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1 PROCEEDINGS

2 JUDGE WALLIS: This is a posthearing
3 conference in the matter of Docket No. UT-050814, which
4 involves the application for approval of a plan of
5 merger between Verizon and MCI.

6 This conference has been established for the
7 purpose of discussing and to the extent possible
8 resolving process for implementation of a portion of
9 the Commission final order in that docket which
10 established a public purpose fund. Let's begin with
11 appearances today, beginning with the companies, or I
12 guess it is a company now.

13 MR. LUNDSGAARD: David Lundsgaard on behalf
14 of Verizon.

15 JUDGE WALLIS: For Commission staff?

16 MR. THOMPSON: Jonathan Thompson for
17 Commission staff.

18 JUDGE WALLIS: Public counsel?

19 MR. FFITCH: Simon ffitch for public counsel
20 section.

21 JUDGE WALLIS: Let me ask if there is any
22 party to this proceeding that wishes to participate in
23 the conference today. Let the record show there is no
24 response.

25 The parties have indicated that they each

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1 wish to make a statement. Verizon has indicated that
2 it has a formal presentation, and the parties have
3 agreed that Verizon may proceed first. So let's begin
4 with that presentation, please.

5 MR. LUNDSGAARD: Thank you, Your Honor. For
6 purposes of introducing the presentation, I'll turn the
7 microphone over to David Valdez of Verizon.

8 MR. VALDEZ: As we started kind of looking at
9 this issue, I understand that we are still fairly early
10 in the process, but we wanted to just provide some food
11 for thought, if you will, and some of the
12 considerations that we took in terms of figuring out
13 what is the kind of best approach to this fund is kind
14 of recognizing that number one, we wanted to have the
15 least amount of administrative burden as possible, or
16 rather dispersing a fund that didn't have a lot of
17 administrative overhead, and secondly, how do we cast
18 the broadest net possible to touch as many Verizon
19 customers in terms of the flow-through benefit pursuant
20 to the order in this case.

21 Along these lines, one of the things we
22 looked to was nonprofit organizations, particularly
23 those nonprofit organizations that we have
24 relationships with. Verizon has the Verizon
25 Foundation, and through this foundation, we have

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1 touched a variety of our communities through the
2 issuance of grants, the issuance of various types of
3 programs that seek to benefit those customers in our
4 communities.

5 In reviewing those nonprofits that we have
6 relationships with, we've identified one particular
7 organization that we think would be well suited for
8 managing the fund, and it is an example of what we
9 think makes sense, and I understand that all of the
10 parties are still looking at this issue, and all that
11 we would ask is that as you are looking at what makes
12 the most sense, here is one proposal that based on our
13 experience in terms of working with foundations, based
14 on experience in terms of making sure there are
15 partners out there who will be efficient and diligent
16 in administering or deploying a particular grant that
17 they receive that we think this organization has a good
18 track record, and the service they provide is, I think,
19 consistent with the Order.

20 So along those lines, I would like to now
21 introduce Jaime Greene from NPower, who is here to give
22 a presentation about their organization as well as
23 provide a proposal that we would again put on the table
24 for purposes of discussion, and I understand this is
25 something we will continue to work on.

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1 JUDGE WALLIS: Could you introduce yourself,
2 please, spelling your name and spell the name of the
3 organization that you represent.

4 MS. GREENE: I'm Jaime Greene. My first name
5 is spelled J-a-i-m-e, and the last name is Greene,
6 G-r-e-e-n-e. My organization is NPower Seattle,
7 N-P-o-w-e-r Seattle.

8 JUDGE WALLIS: Very well. Please proceed.

9 MS. GREENE: I think Your Honor has a button
10 that brings up the information.

11 JUDGE WALLIS: While we are meeting the
12 technological challenges of current technology, I
13 wonder if you have copies of the slides that are
14 involved in this presentation.

15 MS. GREENE: I do.

16 JUDGE WALLIS: Is there any objection to
17 marking a copy of this document as an exhibit in this
18 proceeding? Let the record show there is no objection.

19 MS. GREENE: I also have some background
20 material on our organization that I can share as well.

21 JUDGE WALLIS: Very well.

22 MS. GREENE: Thank you for having me. I'm
23 Jaime Green. I'm the executive director for NPower
24 Seattle, and I'm here to share a little bit about who
25 we are as an organization, what it is we do in the

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1 community, and provide an example of an approach that
2 might be useful to consider in dispersing these funds.

3 To share a little bit about NPower, one thing
4 I would like to start with is we are a nonprofit
5 organization ourselves, and we are really passionate
6 about what nonprofit organizations have to offer our
7 community. When we think about all that they provide
8 in helping youth and after-school programs, in
9 protecting our environment, in strengthening the social
10 fiber of our communities, they really need every tool
11 at their disposal to be effective organizations, and
12 too often, we find that technology is one of the tools
13 that gets left behind.

14 So today we find that technology is one of
15 the tools that when nonprofits use it well can really
16 impact the reach and impact of their services. For
17 example, they can use technology to be more efficient
18 and more effective as organizations, much like
19 for-profit businesses.

20 So this charge that NPower has taken on, we
21 are a nonprofit organization that was first founded in
22 the Puget Sound, and we are now a national network of
23 nonprofit organizations, and we really have a vision of
24 a thriving nonprofit community that's seeing to the
25 health and safety of our community through their

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1 services, so it's our mission to help nonprofits better
2 use technology to serve their communities.

3 Just to give you a sense of the breadth of
4 our organization is we have sites across the US, but it
5 started here in this region because there a real need
6 for nonprofits struggling with technology, and we had
7 some visionary founding fathers that started our
8 organization.

9 So let me tell you about what it is we do to
10 help nonprofit organizations. We provide a range of
11 services. We find that nonprofits are at all levels in
12 their need for assistance, so we have a continuum of
13 services that range from low cost to no cost, and those
14 services range from consulting assistance, so we might
15 help nonprofits plan for and implement technology, so
16 we help them build networks, put in Web sites, build
17 databases, take advantage of communications technology.

18 We also provide a range of education. We
19 find that nonprofit organizations don't often have the
20 skills and confidence they need to use the tools they
21 already have. So many of them have desktop computers
22 and information and communication technologies already
23 within their organizations, and their staff lack the
24 skills and expertise of how to best take advantage of
25 them.

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1 We also provide a range of community service
2 programs where we engage companies and their employees
3 as volunteers, universities in their education programs
4 as service learning so that we can connect the broader
5 community and its expertise with what nonprofits need
6 around technology infrastructure.

7 We also have some online tools. We found
8 that we will never be big enough to reach everyone, and
9 in using the Internet, we can help nonprofits do some
10 self-help, so we have an online tool that helps
11 nonprofits with technology planning. So this is just
12 to give a flavor of the types of work that we offer.

13 One of the things I want to explain about
14 NPower is that we are kind of an unusual nonprofit in
15 that we are a blend of fee-for-service and
16 philanthropic revenue, so about 50 percent of our
17 revenues come from the fees that nonprofits pay on a
18 sliding scale basis for our assistance, and that scale
19 is from no cost to low cost, which is well below
20 market. That philanthropic support comes from
21 individuals, foundations, and corporations without
22 which we wouldn't be able to offer these types of
23 services.

24 We traditionally work with small to mid-size
25 nonprofit organizations. We find that nonprofits with

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1 ten or fewer staff tend to struggle with technology the
2 most and have the least access to what the for-profit
3 sector has to offer, so we serve all nonprofit
4 organizations of different sectors, and feel free to
5 stop me along the way if you have questions.

