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BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION

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In the Matter of the Joint )  
Application of ) DOCKET NO. UT-090842  
)  
VERIZON COMMUNICATIONS INC. ) Volume IV  
AND FRONTIER COMMUNICATIONS ) Pages 116 to 366  
CORPORATION. )  
)  
For an Order Declining to )  
Assert Jurisdiction Over, or, )  
in the Alternative, Approving )  
the Indirect Transfer of )  
Control of Verizon Northwest )  
Inc. )  
\_\_\_\_\_)

A hearing in the above matter was held on  
February 2, 2010 from 9:30 a.m to 4:50 p.m., at 1300  
South Evergreen Park Drive Southwest, Room 206, Olympia,  
Washington, before Administrative Law Judge PATRICIA  
CLARK and Chairman JEFFREY D. GOLTZ and Commissioner  
PATRICK J. OSHIE and Commissioner PHILIP B. JONES.

The parties were present as follows:

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1                                    E X H I B I T   L I S T

2    EXHIBITS IN SUPPORT OF SETTLEMENT STIPULATIONS

- 3    1                    Joint Applicants & Comcast - Settlement  
4                                    Agreement between Joint Applicants and  
5                                    Comcast (13 pp.) (12/22/09)
- 6    DM/TM/RM-1T    Joint Applicants & Comcast - Prefiled Joint  
7                                    Testimony of Daniel McCarthy, Timothy  
8                                    McCallion, and Robert Munoz in Support of  
9                                    Settlement (10 pp.) (12/22/09)
- 10    DM/RT-1T        Joint Applicants & Level 3 - Prefiled Joint  
11                                    Testimony of Daniel McCarthy and Rick Thayer  
12                                    in Support of Settlement (4 pp.) (12/22/09)
- 13    DM/RT-2        Joint Applicants & Level 3 - Curriculum  
14                                    Vitae of Richard Thayer (1 p.) (12/22/09)
- 15    DM/RT-3        Joint Applicants & Level 3 - Settlement  
16                                    Agreement between Joint Applicants and Level  
17                                    3 (4 pp.) (12/22/09)
- 18    DM/TM/DD-1T    Joint Applicants & Joint CLECs - Prefiled  
19                                    Joint Testimony of Daniel McCarthy, Timothy  
20                                    McCallion and Douglas Denney in Support of  
21                                    Settlement (14 pp.) (12/24/09)
- 22    DM/TM/DD-2    Joint Applicants & Joint CLECs - Settlement  
23                                    Agreement between Joint Applicants and Joint  
24                                    CLECs (11 pp.) (12/24/09)
- 25    2HC              Joint Applicants & Staff - HIGHLY

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1 CONFIDENTIAL Settlement Agreement between  
2 Joint Applicants and Staff (16 pp.) (12/24/09)  
3 DM/TM-1T Joint Applicants - Prefiled Testimony of  
4 Daniel McCarthy and Timothy McCallion in  
5 Support of Settlement (18 pp.) (12/24/09)  
6 WHW-14T Staff - Prefiled Testimony of William H.  
7 Weinman in Support of Settlement (16 pp.)  
8 (12/24/09)  
9 3 Public Counsel (Reserved for Public Comment  
10 Exhibit)  
11 4 Joint Applicants and DoD/FEA - Settlement  
12 Agreement between Joint Applicants and DoD/FEA  
13 (8 pp.) (1/28/10)  
14 DM-83T Frontier - Prefiled Testimony of Daniel  
15 McCarthy in support of Settlement (6 pp.)  
16 (1/28/10)  
17 CWK-7T DoD/FEA - Prefiled Testimony of Charles W.  
18 King in support of Settlement (6 pp.)  
19 (1/28/10)  
20 CROSS-EXAMINATION EXHIBITS:  
21 DM-74 Public Counsel - Withdrawn by Public Counsel  
22 DM-75 Public Counsel - Excerpt of Prepared  
23 Surrebuttal Testimony of Daniel McCarthy,  
24 Illinois Commerce Commission (3 pp.) (1/26/10)  
25 DM-76 Public Counsel - Prepared Surrebuttal



