential services.

25           I strongly urge that this merger not take

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1 place in the state of Washington. I appreciate your  
2 time and the opportunity to express my opinions.  
3 That's all I have to say, unless you have questions.

4 JUDGE CAILLE: Are there any questions for  
5 this witness?

6 CHAIRWOMAN SHOWALTER: You said there was  
7 one problem that occurred in three consecutive months  
8 and then showed up again. What kind of problem was  
9 that?

10 MR. ZIMMERMANN: It was a problem in the  
11 billing, but it has now been a few years, and I've  
12 thrown all of those papers away. I would be hard  
13 pressed to come up with specifics on it, but it was  
14 an overcharging error that just kept coming back and  
15 coming back.

16 CHAIRWOMAN SHOWALTER: And what time period  
17 was this?

18 MR. ZIMMERMANN: The years '94, '95, might  
19 have gone into '96, but certainly in '94 and '95.

20 CHAIRWOMAN SHOWALTER: And you said you'd  
21 had experience with other mergers going to the kind  
22 of lowest level of service. What kinds of mergers  
23 were those?

24 MR. ZIMMERMANN: Well, those were not  
25 utility companies, but as an independent contractor,

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1 I work with and represent several companies in  
2 Washington, and I've gone through three different  
3 mergers with them. One of them being -- well, in all  
4 cases, a company buying out another company, buying  
5 out a company that I represent. And in fact, in the  
6 latest case, I represented both companies, and one of  
7 my companies bought out one of my other companies  
8 that I represent, and the quality certainly reflects  
9 the poorer of those. And I still represent both of  
10 those companies.

11 So they're companies that sell products to  
12 schools and libraries. That's the nature of my  
13 business.

14 CHAIRWOMAN SHOWALTER: Thank you.

15 COMMISSIONER HEMSTAD: You suggest, then,  
16 that you would have only one other major provider of  
17 service if this merger is approved. What about the  
18 other smaller providers? Would you not consider  
19 them?

20 MR. ZIMMERMANN: I constantly receive  
21 solicitations from those smaller providers, as I'm  
22 sure all of you do. Each time I check them out, they  
23 come out to be more expensive. Let me give you a  
24 recent example. I received a solicitation from a  
25 company offering five-cent long distance telephone

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1 service, and I now currently pay twice that amount.  
2 So I checked on it, and a switch to that company  
3 would cost me over \$60 a month more, because they  
4 attach a minimum length to those calls in order to  
5 get that. The net result, in going back through the  
6 number of calls I made in one billing cycle, 100 and  
7 some -- 160 or 70 phone calls, the net result would  
8 be very expensive for me.

9 COMMISSIONER HEMSTAD: Thank you.

10 JUDGE CAILLE: Are there any other  
11 questions? All right. Thank you, Mr. Zimmermann,  
12 for your testimony.

13 MR. CROMWELL: Thank you, Mr. Zimmermann.  
14 Mr. Abernathy, please step forward, sir. Please  
15 state your name and spell your last name for the  
16 record?

17 MR. ABERNATHY: Gerald W. Abernathy,  
18 A-b-e-r-n-a-t-h-y.

19 MR. CROMWELL: And Mr. Abernathy, where do  
20 you live?

21 MR. ABERNATHY: I live in Thurston County.

22 MR. CROMWELL: Are you a current customer  
23 of either WorldCom or Sprint?

24 MR. ABERNATHY: No, I'm not.

25 MR. CROMWELL: Do you receive business,

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1 residential or both services?  
2 MR. ABERNATHY: From?  
3 MR. CROMWELL: From your current phone  
4 company?  
5 MR. ABERNATHY: Yes.  
6 MR. CROMWELL: Residential, business, or  
7 both?  
8 MR. ABERNATHY: Residential.  
9 MR. CROMWELL: Okay.  
10 MR. ABERNATHY: I do not have a business.  
11 MR. CROMWELL: All right. And are you  
12 testifying on your own behalf or on behalf of any  
13 other?  
14 MR. ABERNATHY: On my own behalf.  
15 MR. CROMWELL: And do you have a statement  
16 to make tonight regarding this merger?  
17 MR. ABERNATHY: I do.  
18 MR. CROMWELL: Please make your statement,  
19 sir.  
20 MR. ABERNATHY: Good evening. In 1963, MCI  
21 applied for a license to do business. William  
22 McGowan managed to tell the same lies so often, so  
23 well, that he built a company using everything  
24 illegal at his disposal and gained a position in the  
25 communications world. MCI managed to continue to

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1 cheat people out of billions of dollars all the time  
2 they have been in business. They never ever play by  
3 the rules of anyone else and have continued to be the  
4 company with the most complaints against them, even  
5 to this day.