6 Just to give you a sample of some of the
7 organizations that have supported us, our founding
8 funders are Microsoft; The Medina Foundation, which is
9 a family foundation; The Seattle Foundation, and the
10 Boeing Company. Those funders came together in 1998
11 because they were seeing nonprofit organizations really
12 struggle with implementing technology, and alone, each
13 of those funding organizations couldn't figure out the
14 right mix of service and assistance, so they
15 commissioned a business plan for what now is NPower,
16 and that business plan has really guided our service
17 delivery over the last five years and helped us to
18 think about how to scale our services to best take
19 advantage of the few philanthropic dollars we get and
20 get the benefit out to the most nonprofit organizations
21 that we can.

22 I want to talk a little bit about how we
23 think about serving nonprofit organizations. This
24 diamond of a triangle helps us to frame the need,
25 because at the base of the triangle, the broadest and

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1 most general need, nonprofits have a need for what we
2 call stable and secure technology environments. So
3 nonprofits often get stuck at this level because it's
4 broken. They get virus attacks and spam and computers
5 that won't turn on and software that doesn't work on
6 the hardware they have. So often times, nonprofits
7 just need help at this basic stable and secure level,
8 so that is a volume of what we do.

9 The next level up is helping nonprofits with
10 effectiveness. They may have some infrastructure in
11 place and some of the basics addressed, but they need
12 to be more strategic and smart about how they use the
13 tools they already have. An example of that is a
14 nonprofit organization that is using Microsoft Word and
15 doesn't realize that a tool like Mail Merge would allow
16 them to create batch letters and save time and
17 resources that are really scarce in their organization.

18 So we look at tools that generally most
19 nonprofits need to be effective as well as more
20 specific tools. For example, an after-school program
21 might have Internet access for youth, and they have a
22 need for Internet filtering software to make sure that
23 the youth are taking a look at content that's
24 appropriate to the after-school program.

25 But that's different than the technology

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1 that, say, a microlending program needs for business
2 loans. They need to look at Excel and other kinds of
3 programs that help them manage those microlending
4 functions they have. So at that effective list level,
5 we get into very specific tools that different
6 nonprofit organizations need to be effective and
7 efficient in their community.

8 At the top level, it sort of narrows the
9 field, but looking at creative uses of technology.
10 When we think about technology, a lot of times it's
11 what the for-profit market thinks of is most in need
12 because they can make money on it and sell it as a
13 product, but a lot of the social applications to
14 technology aren't something that our market is going to
15 make affordable.

16 A good example is in Washington State, we now
17 have an online order of protection, and much like Turbo
18 Tax, it's a tool that let's you answer questions in
19 sort of straightforward language, and in the background
20 is completing the forms for an order of protection, and
21 what they found with those kinds of tools that
22 nonprofit organizations that are in domestic violence
23 prevention see the need and understand the real
24 barriers to getting an order of protection. Until they
25 really gained an understanding of what the technology

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1 could offer, they didn't see what was possible.

2 So we find that this pyramid is an important
3 building block to getting to those kind of community
4 transforming information and communications
5 technologies solutions that benefit our community more
6 broadly. So we believe that without bringing the
7 nonprofits along, we are not going to see those benefits
8 of technology in our community, and instead, it will
9 make us faster and smarter and more cost-effective but
10 not solve our social issues that we are struggling
11 with.

12 So we are really committed to helping
13 nonprofit organizations take advantage of these tools
14 and put them to use in our community. Over the years,
15 we've served about twelve hundred nonprofit
16 organizations since our inception and provided about
17 36,000 hours of consulting.

18 It can sound like an impressive number, but
19 if you're in the consulting business, that might sound
20 like a small number, because a traditional consulting
21 company spends about, a small project is about one
22 hundred hours, and in our field, a small project is ten
23 hours. If you think of those 36,000 hours ten at a
24 time, you see why we have to be a nonprofit
25 organization combining philanthropic support with the

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1 fee-for-service because you economically can't make it
2 work, so we provide a range of services to meet
3 nonprofits where they are at and really have a broad
4 reach with our impact.

5 Just to give you a sense of scale, the State
6 of Washington has over six thousand nonprofit
7 organizations, and about forty-two hundred of them are
8 in King, Pierce and Snohomish county where we are
9 currently focusing our services, is that leaves another
10 twenty-four hundred in outlying areas outside of Puget
11 Sound, and just to give you some examples, with
12 Ellensburg having 35, Yakima having 112. This is data
13 from 2003.

14 In 2003, we partnered with the Bill and
15 Melinda Gates Foundation to explore what it would look
16 like to broaden the reach of our services beyond the
17 Puget Sound. We got a \$300,000 grant from the Bill and
18 Melinda Gates Foundation, and they gave us about 18
19 months to serve nonprofit organizations, and in that
20 time, we served over 170 nonprofit organizations in 13
21 communities, and we learned a lot about what it would
22 mean to scale our services and bring them out to a
23 broader geographic area.

24 With that experience, I would like to share
25 with you an approach that I would like to suggest for

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1 consideration in these special funds. I wanted to
2 share what we found to be some of the keys to success
3 when we did that pilot project. We found it was really
4 critical to work with local nonprofit organizations to
5 understand what it was they needed and what kinds of
6 services we could provide. So we had to really think
7 about offering a flexible suite of services. We
8 couldn't come in with a cookie cutter and assume
9 everything would be useful in every community.

10 We also had to start face to face. While
11 technology allows us to work long distances, those
12 personal relationships, the trust, and quite frankly,
13 the relevancy of technology is best communicated
14 one-on-one the first time.

15 JUDGE WALLIS: Your topic here is "Keys to
16 Past Success." Perhaps as an introduction to that, you
17 could share with me what you mean by "success."

18 MS. GREENE: We looked at success in kind of
19 three areas. One was in breadth, sort of how many
20 could we reach. How many nonprofits could we provide
21 services to, and we had an outside evaluation, and I
22 actually have copies here of our final report to the
23 Gates Foundation as well as the outside evaluation that
24 was done.

25 Typically in our work, we evaluate on three

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1 levels: Customer satisfaction, we ask nonprofits did
2 they get what they were expecting working with us, and
3 that's a superficial level we can measure right away.
4 The second level takes a longitudinal dimension. We
5 have to work six months or longer with an organization,
6 and we look at did they learn something. Do they know
7 something or do something different today. Because
8 someone can be satisfied but not necessarily make
9 change or implement new ideas.

10 The third measure we didn't get to in this
11 pilot because it requires three years of interaction,
12 where we look at starting to measure the impact on
13 their mission, on their capabilities as an
14 organization. Does that help?

15 JUDGE WALLIS: Yes. Please proceed.

16 MS. GREENE: Some of the challenges in an
17 18-month project, we found that it was a more costly
18 way of delivering services both because of the friction
19 of distance, the cost of sending staff out to Ferry
20 county to deliver services in Republic. While they are
21 in transit, they are not able to serve other nonprofit
22 organizations, and also the additional subsidy those
23 nonprofits needed. So that sliding scale I mentioned
24 in our fee structure needed to be adjusted even further
25 to address the smaller markets.

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1 In addition, there was a real uneven
2 concentration of nonprofits, and these sort of pockets
3 where nonprofits were made it hard to sort of do
4 large-scale services. Instead, we had to do
5 cottage-type approaches in small cities. The third
6 challenge, which quite honestly we face here in the
7 Puget Sound, is dramatically different technology
8 environments, and what I mean by that is nonprofits are
9 often the recipients of donated equipment or
10 secondhand, and what that creates is a real hodgepodge
11 of operating systems and hardware that don't work well
12 together and cost a lot to maintain because it's not
13 very homogeneous or standard.