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1                   Testimony of Daniel McCarthy, Illinois  
2                   Commerce Commission (5 pp.) (1/26/10)  
3                   (Corrected Surrebuttal Exhibit) (5 pp.)  
4                   (1/29/10)  
5   DM-77         Public Counsel - Joint Applicants' Response to  
6                   PC Data Request No. 507 (1 p.) (1/26/10)  
7   DM-78         Public Counsel - Joint Applicants' Response to  
8                   PC Data Request No. 509 (1 p.) (1/26/10)  
9   DM-79         Public Counsel - Joint Applicants' Response to  
10                  PC Data Request No. 525 (1 p.) (1/26/10)  
11   DM-80         Public Counsel - Joint Applicants' Response to  
12                  PC Data Request No. 526 (1 p.) (1/26/10)  
13   DM-81         Public Counsel - Joint Applicants' Response to  
14                  PC Data Request No. 527 (1 p.) (1/16/10)  
15   DM-82         Public Counsel - Joint Applicants' Response to  
16                  PC Data Request No. 529 (1 p.) (1/26/10)  
17   DM-85         Public Counsel - Excerpt of Hearing Transcript  
18                  from PSCWV, dated 1/12/2010, pp. 132-157 (27  
19                  pp.) (1/29/10)  
20   WHW-15        Public Counsel - Staff Response to PC Data  
21                  Request No. 2 (1 p.) (1/26/10)  
22   WHW-16        Public Counsel - Staff Response to PC Data  
23                  Request No. 4 (2 pp.) (1/26/10)  
24   WHW-17        Public Counsel - Staff Response to PC Data  
25                  Request No. 5 (2 pp.) (1/26/10)

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1 WHW-18 Public Counsel - Staff Response to PC Data  
2 Request No. 7 (3 pp.) (1/2/6/10)  
3 WHW-19 Public Counsel - Staff Response to PC DR No. 8  
4 (1 p.) (1/26/10)  
5 WHW-20 Public Counsel - Staff Response to PC DR No. 9  
6 (1 p.) (1/26/10)  
7 WHW-21 Public Counsel - Staff Response to PC DR No.  
8 10 (1 p.) (1/26/10)  
9 WHW-22 Public Counsel - Staff Response to PC DR No.  
10 11 (1 p.) (1/26/10)  
11 WHW-23 Public Counsel - Staff Response to PC DR No.  
12 13 (1 p.) (1/26/10)  
13 WHW-24 Public Counsel - Staff Response to PC DR No.  
14 14 (1 p.) (1/26/10)  
15 WHW-25 Public Counsel - Staff Response to PC DR No.  
16 15 (1 p.) (1/26/10)  
17 WHW-26 Public Counsel - Staff Response to PC DR No.  
18 16 (1 p.) (1/26/10)  
19 WHW-27 Public Counsel - Staff Response to PC DR No.  
20 17 (1 p.) 1/26/10)  
21 WHW-28 Public Counsel - Staff Response to PC DR No.  
22 20 (2 pp.) (1/26/10)  
23 WHW-29 Public Counsel - Staff Response to PC DR No.  
24 21 (1 p.) (1/26/10)  
25 WHW-30 Public Counsel- Staff Response to PC DR No. 23

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1 (1 p.) (1/26/10)

2 WHW-31 Public Counsel - Staff Response to PC DR No.

3 25 (1 p.) (1/26/10)

4 WHW-32C Public Counsel - CONFIDENTIAL Staff Response

5 to PC DR. No. 27 (3 pp.) (1/26/10) (Correction

6 2/2/10)

7 WHW-33 Public Counsel - Staff Response to PC DR. No.

8 29 (1 p.) (1/26/10)

9 WHW-34 Public Counsel - Staff Response to PC DR No.

10 32 (1 p.) (1/26/10)

11 WHW-35 Public Counsel - Oregon PUC Ruling, Bench

12 Request, and Procedures (2 pp.) (1/26/10)

13 WHW-36 Public Counsel - Joint Applicants' Response to

14 Public Counsel Data Request No. 539 (1 p.)

15 (2/1/10)