6         The Attorney General's Office decided, by  
7 Bill Baxter, of the Justice Department, that he knew  
8 best what was for the American public and managed to  
9 tear about the best communications system that this  
10 nation has ever seen, and that was the old bell  
11 system.

12         His reasoning was to foster competition in  
13 the long distance market and with local service.  
14 Today, we have local telephone service that is mostly  
15 the same as it was 20 years ago, with very little  
16 less cost; mostly additional cost to support the  
17 local telephone companies and the long distance  
18 service.

19         In the long distance market, we used to  
20 have more than three companies, but now it is down to  
21 just three, MCI WorldCom, which is the worst company  
22 in the world. It was purchased by -- MCI, which is  
23 the worst company in the world, was purchased by  
24 WorldCom to leave us with barely three again. Now  
25 WorldCom wants to reduce us back to two.



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1 I ask this Commission to refuse this  
2 purchase. First, we were told it was better for the  
3 American public. Then we were told it was better for  
4 competition. Next we were told that it was just  
5 better.

6 The old bell system is gradually getting  
7 back together, as SBC Communicaitons has purchased a  
8 great many of the old seven. It is not in anyone's  
9 interest for MCI WorldCom for the purchase of Sprint  
10 Communications. Let's keep this a free market and  
11 don't decide for us again that it would be better.  
12 Thank you.

13 MR. CROMWELL: Mr. Abernathy, just for the  
14 record, I don't think you stated it explicitly,  
15 although we could probably wager a guess, are you for  
16 or opposed to this merger?

17 MR. ABERNATHY: I ask the Commission to  
18 refuse this purchase.

19 MR. CROMWELL: Thank you, sir.

20 JUDGE CAILLE: Mr. Abernathy, would you  
21 mind turning in your written comments to Mr.  
22 Cromwell?

23 MR. ABERNATHY: I'm embarrassed. I did not  
24 have a chance to spell-check it, but I would be glad  
25 to, yes.

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1 JUDGE CAILLE: Thank you, and that will  
2 become part of the exhibit, as well as the testimony  
3 that's been given.

4 MR. ABERNATHY: And Your Honor, I would  
5 like to make just a quick statement. I used to work  
6 for AT&T. I was a vendor liaison manager for them  
7 and handled the market in Nevada. I can attest to  
8 Mr. Zimmermann's problems, because I was called in by  
9 many of the casinos down in that area to help them  
10 with their massive billing problems. Most of those  
11 billing problems were what we called shadow calls,  
12 which were calls that were supposedly made, but were  
13 of a sufficient length that they were not completed,  
14 because MCI used a timing feature.

15 And at one point in my investigations, I  
16 had some of the companies, it was up to eight, nine,  
17 and \$10,000 in dispute, that eventually were taken to  
18 court. So that's all I wanted to say. Any  
19 questions?

20 JUDGE CAILLE: Any questions?

21 CHAIRWOMAN SHOWALTER: Do you have any  
22 other relationship with AT&T, like retirement?

23 MR. ABERNATHY: I am retired, yes.

24 CHAIRWOMAN SHOWALTER: In other words, do  
25 you have any financial interest in AT&T, or do they

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1 -- are you on -- do you receive any retirement  
2 payments from AT&T?

3 MR. ABERNATHY: Yes, I have retired from  
4 them.

5 CHAIRWOMAN SHOWALTER: Thanks.

6 JUDGE CAILLE: Any other questions? Thank  
7 you for your testimony, Mr. Abernathy.

8 MR. CROMWELL: Thank you, Mr. Abernathy.  
9 If you'll just hand that over, I'll add it to the  
10 other written comments. Actually, if you would do me  
11 a favor and sign and date it at the end, that way,  
12 we'll know it's you.

13 Your Honor, I do not believe we have anyone  
14 else registered to provide public comment tonight.

15 JUDGE CAILLE: Okay. Well, then, I wish to  
16 thank everyone for coming, and your comments will be  
17 considered by the Commission. We are now in the  
18 formal hearing process, and your comments will be  
19 taken into consideration in making the decision.

20 If there's anyone who would like to follow  
21 this case, please see Ms. Hansen at the back of the  
22 room, and she's with our public affairs division, and  
23 she can give you information on -- or she can take  
24 your information and you will be apprised of the  
25 outcome of the decision.

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1                   If there's nothing further before the  
2 Commission, then we stand adjourned. Thank you.  
3                   (Proceedings adjourned at 6:23 p.m.)  
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