14 It also makes it very difficult for
15 volunteers or people learning about technology or
16 technologist to come in and help in that environment.
17 It take a high degree of skill to walk in a hodgepodge
18 environment and fix whatever may be broken. So we
19 found that to be the case in the rural communities as
20 well.

21 When David Valdez came to us and asked us
22 what we could envision being possible, if we thought,
23 about, for example, a four-year program dispersing the
24 funds over four years, what kind of impact do we think
25 we could imagine, we put together just a high level

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1 approach. We like to think of this as balancing
2 breadth and depth, because we find with these sort of
3 longitudinal projects that we've done, you're
4 balancing, reaching a number of nonprofit organizations
5 with also trying to go deep in terms of the kind of
6 help you can give them over time.

7 I would like to describe for you this
8 approach that we sort of outlined for conversation
9 purposes, and thinking about that triangle of services
10 again starting at that base of the pyramid in stable
11 and secure, we would really look to figuring out what
12 are the ways we can help those nonprofits assess and
13 identify gaps and problems with their technology and
14 can really help them get the basics in place so they
15 are not battling viruses day to day and backing up
16 critical data like adoption records, make sure that
17 things are really stable.

18 And also training their staff. A lot of
19 times, there is a technology responsible person at a
20 nonprofit organization. We call them the accidental
21 techy. A lot of times it's the caseworker or the
22 office manager or the person who is really passionate
23 about what the organization does that they are willing
24 to put up with figuring out the technology. So we find
25 that provide training and resources for that sort of

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1 accidental techy is really important in helping
2 maintain the infrastructure at a nonprofit
3 organization.

4 We've also found that in terms of standards,
5 I mentioned the sort of diverse or sort of hodgepodge
6 of computers. What we found in the Puget Sound to be
7 effective is to start thinking about standard levels,
8 particular ages of hardware, particular versions of
9 software that we recommend the nonprofits stick to so
10 that it makes the cost of owning their technology as a
11 whole go down.

12 Sometimes that means turning down machines
13 that aren't quite up to snuff or moving computers off
14 of old versions of software so they can have more
15 consistent assistance and help. So that sort of
16 standards and assessing where they are at and training
17 their staff helps address some of those basic needs.

18 I would think of us moving up into the
19 effectiveness area and thinking about what are the
20 skills, particularly in productivity software, like
21 making PDF's out of documents so they can share them
22 more broadly, using Excel for budgeting. The tools we
23 take for granted in our business world, the nonprofit
24 organizations really can use and put to use in our
25 community.

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1 Also in that effectiveness area, thinking
2 about the specific technology they may need for their
3 mission. So for example, we are in conversation right
4 now with C-ted (phonetic) to look at developing a
5 common database for food banks across the state of
6 Washington. Because food banks are often run by
7 volunteers, they don't have the technology tools to
8 build a database and often times have to shut down the
9 food bank for a couple of days while they count up the
10 results and hand those off to the county or the local
11 government to get the support that they need. So those
12 tools are really a critical piece of being effective as
13 organizations.

14 Sort of moving beyond effectiveness, we also
15 think it's really important to not dedicate a lot of
16 resources but a strategic amount of resources to
17 inspiring innovation. We find that when nonprofits see
18 what's possible, they kind of keep their noses to the
19 grindstone and do the hard stuff of putting the basics
20 in place, because when they see things like the online
21 order protection, when they see examples of nonprofits
22 aspiring to do innovative things in the community, it
23 makes it kind of worthwhile in the end. So we use
24 venues like text summits or awareness-raising workshops
25 to communicate those successes.

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1 So it's sort of a combination of starting at
2 the basics, making sure we put in the effectiveness in
3 the middle and then the aspiring at the top that we see
4 kind of a range of services that would make sense to
5 sort of go with breadth and depth. We think with that
6 approach that we can serve roughly 120 nonprofits a
7 year, and that's a really sort of back-of-the-envelope
8 number to help you get a sense of scale.

9 One of lessons we learned looking at our
10 statewide project, we like to think about it in terms
11 of ultimate community impact, and we use a multiplier
12 of about a hundred. We assume, and it's a conservative
13 estimate, that each nonprofit organization touches at
14 least a hundred people in the community in need. Some
15 nonprofits serve a whole county and touch more than
16 that, so it's a conservative number. But using that
17 number helps us to see what's the leverage point of
18 assisting nonprofit organizations as they better serve
19 the community. So that sort of gets to the kind of
20 impact we could see having with these kinds of funds.

21 David also asked me to outline what I think
22 sort of the steps, time line might look like just at a
23 high level. We want to take some time to put together
24 a more detailed proposal that really had good
25 milestones and time lines in place, but just for

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1 discussion purposes, using this first quarter to sort
2 of put all of that in place and secure the funds and
3 then begin hiring and training the staff that would be
4 needed to augment our services to these outlying areas,
5 but we actually see that we could be functionally
6 delivering services throughout the fourth quarter of
7 this year.

8 A lot of times, conducting outreach and
9 marketing the services brings a lot of
10 awareness-raising along with it. So that's another
11 critical period of time as well. I want to stop there
12 and see if there are questions or anything I can
13 answer.

14 JUDGE WALLIS: I do have a question. The
15 final order in this docket at Paragraph 221 describes
16 the commissioners' intention with regard to the use of
17 the fund as follows: They said, "Our intention is to
18 use the fund for purposes that would mitigate merger
19 effects, improve telecommunication services, make
20 services more readily available to the public, or for
21 other purposes benefitting a broad range of Verizon
22 customers."

23 They went on, "We will convene conference--"
24 that's what we are engaged in today "--to prepare an
25 order in this docket that will identify characteristics

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1 of projects for possible funding and a simple mechanism
2 for qualification and award."

3 Can you identify how the proposal that you
4 are describing meets the expectations and intentions
5 that the commissioners describe in that paragraph?

6 MS. GREENE: I'm going to defer to
7 Mr. Lundsgaard.

8 MR. LUNDSTGAARD: In a couple of ways, Your
9 Honor. First, if you take a look at the last clause of
10 that first sentence where it describes, for other
11 purposes benefitting a broad range of Verizon
12 customers. As Mr. Valdez was indicating earlier, we
13 were interested in identifying projects or means of
14 touching a large number of people, and this was one way
15 based on a foundation that Verizon had good experience
16 with.

17 The other part of it is with respect to the
18 provision that discusses improving telecommunications
19 services, one of the things that we considered was as
20 we move forward and technology becomes in a sense more
21 convergent, it's going to be important not necessarily
22 to limit ourselves to thinking about, say, phone
23 service.

24 These nonprofits are in a sense deficient in
25 their use of telecommunications services, whether it be

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1 phone service or Internet service, as we were
2 discussing, or other means of communicating within a
3 nonprofit and with other nonprofits to be more
4 effective at providing the services to their customers
5 and to their clients, and we felt that NPower was an
6 organization that could help facilitate that. So in
7 both of those respects, we felt that the project we are
8 proposing for consideration fell within the rubric of
9 the terms of the Commission's order.

10 With respect to the second part of Your
11 Honor's question in terms of the process, this is a
12 fairly fluid process at this point. Different parties
13 may have different things to suggest with respect to
14 the process. I think it may be fair to say that
15 Verizon has thought about this particular project, and
16 we have a presentation on this. I think Staff has been
17 receptive to it so far. I'm sure they are not in a
18 position to commit, and they may have some additional
19 thoughts about process, and we would like to talk about
20 processes as how to go forward.