16 WHW-37 Public Counsel - Staff Response to PC Data

17 Request No. 37 (1 p.) (2/2/10)

18 WHW-38 Public Counsel - Staff Response to PC Data

19 Request No. 38 (1 p.) (2/2/10)

20 PARTY: JOINT APPLICANTS

21 WITNESS: VERIZON: TIMOTHY McCALLION

22 TM-1T McCallion - Prefiled Direct Testimony of

23 Timothy McCallion (23 pp.) (7/6/09)

24 TM-2HCT McCallion - HIGHLY CONFIDENTIAL Prefiled

25 Rebuttal Testimony of Timothy McCallion (41

0143

1 pp.) (11/19/09) (Errata 11/30/09) Errata to  
2 pl. 34 (2/5/10)

3 TM-24HC HIGHLY CONFIDENTIAL Verizon's Capital  
4 expenditures per access line (1 p.) (2/3/10)

5 TM-25HC HIGHLY CONFIDENTIAL Capital Expenditures plus  
6 maintenance per access line (1 p.) (2/3/10)

7 CROSS-EXAMINATION EXHIBITS:

8 TM-3HC Public Counsel - Withdrawn by Public Counsel  
9 and moved to DM-84HC

10 TM-4C Public Counsel - CONFIDENTIAL Joint  
11 Applicants' Response to PC Data Request No. 48  
12 (1 p.) (12/8/09)

13 TM-5 Public Counsel - Joint Applicants' Response to  
14 PC Data Request No. 107 (1 p.) (12/8/09)

15 TM-6 Public Counsel - Joint Applicants' Response to  
16 PC Data Request No. 128 (1 p.) (12/8/09)

17 TM-7 Public Counsel - Joint Applicants' Response to  
18 PC Data Request No. 187 (1 p.) (12/8/09)

19 TM-8 Public Counsel - Joint Applicants' Response to  
20 PC Data Request No. 188 (1 p.) (12/8/09)

21 TM-9 Public Counsel - Joint Applicants' Response to  
22 PC Data Request No. 216 (1 p.) (12/8/09)

23 TM-10HC Public Counsel - HIGHLY CONFIDENTIAL Joint  
24 Applicants' Response to PC Data Request No.  
25 261 (1 p.) (12/8/09)

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1 TM-11 Public Counsel - Joint Applicants' Response to  
2 PC Data Request No. 394 (1 p.) (12/8/09)  
3 TM-12 Public Counsel - Joint Applicants' Response to  
4 PC Data Request No. 395 (1 p.) (12/8/09)  
5 TM-13 Public Counsel - Joint Applicants' Response to  
6 PC Data Request No. 398 (1 p.) (12/8/09)  
7 TM-14 Public Counsel - Joint Applicants' Response to  
8 PC Data Request No. 400 (1 p.) (12/8/09)  
9 TM-15 Public Counsel - Joint Applicants' Response to  
10 PC Data Request No. 403 (1 p.) (12/8/09)  
11 TM-16 Public Counsel - Joint Applicants' Response to  
12 PC Data Request No. 404 (1 p.) (12/8/09)  
13 TM-17 Public Counsel - Joint Applicants' Response to  
14 PC Data Request No. 406 (1 p.) (12/8/09)  
15 TM-18 Public Counsel - Joint Applicants' Response to  
16 PC Data Request No. 408 (1 p.) (12/8/09)  
17 TM-19C Public Counsel - CONFIDENTIAL Joint  
18 Applicants' Response to UTC Staff data Request  
19 No. 13 (1 p.) (12/8/09)  
20 TM-20HC Public Counsel - Moved to SES-24  
21 TM-21HC Public Counsel - Moved to SES-25  
22 TM-22HC Public Counsel - Moved to SES-26  
23 TM-23HC Public Counsel - Moved to SES-27  
24 WITNESS: VERIZON: STEPHEN EDWARD SMITH  
25 SES-1T Smith - Prefiled Rebuttal Testimony of Stephen

0145

1 Edward Smith (37 pp.) (11/19/09)

2 CROSS-EXAMINATION EXHIBITS:

3 SES-2 Public Counsel - Joint Applicants' Response to

4 PC Data Request No. 354 (2 pp.) (12/8/09)

5 SES-3 Public Counsel - Withdrawn by Public Counsel

6 SES-4 Public Counsel - Joint Applicants' Response to

7 PC Data Request No. 356 (1 p.) (12/8/09)

8 SES-5 Public Counsel - Withdrawn by Public Counsel

9 SES-6HC Public Counsel - Withdrawn by Public Counsel

10 SES-7 Public Counsel - Joint Applicants' Response

11 to PC Data Request No. 362 1 p. (1 p.)