21 We thought it might be useful to start with a
22 substantive proposal as to where we would like to be
23 going with it without immediately getting into what is
24 our process going to look like, etcetera, and in that
25 respect, one of our primary considerations is

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1 ultimately coming up with a way to make the process as
2 streamlined as possible, and perhaps by identifying
3 what some of the substantive outcomes might look like,
4 we might be able to create a process that's more
5 efficient.

6 One of my principle concerns is that we don't
7 move ourselves into a situation where we create
8 essentially a mini-grant bureaucracy that might entail
9 a lot of additional work, administrative work for Staff
10 and the Commission, administrative work for Verizon and
11 the other parties as we sort of vent dozens of grant
12 proposals and try to reach agreement upon them.

13 So I hope that's responsive to the concerns
14 that you were raising about process, and I think it
15 would be great if in the rest of this conference we
16 also kind of pay attention to that process and see
17 where we are at the end.

18 JUDGE WALLIS: Very well. Do you have any
19 concluding comments to make?

20 MS. GREENE: No, Your Honor. I'm happy to
21 answer any questions and think that the nonprofit
22 technology is something that's in need in this state
23 and hope that it will be considered as something that
24 this commission can help address.

25 JUDGE WALLIS: Mr. Thompson, Mr. ffitch, do

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1 you have any questions to pose to either Verizon or the
2 representative of the nonprofit?

3 MR. FFITCH: I guess I just had one.

4 JUDGE WALLIS: Is there any further need for
5 the technology? If not, we will pull the plug.

6 MR. FFITCH: It may be a little premature to
7 get into specifics with the proposal here, but it did
8 occur to me to ask if funds were awarded to this
9 particular project, would the funds be used to
10 essentially expand services that NPower itself is
11 providing and by funding NPower's operations directly,
12 or would they be used to defray fee-for-services that
13 would be otherwise incurred by nonprofits that you'd
14 assessed?

15 MS. GREENE: It's a good question. We had to
16 discontinue the outreach services as part of the pilot
17 project, so this would reinstate the mix of services,
18 and I think you are right. We would have to get more
19 specific. My assumption would be that there would be
20 still that continuum of no-cost to low-cost services
21 that are appropriate for those markets.

22 So what we saw with the work we had done with
23 the Gates Foundation was it was a broader amount of
24 no-cost services and an even more deeply subsidized to
25 the tune of ten dollars an hour as opposed to our

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1 typical fifty dollars an hour type assistance, just to
2 give you a sense.

3 MR. FFITCH: Thanks.

4 JUDGE WALLIS: Is there anything further of
5 Ms. Greene? Ms. Greene, I want to thank you very much
6 for coming today and sharing your ideas with us.
7 Verizon, thank you for bringing Ms. Greene. Does
8 Verizon have anything further to say in terms of
9 opening remarks regarding the challenges we are here to
10 face today?

11 MR. LUNDSGAARD: Not at this time, Your
12 Honor, no.

13 JUDGE WALLIS: Let's move along to Commission
14 staff and Public Counsel then for your introductory
15 comments.

16 MR. FFITCH: I guess we did have a few
17 remarks prepared essentially tracking the questions
18 that were in the notice of posthearing conference.

19 Overall, I'll just start out by saying that
20 we, as the Bench is probably aware, we and the
21 Commission staff and the Qwest Company have been
22 involved in a multiyear process of administering a
23 refund out of a Qwest case, which has involved grants
24 to various consumer benefit projects around the state,
25 and we've learned some things from that process, and I

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1 think there have been some problems and also some
2 successes, so a lot of what I'm saying sort of builds
3 off of that experience both positive and negative.

4 Let me start out by addressing the question
5 of who should participate in the preparation,
6 nomination, and selection, and I think those are three
7 different questions. First of all, participation and
8 preparation, we interpret that to mean preparation of
9 this sort of application process rather than
10 preparation of specific proposals, and in that regard,
11 we would look at two different reasonable candidates.
12 One would be the parties to the case, Staff, Public,
13 Counsel, and Verizon. Alternatively, the Commission
14 itself could, we think, after taking this kind of
15 input, just craft a process for collecting proposals
16 and making a decision without further participation by
17 the parties after the input round.

18 The other possibility might be that the
19 Commission might think about using an outside
20 consultant for the process. For example, somebody like
21 the Seattle Foundation that's got a lot of experience
22 with this kind of process or some other consultant that
23 could help the Commission craft the process.

24 On the matter of nomination, we think
25 probably the most appropriate process would be

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1 self-nomination of interested parties themselves,
2 potential applicants, after there has been a broad
3 announcement of the availability of the funds just to
4 allow the interested folks themselves to come forward,
5 and that's an initial screening process right there,
6 rather than have, for example, the really small group
7 of the parties to this case make suggestions ourselves,
8 for example. That would require a broader or good
9 notice to the community that there was a process that
10 were funds available for application.

11 One reason we say this, it's pretty obvious
12 that we don't have a corner on good ideas. There is a
13 lot of people out there in the state of Washington
14 doing a lot of things we don't know the half of what's
15 going on out there or what kind of ideas. We think
16 it's better to hear from some of the people out there
17 who may have thought of some things that haven't even
18 occurred to us that turn out to be great ideas. So
19 that's why we say let people self-nominate after a
20 notice-type process.

21 As far as the selection, after you've
22 received nominations, we think either the Commission
23 itself with its advisory staff or an independent
24 third-party group working with direction from the
25 Commission, like the Seattle Foundation, and I keep

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1 mentioning the Seattle Foundation, and I'm harking back
2 to the Qwest refund process where two million dollars
3 of that refund was earmarked for consumer education.
4 The Seattle Foundation was given some parameters with
5 which to disperse that money, and then they crafted an
6 RFP process. They ran it from there, and they selected
7 like five projects to distribute that money around the
8 state based on the grade parameters from the
9 settlement. One issue there is cost. I think that
10 would require some research. There is an
11 administrative cost to using Seattle Foundation or
12 somebody like that, and I think we want to be careful
13 about not eating up this fund with administrative
14 costs.

15 The second major question that the
16 posthearing notice asks is what subjects should be
17 addressed, and I guess we don't have a lot to add to
18 that. It's a good list. I think we focus on first
19 three which have the most substantive content, and we
20 would urge the Commission to try to seek projects that
21 actually addressed mitigating the merger impact that
22 impacts customers in the Verizon service territory,
23 which includes a lot of rural areas and out of the
24 traditional major cores like Seattle and Tacoma and
25 where there is some different telecom issues.

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1 These are very general topics. What are the
2 merger impacts and what might you do to mitigate them.
3 The Order identified anticompetitive impacts of the
4 merger, so trying to, for example, provide customers
5 with education about their competitive choices in the
6 marketplace might be a useful use of the funds. Any
7 competitive factors also put pressure on rates. I'm
8 not sure what I think about this idea myself, but some
9 of those funds might be earmarked for the WTAP program
10 or to have nonprofits doing more outreach for WTAP
11 services in Verizon's area. Maybe they have more funds
12 available for publicity services in affected
13 communities. Those are just examples.

14 Under this heading, I was looking at our
15 recommended conditions in the case, and a couple of
16 other ideas occurred to me. We had recommended that
17 the Company make its VOIP E-911 platform available. It
18 may be that something in that area from the E-911
19 provider side of things and the VOIP provider separate
20 from Verizon itself may be an area where there is
21 somebody out there who might have some ideas.

22 Just general customer education I've already
23 mentioned. I think there is a lot of customer
24 confusion out there about what's going on in the
25 marketplace and who the providers are and what their

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1 choices are and what their pitfalls are, how to
2 understand advertising, how to read the small print.
3 That's a whole area where there might be some value and
4 effort.