12 (12/8/09)

13 SES-8 Public Counsel - Joint Applicants' Response to

14 PC Data Request No. 386 (1 p.) (12/8/09)

15 SES-9 Public Counsel - Joint Applicants' Response to

16 PC Data Request No. 388 ( ) (12/8/09)

17 SES-10 Public Counsel - Joint Applicants' Response to

18 PC Data Request No. 389 (1 p.) (12/8/09)

19 SES-11 Public Counsel - Withdrawn by Public Counsel

20 SES-12 Public Counsel - Withdrawn by Public Counsel

21 SES-13 Public Counsel - Withdrawn by Public Counsel

22 SES-14 Public Counsel - Joint Applicants' Response to

23 PC Data Request No. 416 (1 p.) (12/8/09)

24 SES-15 Public Counsel - Joint Applicants' Response to

25 PC Data Request No. 418 (1 p.) (12/8/09)

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1 SES-16 Public Counsel - Joint Applicants' Response to  
2 PC Data Request No. 420 (1 p.) (12/8/09)  
3 SES-17 Public Counsel - Joint Applicants' Response to  
4 PC Data Request No. 422 (1 p.) (12/8/09)  
5 SES-18 Public Counsel - Withdrawn by Public Counsel  
6 SES-19 Public Counsel - Joint Applicants' Response to  
7 PC Data Request No. 426 (1 p.) (12/8/09)  
8 SES-20 Public Counsel - Joint Applicants' Response to  
9 PC Data Request No. 427 (1 p.) (12/8/09)  
10 SES-21 Public Counsel - Joint Applicants' Response to  
11 PC Data Request No. 430 (1 p.) (12/8/09)  
12 SES-22 Public Counsel - Moved to DM-88  
13 SES-23 Public Counsel - Withdrawn by Public Counsel  
14 SES-24HC Public Counsel - HIGHLY CONFIDENTIAL Joint  
15 Applicants' Response to UTC Staff Data Request  
16 No. 11 (Verizon-Hart-Scott Rodino Filing  
17 Attachment 4(c)41) (28 pp.) (12/8/09) Moved  
18 from TM-20-HC  
19 SES-25HC Public Counsel - HIGHLY CONFIDENTIAL Joint  
20 Applicants' Response to UTC Staff Data Request  
21 No. 11 (Verizon Hart-Scott Rodino Filing  
22 Attachment 4(c)42) (4 pp.) (12/8/09) (Moved  
23 from TM-21HC)  
24 SES-26HC Public Counsel - HIGHLY CONFIDENTIAL Joint  
25 Applicants' Response to UTC Staff Data Request

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1 No. 11 (Verizon Hart-Scott Rodino Filing  
2 Attachment 4(c)45) (5 pp.) (12/8/09) (Moved  
3 from TM-22HC)  
4 SES-27HC HIGHLY CONFIDENTIAL Joint Applicants' Response  
5 to UTC Staff Data Request No. 11 (Verizon  
6 Hart-Scott Rodino Filing Attachment 4(c)52) (6  
7 pp.) (12/8/09) (Moved from TM-23HC)  
8 PARTY: JOINT APPLICANTS  
9 WITNESS: FRONTIER: DANIEL McCARTHY  
10 DM-1T McCarthy - Prefiled Direct Testimony of Daniel  
11 McCarthy (57 pp.) (7/6/09)  
12 DM-2T McCarthy - Supplemental Direct Testimony of  
13 Daniel McCarthy (9 pp) (8/3/09)  
14 DM-3 McCarthy - Form 10-K, Frontier Communications  
15 (Period December 31, 2008) (Not Paginated)  
16 (8/3/09)  
17 DM-4 McCarthy - Form 10-Q, Frontier Communications  
18 (Period March 31, 2009) (Not Paginated)  
19 (8/3/09)  
20 DM-5 McCarthy - Moody's Rating Action dated May 13,  
21 2009 (Not Paginated) (8/3/09)  
22 DM-6 McCarthy - Independent Analyst Report -  
23 Raymond James & Associates (Not Paginated)  
24 (8/3/09)  
25 DM-7 McCarthy - Preliminary SEC Form S-7 dated July