5 Then there is the area of broad-brand
6 deployment where there were no specific conditions
7 attached to the Order, but that might be an area where
8 there could be some projects out there that would be a
9 good idea. Then I just had a couple of very general
10 sorts of ideas that again, I'm not sure they are even
11 good ideas. They are just things that occurred to me
12 for this discussion.

13 One might be making the funds available for
14 consulting work or preparation of studies regarding the
15 state of the competitive market in Verizon's service
16 territory perhaps analyzing the impact of the merger as
17 it goes forward. This is not obviously direct service
18 to affected customers, but perhaps even some of the
19 funds could be made available to the Commission to
20 retain a consultant to perform a serious in-depth study
21 of the issues affecting Verizon's customers postmerger.

22 Another idea might be to have some of the
23 funds be available for nonprofits who are participating
24 in Commission proceedings to hire consultants so they
25 can participate better in Commission proceedings, and

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1 I'm not including our office in that group, but other
2 nonprofits who have trouble participating in Commission
3 cases because they can't really afford to hire the
4 expertise that some of the funds might be used for that
5 purpose.

6 Perhaps there are university programs around
7 the state who are looking at telecommunications issues
8 who might make good use of a portion of the grant funds
9 to study telecom issues, perhaps a case study or a
10 subset of issues around the impact of mergers in the
11 rural areas.

12 I'll just finish up by mentioning the
13 question about time frame and forms and processes, and
14 just a couple of random ideas. Under time frame, I
15 think it's important to just get the dollars out and
16 working in the community as soon as possible. Under
17 the Order, until the funds are awarded, they remain in
18 the position of Verizon, so we think they are really
19 not doing any good out in the community until they get
20 awarded. So I think that creates some urgency to get
21 them out there.

22 General recommendation, we think it would be
23 good to try to finalize the application process and
24 framework by June 1st or July 1st, midyear, try to
25 actually decide on the awards by year-end 2006 and then

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1 require projects to be completed by the end of the
2 stay-out period in 2009. I think that's the end of the
3 stay-out period.

4 On forms and application processes, we don't
5 have anything specific to offer at this time there.
6 Again, I think that can be left in the hands of -- once
7 the other decisions are made, I think that kind of
8 falls into place, particularly if the decision is made
9 to use an outside consultant.

10 Now the random comments, some of these are
11 lessons or guidance we think from the Qwest process.
12 We think it's a good idea to avoid very large agency or
13 governmental projects which they have their own list of
14 the issues with other sources of funding, and with
15 legislative changes and with internal issues that we've
16 seen in some of the Qwest projects, they've taken a
17 very, very long time to implement and have had various
18 changes of direction and have been impacted by other
19 forces that have made it difficult to really ultimately
20 bring to fruition the original vision. So sort of
21 beware of some of those kind of mega projects, if you
22 will.

23 Also in observation, I think this is not very
24 much money in the grand scheme of things, so it
25 probably should be not divided up into unduly small

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1 pieces, but we think it should be divided up into more
2 than one grant. It should definitely include some
3 benefits for rural areas and not just I-5 corridor
4 folks. I'm not sure what the Commission's intent was,
5 but I think we would suggest that optimal use of the
6 funds are to go out to directly benefit customers or
7 nonprofit groups rather than to be used to essentially
8 circle around back to Verizon by using the funds for
9 people to purchase Verizon products or services.

10 We had a certain amount that in the Qwest
11 case, and it was actually done for the most part
12 intentionally, the grant was in the settlement
13 agreement divided up into funds which went to Qwest
14 infrastructure and other parts of the fund that went
15 out into the community. Because this is such a small
16 amount of money, I guess that we would advocate that it
17 go out into the community and not just be used to go
18 back to Verizon. That completes my remarks. Thank
19 you, Your Honor.

20 JUDGE WALLIS: Thank you, Mr. ffitch.

21 Mr. Thompson?

22 MR. THOMPSON: Mr. Spinks is going to go
23 ahead and address the questions.

24 JUDGE WALLIS: Could you introduce yourself
25 for the record and state and spell your name and

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1 indicate what your position is with the Commission and
2 then proceed with your remarks?

3 MR. SPINKS: My name is Tom Spinks,
4 S-p-i-n-k-s. I'm representing the telecom staff this
5 morning.

6 The reason I think I'm here is that I along
7 with Dr. Blackmon have been representing the Commission
8 in the administration of the Qwest refund as one of the
9 escrow parties and have gained some experience and
10 insights into these processes that the Commission is
11 seeking information about this morning.

12 My approach to making a statement this
13 morning is just simply to in a straightforward way try
14 to address the questions that the Commission has set
15 forth in its posthearing conference order.

16 With respect to the first question about
17 participating and preparation, nomination and
18 selection, I would note there are several ways the
19 Commission can choose to proceed, and to begin with,
20 Staff is available to assist the Commission in whatever
21 process it chooses to adopt, either independently or as
22 part of a group.

23 The Commission could choose to receive
24 project proposals from parties and/or from the public
25 and choose projects for funding from that. The

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1 Commission could also decide to direct some or all of
2 the funds to a foundation which does the solicitation,
3 awarding, and administration of the grants from the
4 fund. And, in fact, Staff believes that directing the
5 moneys to a foundation is probably the most timely and
6 expedient way to insure that the funds are timely spent
7 in a way that reaches a broad base of customers that
8 did not receive any direct merger benefit.

9 The Commission used the foundation to
10 distribute refund money that was left over from the
11 US West rate case refund with good results. Using the
12 foundation would also ease the administrative burdens
13 on the Commission in not having to put out an RFP and
14 would probably result in the most possible applicants
15 for the money being made aware of its availability.

16 In terms of subjects that are appropriate or
17 inappropriate for funding, based on what the Commission
18 has already discussed in the merger order, Staff
19 believes it might be useful to establish or otherwise
20 express at least two criteria that would be used to
21 judge the relative merits of projects.

22 These criteria are, one, projects that
23 address the harm in the cause by the reduction in
24 potential competition that they should be preferred to
25 projects that do not. The second criteria would be

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1 that projects that benefit the broad class of
2 underrepresented consumers of Verizon should be
3 preferred projects that do not. So these are just some
4 pretty broad sorts of guidelines that would give you
5 some way of judging the relative merits of projects.

6 Once the Commission determines what criteria
7 it will use, it could choose to have interested parties
8 submit project proposals for selection. We expect the
9 consumer education projects that would make customers
10 aware of competitive alternatives would be the type of
11 project that would likely meet that criteria.

12 As the Commission's question also suggests,
13 some uses of the money would be inappropriate and
14 should be ruled out before any proposals are solicited.
15 Inappropriate uses should include projects that would
16 supplant Verizon's own investments or expenses and to
17 replace or maintain a modern and efficient network, and
18 second, projects that would supplant Verizon's own
19 charitable activities.

20 In terms of a time frame, Staff believes that
21 the process of the nomination, selection, and awarding
22 could be accomplished in perhaps three months,
23 depending on the process that the Commission chooses
24 for dispersing funds. It's difficult at this point to
25 be more definitive without having a better idea of how

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1 the Commission would like to proceed, but the funds
2 themselves could be dispersed over the several-year
3 period, again, depending on what the selected projects
4 were.

5 In terms of forms and application processes,
6 if the Commission intends to solicit and award grants
7 itself, it will need to develop a request for proposals
8 that would include directions to applicants regarding
9 applicant information, the nature of acceptable project
10 topics or categories and other information.

11 Forms and proposal processes should conform
12 to best practices for the award of public or private
13 project grants, but alternatively, the Commission could
14 choose a foundation and provide criteria to them that
15 would provide the foundation the guidance it needs to
16 solicit and award funds in best meeting the criteria.
17 It would also be possible that projects could be
18 proposed by parties that would not require any forms or
19 an application process. That concludes my comments,
20 and I'm available for any questions.

21 JUDGE WALLIS: Are there any questions for
22 Mr. Spinks?

23 MR. SPINKS: If I may also add, I have
24 reduced my comments to writing, and if you would like a
25 copy of them, I can distribute them.

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1 JUDGE WALLIS: Would you do so, please?

2 MR. SPINKS: Yes, sir.

3 JUDGE WALLIS: Let's take a five-minute
4 recess at this point.

5 (Recess.)

6 JUDGE WALLIS: Mr. Ffitch and Mr. Thompson,
7 Mr. Spinks, or Mr. Lundsgaard, each of you has to some
8 extent recommended consideration of a foundation to
9 assist in the identification and distribution of grant
10 moneys. Do you have any estimate of the overhead costs
11 that would be associated with that as opposed to the
12 Commission itself making those determinations? What
13 kind of dollars are we talking about here? Is it half
14 of the money that's available or a tiny fraction or
15 where in between?

16 MR. FFITCH: Actually, we had a conversation,
17 Mr. Spinks and I, on break, and he's recalling one to
18 two percent as being the fee for Seattle Foundation. I
19 actually have my file here and I can try to look that
20 up.

21 MR. THOMPSON: It was a considerably larger
22 amount of money though, wasn't it?

23 MR. SPINKS: Two million.

24 MR. LUNDSGAARD: In terms of the
25 administration, I don't think this is responsive

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1 directly to that, but I think it's responsive to the
2 concern behind your question.

3 With respect to NPower, for example, I
4 understand that their overhead not for administrating a
5 fund but actually performing their services is in the
6 neighborhood of 15 percent, which they believe to be
7 consistent with sort of industry benchmarks for the
8 kind of nonprofit organization they are.

9 As I understand the proposal with respect to
10 a foundation, they would be administering the fund and
11 then dispensing it to other persons who would then have
12 their own administrative overhead on top of that, so we
13 are sort of going straight to the overhead of the
14 actual utilizing entity.

15 JUDGE WALLIS: Yes.

16 MR. LUNDSGAARD: Your Honor, I'm not sure if
17 Staff and Public Counsel are still trying to gather
18 information to respond to that question.

19 JUDGE WALLIS: I believe they are.

20 MR. FFITCH: I can also report back, Your
21 Honor, on this. I'll keep looking now, but rather than
22 keep everybody sitting.

23 JUDGE WALLIS: Very well. I would like the
24 parties to address standards for review of potential
25 grants in a little bit more detail and talk about

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1 factors that would be appropriate for the Commission to
2 identify in suggesting qualifications for a grant.
3 There are a number of different parameters that could
4 be used, and I'm going to identify several and ask the
5 parties to comment on these and to identify any other
6 measures that you think would be appropriate for
7 consideration.

8 One the parties have mentioned and that is
9 the potential long-term benefit, the best long-term
10 results for the investment in the future. Another
11 would be whether the dollars that are granted could be
12 multiplied by matching funds or whether they would
13 constitute seed money to again produce results that
14 could exceed the value of the initial grant.

15 A third parameter could be consumer benefit.
16 This also has been mentioned, consumer action,
17 Mr. ffitich in particular mentioned this. A fourth
18 could be enhancement of communication and communication
19 within the services that Verizon offers, and finally,
20 identifying how the grant would benefit segments of the
21 Verizon customer population beyond those which were
22 benefitted in the settlement.

23 If you could address any of those that you
24 feel you have further comments on, and if those suggest
25 any additional qualifications or potential standards

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1 for review of applications, please comment on those.

2 Mr. Lundsgaard, did you wish to proceed first?

3 MR. LUNDSTGAARD: Thank you, Your Honor. In
4 terms of the parameters that Your Honor has indicated
5 as potential considerations, most of those look like
6 sensible things to be considering. A couple of the
7 others that come to mind are some of the things that we
8 talked about in our presentation. At least one of them
9 we did was the ease of administration, both for the
10 parties and for the Commission, and there is a couple
11 of components of that.

12 One, so that we don't spend a tremendous
13 amount of administrative time on it. Also that we also
14 don't spend a lot of the fund on administrative issues,
15 and also one thing I want to mention, and it comes out
16 of some of the proposals, or I guess I'll call them the
17 concepts that were discussed earlier, and that is that
18 to the extent that we end up in a situation where there
19 are, for example, a large number of projects that might
20 be proposed or that are being discussed, one thing that
21 occurs to me as a lawyer is an increased possibility of
22 disputes over the use of the money, that they perhaps
23 don't meet the criteria that have been set out. So the
24 smaller the number of projects we have, I think the
25 more effectively we will be able to avoid that

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1 possibility, which is also effectively an
2 administrative issue.

3 Another thing I would like to suggest is the
4 utility of looking at projects that are subject or
5 susceptible to some sort of quantification or metric in
6 terms of their evaluation as opposed to sort of more
7 general projects that may be difficult to measure in
8 retrospect as to whether or not they have been
9 successful.

10 One of the things we liked about the NPower
11 presentation, for example, is that they do have metrics.
12 They can measure how many nonprofits they've worked
13 with and what they have been able to do, and I mention
14 that perhaps in contrast to sort of more general
15 projects of consumer education. I think everybody
16 favors consumer education, but it may be difficult to
17 measure after the fact how much penetration and how
18 much effect those sorts of projects might have had.

19 In that regard, Your Honor, I do want to
20 emphasize that Verizon is not necessarily tied to the
21 NPower project at this point. It's something we think
22 would be a very good idea and we are putting forward as
23 a concept to think about, but there are aspects of it
24 that we have discussed that we think are very positive
25 that could certainly be served by alternative projects.

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1 One final thing I wanted to mention because I
2 think it was raised indirectly was whether or not this
3 would be displacing Verizon's charitable contributions
4 otherwise, and the answer to that is no. Verizon has
5 worked with NPower before, but they have been very
6 small projects in the order of, say, \$10,000, so this
7 is not going to be displacing Verizon's charitable
8 contributions otherwise. Thanks.

9 JUDGE WALLIS: Thank you.

10 MR. SPINKS: I'll go next. First of all, on
11 backing up to the Seattle Foundation, their charge was
12 one percent per year -- per annum is the way they
13 expressed it -- plus a \$75 per hour consulting fee that
14 did the RFP and the like.

15 I have the award that we made from the
16 Seattle Foundation to the recipient and the amount of
17 money that was awarded and can by adding that up
18 determine the total amount of money as well as give you
19 a look at what projects they were able to fund with
20 that money. There were a number of outreach projects
21 and consumer education that met the purposes that we
22 had set out for the money, so I can provide that for
23 you later today.

24 JUDGE WALLIS: Very well.

25 MR. SPINKS: In terms of the criteria, five

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1 criteria, I think that Staff certainly agrees projects
2 that provide long-term benefits would be desirable. I
3 think the limitation that you have with these criteria
4 is the fact you only have 1.25 million dollars, and
5 there is not a lot in a sense that can be done.

6 For instance, we discussed the potential of
7 network improvements or Verizon providing services they
8 wouldn't otherwise provide, and the size of this fund
9 doesn't begin to approach the kind of costs that those
10 ideas might detail, and I think that's why we focus now
11 more on the idea of projects that would go towards
12 addressing the harm the Commission found by the reduced
13 competition and projects that would reach the broadest
14 number of customers as possible.