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1 24, 2009 (Not Paginated) (8/3/09)

2 DM-8HCT McCarthy - HIGHLY CONFIDENTIAL Prefiled

3 Rebuttal Testimony of Daniel McCarthy (87 pp.)

4 (11/19/09) (Revised 11/25/09)

5 DM-9 McCarthy - Frontier Press Release on

6 California, Nevada, and South Carolina

7 Approval of Transaction (3 pp.) (11/19/09)

8 DM-10 McCarthy - SEC Form S-4 for AT&T (8 pp.)

9 (11/19/09)

10 DM-11 McCarthy - Frontier Communications - Welcome

11 to the New Frontier dated 5/13/09 (27 pp.)

12 (11/19/09)

13 DM-12 McCarthy - Morgan Stanley Article on Merger

14 (10 pp.) (11/19/09)

15 DM-13 McCarthy - Raymond James Article on Frontier

16 (1 p.) (11/19/09)

17 DM-14 McCarthy - Moody's Investor Rating Action (3

18 pp.) (11/19/09)

19 DM-15 McCarthy - Fitch Ratings on Frontier (1 p.)

20 (11/19/09)

21 DM-16 McCarthy - Stifel Nicolaus Article (5 pp.)

22 (11/19/09)

23 DM-17 McCarthy - UBS Investment Research Article (10

24 pp.) (11/19/09)

25 DM-18 McCarthy - Transcript Excerpt of Ohio



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1 DM-35 Public Counsel - Joint Applicants' Response to  
2 PC Data Request No. 128 (1 p.) (12/8/09)  
3 DM-36C Public Counsel - CONFIDENTIAL Joint  
4 Applicants' Response to PC Data Request No.  
5 156 (Attachments - PC Set 3 FRO156 Attach1  
6 2006 MOR (PP. 2-41); PC Set3 FRO156 Attach2  
7 2006 MOR (pp.42-92); PC Set3 FRO156 Attach3  
8 2006 MOR (pp. 93-145); PC Set3 FRO156 Attach4  
9 2006 MOR (pp.146-183) (183 pp.) (12/8/09)  
10 DM-37 Public Counsel - Joint Applicants' Response to  
11 PC Data Request No. 177 (1 p.) (12/8/09)  
12 DM-38 Public Counsel - Joint Applicants' Response to  
13 PC Data Request No. 190 (1 p.) (12/8/09)  
14 DM-39C Public Counsel - CONFIDENTIAL Joint  
15 Applicants' Response to PC Data Request No.  
16 192 (1 p.) (12/8/09)  
17 DM-40 Public Counsel - Joint Applicants' Response to  
18 PC Data Request No. 193 (1 p.) (12/8/09)  
19 DM-41 Public Counsel - Joint Applicants' Response to  
20 PC Data Request No. 196 (1 p.) (12/8/09)  
21 DM-42 Public Counsel - Joint Applicants' Response to  
22 PC Data Request No. 198 (1 p.) (12/8/09)  
23 DM-43 Public Counsel - Joint Applicants' Response to  
24 PC Data Request No. 204 (1 p.) (12/8/09)  
25 DM-44 Public Counsel - Joint Applicants' Response to