15 JUDGE WALLIS: Mr. ffitch?

16 MR. FFITCH: I guess I will echo what Staff
17 said, and I think Mr. Spinks had a good suggestion,
18 which is providing you with some of the Seattle
19 Foundation material. I have the RFP in front of me and
20 the letter from them describing briefly the projects
21 that were selected and what they do and how much money
22 they got.

23 The RFP includes the funding criteria that
24 were selected, so you can see those. There was
25 basically three main criteria, and these came out of,

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1 as I recall, the settlement itself. First is providing
2 consumer education and/or outreach on telecom services
3 and/or policy issues affecting residential business
4 and/or low-income customers in Washington.

5 Second bullet point was services and/or
6 policy issues to include rates, services, service
7 quality, competitive choice, marketing and consumer
8 protection, and participation in and understanding of
9 state telecom policy-making proceedings.

10 Then the final point was, preference will be
11 given to projects advancing broad public interest and
12 providing community, statewide, or intrastate regional
13 benefits. I think that one would have to be tailored
14 as being focused on Verizon in this one. Anyway, I
15 think you will see that when that's submitted to you.

16 The RFP includes examples of projects fitting
17 the funding criteria and includes a statement of
18 ineligible activities. I guess I will note in that
19 respect that in that grant, there was a preclusion of
20 using any funds for advocacy, and we would not support
21 that kind of a restriction. We think those folks
22 should be allowed to at least put in a proposal,
23 because it's hard to really define what advocacy is,
24 and if there is an opportunity to use some of the funds
25 for parties to participate more effectively in front of

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1 the Commission on Verizon issues, we think that might
2 be a very good use of the funds.

3 As far as the criteria that you listed, we
4 would support all of those criteria. I think Verizon
5 makes a good point about use of administration and
6 avoiding disputes. I think you can do that by having
7 an experienced consultant managing the process. I
8 don't recall that we had any disputes that came out of
9 the Seattle Foundation process.

10 It's interesting because of the size of the
11 money, I agree with the Staff comment that changes the
12 options in a way, and in some ways, to get more bang
13 out of the buck, it can push you in more towards
14 policy-oriented use of the funds that can have real
15 broad implications to some of the ideas I mentioned
16 about studies and analysis or having funding available
17 for consultants in important areas that the Commission
18 could provide a leverage in giving results that could
19 really have long-term effects on folks. Whereas the
20 actual grant is not a real direct service-oriented
21 grant, we can measure the specific number of customers
22 that are going to receive service from the grant, but
23 it could be a seed kind of grant that would generate
24 some real longer-term policy benefits.

25 I guess this is not directly responsive to

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1 your question, but I didn't want to forget to say this.
2 I have had a couple of inquiries from interested
3 parties who follow Commission proceedings and are aware
4 of this, this hearing and this process, and actually
5 decided not to attend because they felt it might be
6 improper for them, and I'm not meaning any aspersions
7 on folks who are here, but did not come because they
8 felt it might be improper for them to participate in
9 the level of designing the process and then later on
10 apply for funds themselves. So there are some folks
11 out there who are sort of waiting to see how this is
12 going to shape up so they can think about offering a
13 proposal.

14 I think those are all the observations I
15 have, Your Honor.

16 JUDGE WALLIS: Very well. Does anyone want
17 to follow-up with further thoughts?

18 MR. SPINKS: One thought I had was maybe it
19 started out more as a question of whether the funds are
20 directed solely to the benefit of Verizon customers or
21 whether, in fact, there is a way that the funds can be
22 directed to not only benefit Verizon customers but all
23 customers on a statewide basis, and what got me to
24 thinking about it was looking back at the Seattle
25 Foundation grants.

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1 The kickoff meeting was in Wenatchee, which
2 was up in Verizon territory, and I think it was clear
3 that some of those outreach programs that were funded
4 in that did have statewide benefits as opposed to being
5 directed solely at Verizon customers or Qwest customers
6 in that case.

7 MR. LUNDSGAARD: With respect to that last
8 point, Your Honor, I do think that the provision is in
9 some respects directed at Verizon customers, but I
10 think Verizon's position with respect to this is that
11 some of the broad-based projects that we are talking
12 about, it may be very difficult to slice and dice them
13 in such a way so they are limited to Verizon customers,
14 and it may be a more effective use of the money to be
15 focusing more broadly. Nobody is going to be vetting
16 the nonprofits to make sure they are Verizon customers
17 and that their clients are Verizon customers, so I
18 would agree with Mr. Spinks' comments in that regard.

19 JUDGE WALLIS: Do any of you have feeling for
20 how much the \$75-an-hour fee associated with the
21 preparation of the RFP totaled with regard to the
22 Seattle Foundation?

23 MR. SPINKS: I can provide what I think is
24 the total amount of money that was awarded, and it
25 would be the two million less that amount that would

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1 tell us what the total fees were for that.

2 JUDGE WALLIS: Very well.

3 MR. SPINKS: I could have that for us before
4 lunch if you would like.

5 JUDGE WALLIS: Very well. Does anyone think
6 that it would be appropriate to set a dollar limit on
7 projects, for example, a maximum of \$250,000 or
8 \$300,000 as a means of assuring that there are several
9 projects that disperse the funds appropriately
10 throughout the targets that have been identified?

11 MR. LUNDSGAARD: Verizon doesn't believe that
12 there ought to be a specific dollar amount, either a
13 cap or a minimum. As we've expressed, we think larger
14 projects that would facilitate administration and get a
15 bigger bang for the buck would be preferable as a
16 general matter but not with respect to a specific
17 amount.

18 MR. SPINKS: Staff's comment would be it may
19 not make sense to have a dollar amount, but then you
20 may want to in soliciting projects make parties aware
21 that the amount to be funded for any project could be
22 scalable. In other words, you may find a project that
23 you are very much interested in, but it costs a million
24 dollars, and if applicants could indicate that they
25 could be scalable so that if you didn't have a million

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1 to give them but you wish to fund them some to be able
2 to put something in it.

3 JUDGE WALLIS: Mr. ffitch?

4 MR. FFITCH: I would agree with those
5 comments. I don't believe there should be a limit,
6 specific limit. I think we get there by talking about
7 the number of projects that you might have for the....
8 So you are dividing the grants, so you are dividing the
9 total by three projects, for example, and it gives you
10 a sense of scale. I'm trying to look at the RFP in the
11 last matter, the Qwest matter, and see if that's
12 specifically addressed, but Staff will be providing you
13 with that, I believe.

14 MR. LUNDSGAARD: Your Honor, if I could ask a
15 clarifying question. With respect to the materials
16 that are going to be provided from the Seattle
17 Foundation, the RFP the foundation issued, is it also
18 going to contain the administrative information about
19 the foundation, their costs? I haven't seen it so I'm
20 not sure exactly what's in that packet.

21 MR. FFITCH: I can't speak for Staff. What I
22 have here is some of the correspondence, including a
23 letter from the Seattle Foundation describing the fee.
24 It's a one-page letter, and then I think summaries from
25 the Seattle Foundation of the awards, and then I have

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1 attached to that an example of the cover letter in the
2 RFP that went out. We have a lot of files on this, so
3 I'm not sure if Mr. Spinks had additional material in
4 mind.

5 MR. SPINKS: No, I don't beyond that. In
6 fact, I couldn't find that particular document. The
7 document I have is the description of each project that
8 was selected for funding and the amount that they were
9 awarded. That's what I hope to provide here for you
10 shortly.

11 MR. LUNDGAARD: If I may just follow-up a
12 bit, Your Honor. The reason I sort of ask is what I'm
13 curious about is whether there was an RFP for the
14 selection of the Seattle Foundation as the consultant,
15 because I imagine there might be other entities out
16 there who could do that kind of work, and where we are
17 sort of going with that is we haven't taken a look, so
18 Verizon doesn't have a position one way or the other as
19 to whether the Seattle Foundation would be a good
20 choice or not, but I'm just curious to what kind of
21 background there is on that point.

22 MR. THOMPSON: I would just clarify that we
23 are just offering this up as an example of a
24 professional that does this sort of work. These
25 letters in the RFP materials are from 2001, so it may

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1 not reflect currently what the going rate is for that
2 organization, and we have not been in contact with them
3 either.

4 JUDGE WALLIS: Very well. The final question
5 I have has to do with process. What process do the
6 parties envision the Commission would use to make its
7 decision and to implement it? Are you contemplating
8 that the Commission delegate decisions to an
9 organization such as the Seattle Foundation; that the
10 Commission make decisions in an open meeting session;
11 that the Commission make its decisions in the
12 adjudicative process in which this fund was created?
13 What are your thoughts about the appropriate process?

14 MR. THOMPSON: I think Staff's suggestion
15 would be that it might be more efficient to drop the
16 formalities of the adjudicative proceeding and go to
17 something more like what's more typical in a
18 rule-making where there is no ex parte prohibition and
19 parties can sort of work together informally as well as
20 with the Commission.

21 JUDGE WALLIS: Can you think of a structural
22 means that would allow us to get there?

23 MR. THOMPSON: I think if the parties agree
24 to it, we could design whatever process we want, so if
25 others are amenable to something like that, I would put

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1 that out as a proposal.

2 JUDGE WALLIS: Very well. Mr. ffitch?

3 MR. FFITCH: I believe the Commission could
4 delegate this in a sense by announcing, perhaps an
5 order in this case, that it was going to retain a
6 consultant to do the process, for example, with the
7 Seattle Foundation, and then that would provide some
8 notice to the world and the Commission could do more if
9 it wanted, but then the Seattle Foundation could do the
10 actual RFP.

11 One option with that approach would be to
12 have them do the RFP process and then submit the
13 qualifying applicants to the Commission for final
14 decision. The open meeting process, I think, could be
15 used. I don't view this as requiring an adjudicative
16 process. The Commission could act on this in open
17 meetings to allow notice and an opportunity for people
18 to come forward and address them about it, and I think
19 typically, most open meeting items are not subject to
20 ex parte restrictions either.

21 JUDGE WALLIS: Except the commissioners may
22 not talk with each other.

23 MR. THOMPSON: If I could go back, in
24 thinking about my proposal now regarding a rule-making
25 type of approach, I think that may not actually be

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1 possible given the Open Meetings Act because it's not a
2 rule-making order adjudication, and therefore, there
3 would be no exception under the Open Public Meetings
4 Act.

5 JUDGE WALLIS: Nice try.

6 MR. LUNDSGAARD: I like the suggestion, I
7 believe it was Mr. Thompson's, of perhaps some sort of
8 negotiated settlement among the parties to address
9 this. Just having sat through the last almost hour and
10 a half now, just as I see there is a lot of discussion,
11 there is proposals put on the table, there is back and
12 forth, people have clarifying questions, it looks to me
13 like kind of a group collaborative negotiation process,
14 and that may be the most efficient way to get to a
15 result that everybody can agree to and make the process
16 move along most efficiently.

17 I too would like to avoid as much of the
18 formal process as possible, and I think even right now
19 there was some question in our mind as to the extent
20 this is a continuation of the prior hearing and what
21 level of finality we've reached, etcetera. We were
22 approaching this as a fairly formal process, but I
23 think it could be even more efficient as an informal
24 process among the parties.

25 JUDGE WALLIS: Very well. I agree with the

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1 comments that have been made and certainly would
2 encourage the parties to engage in further discussion,
3 and if you reach a consensus present a proposal.

4 I do believe that the commissioners feel that
5 it would be their prerogative within the bounds of the
6 adjudication to identify the exact process to be used,
7 and if the parties did reach a proposal, it might
8 contain elements the commissioners would want to tweak
9 or change or whatever, but certainly, they would
10 carefully consider and give great weight to the nature
11 of any proposal.

12 I would like to call the parties' attention
13 to the Commission's experience in awarding and
14 monitoring small grants in the context of
15 grade-crossing protection. The Commission with regard
16 to that process developed a policy statement a couple
17 of years ago when additional funds became available for
18 grant to support the purpose of railroad crossing
19 safety and prevention of trespassing and other factors
20 that contribute to hazards, injuries, and deaths.

21 The Commission did develop a policy
22 statement, and quite recently, it determined to adopt a
23 rule that set out the process for doing so. It is
24 relatively straightforward, did not require
25 consultants' assistance, and I commend that to you for

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1 your quick review as you look at how the Commission
2 might proceed in this matter. Mr. Thompson, do you
3 have the docket number of that in mind, by any chance?

4 MR. THOMPSON: Not off the top of my head,
5 but I'm aware of it.

6 JUDGE WALLIS: It is on the Commission's Web
7 site under "rule-making," and I believe that the
8 commissioners determined to adopt a proposed rule at
9 the last Commission meeting, so it should be readily
10 available.

11 What kind of time frame would you like to
12 engage in further discussions and to make a concluding
13 presentation? Would a couple of weeks be sufficient or
14 more than necessary?

15 MR. THOMPSON: In other words, to come back
16 to the Commission with a --

17 JUDGE WALLIS: See if you can develop a
18 consensus and if so, what it is.

19 MR. LUNDSGAARD: Would it be possible at the
20 end of February?

21 JUDGE WALLIS: That's only about four weeks.

22 MR. THOMPSON: I think that would work for
23 Staff's part.

24 JUDGE WALLIS: Very well. Should we say the
25 28th, which would be four weeks from today? I hear no

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1 dissenting votes.

2 As a final housekeeping matter, I would like
3 to identify for the record the documents that have been
4 proposed for consideration here. A copy of the Power
5 Point presentation is marked as Exhibit 601; a copy of
6 a folder and its contents entitled "People Do" marked
7 as Exhibit 602; a folder containing materials, the
8 first page of which is entitled "Kudos Statewide
9 Outreach Project" marked as Exhibit 603. A summary of
10 Mr. Spinks' comments is marked as Exhibit 604, and I am
11 reserving Exhibit 605 for the materials that Mr. Spinks
12 offered to provide with regard to the function of the
13 Seattle Foundation and its costs.

14 Are there any other documents that should be
15 acknowledged? Let the record show there is no
16 response. If there is no objection, I would propose to
17 admit all of those documents, including the late-filed
18 exhibit, subject to any statement of concern as to the
19 late-filed exhibit. Would that be appropriate?

20 MR. LUNDSGAARD: That's fine, Your Honor.

21 JUDGE WALLIS: Very well. There being no
22 objection, that is the process we will use. Is there
23 anything further to come before the Commission in this
24 matter? I want to thank you all very much for your
25 participation. The creative thinking that has gone on

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1 today has been inspiring, and I'm sure that as you work
2 together, you will further expand the possibilities and
3 find some process suggestions that will meet the
4 standards that it appeared to me everybody agreed to in
5 a way that will definitely benefit the public and the
6 state, Verizon's customers, and satisfy the interests
7 of the Commission identified in setting up this public
8 purpose fund. Thank you.

9 (Posthearing concluded at noon.)

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