0151

1 PC Data Request No. 205 (1 p.) (12/8/09)  
2 DM-45 Public Counsel - Joint Applicants' Response to  
3 PC Data Request No. 208 (1 p.) (12/8/09)  
4 DM-46 Public Counsel - Joint Applicants' Response to  
5 PC Data Request No. 209 (1 p.) (12/8/09)  
6 DM-47 Public Counsel - Joint Applicants' Response to  
7 PC Data Request No. 236 (1 p.) (12/8/09)  
8 DM-48 Public Counsel - Joint Applicants' Response to  
9 PC Data Request No. 253 (1 p.) (12/8/09)  
10 DM-49HC Public Counsel - HIGHLY CONFIDENTIAL Joint  
11 Applicants' Response to PC Data Request No.  
12 255 (Attachment WA PC Set10 FRO255b C Frontier  
13 Pro Forma Model) (20 pp.) (12/8/09)  
14 DM-50C Public Counsel - CONFIDENTIAL Joint  
15 Applicants' Response to PC Data Request No.  
16 256 (1 p.) (12/8/09)  
17 DM-51 Public Counsel - Joint Applicants' Response to  
18 PC Data Request No. 257 (1 p.) (12/8/09)  
19 DM-52 Public Counsel - Joint Applicants' Response to  
20 PC Data Request No. 258 (1 p.) (12/8/09)  
21 DM-53 Public Counsel - Joint Applicants' Response to  
22 PC Data Request No. 294 (1 p.) (12/8/09)  
23 DM-54 Public Counsel - Joint Applicants' Response to  
24 PC Data Request No. 296 (1 p.) (12/8/09)  
25 DM-55C Public Counsel - CONFIDENTIAL Joint

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1 Applicants' Response to PC Data Request No.  
2 338 (1 p.) (12/8/09)  
3 DM-56 Public Counsel - Joint Applicants' Response to  
4 PC Data Request No. 347 (1 p.) (12/8/09)  
5 DM-57 Public Counsel - Joint Applicants' Response to  
6 PC Data Request No. 353 (1 p.) (12/8/098)  
7 DM-58 Public Counsel - Joint Applicants' Response to  
8 PC Data Request No. 358 (3 pp.) (12/8/09)  
9 DM-59 Public Counsel - Joint Applicants' Response to  
10 PC Data Request No. 359 (1 p.) (12/8/09)  
11 DM-60C Public Counsel - CONFIDENTIAL Joint  
12 Applicants' Response to PC Data Request No 372  
13 (1 p.) (12/8/09)  
14 DM-61 Public Counsel - Joint Applicants' Response to  
15 PC Data Request No. 413 (1 p.) (12/8/09)  
16 DM-62 Public Counsel - Joint Applicants' Response to  
17 PC Data Request No. 480 (1 p.) (12/8/09)  
18 DM-63HC Public Counsel - HIGHLY CONFIDENTIAL Joint  
19 Applicants' Response to PC Data Request No.  
20 483 (3 pp.) (12/8/09)  
21 DM-64 Public Counsel - Joint Applicants' Response to  
22 PC Data Request No. 491 (1 p.) (12/8/09)  
23 DM-65HC Public Counsel - HIGHLY CONFIDENTIAL Joint  
24 Applicants' Response to PC Data Request No.  
25 492 (2 pp.) (12/8/09)

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1 DM-66HC Public Counsel - HIGHLY CONFIDENTIAL Joint  
2 Applicants' Response to PC Data Request No.  
3 493 (1 p.) (12/8/09)

4 DM-67HC Public Counsel - HIGHLY CONFIDENTIAL Joint  
5 Applicants' Response to PC Data Request No.  
6 494 (1 p.) (12/8/09)

7 DM-68HC Public Counsel - HIGHLY CONFIDENTIAL Joint  
8 Applicants' Response to PC Data Request No.  
9 496 (1 p.) (12/8/09)

10 DM-69HC Public Counsel - HIGHLY CONFIDENTIAL Joint  
11 Applicants' Response to PC Data Request No.  
12 487 (1 p.) (12/8/09)

13 DM-70 Public Counsel - Joint Applicants' Response to  
14 PC Data Request No. 107 (1 p.) (12/8/09)

15 DM-71 Public Counsel - Frontier's Internet  
16 Acceptable Use Policy (3 pp.) (12/8/09)

17 DM-72 Public Counsel - Verizon's Online Terms of  
18 Service (14 pp.) (12/8/09)

19 DM-73 Public Counsel - Excerpt from Frontier  
20 Communications Form S-4/A dated 9/14/09 (p.  
21 34) (2 pp.) (12/8/09)

22 DM-84HC Public Counsel - HIGHLY CONFIDENTIAL Joint  
23 Applicants' Response to PC Data Request No. 35  
24 w/Attachments (12/8/09) Pages 1 - 38 withdrawn  
25 by Public Counsel (121 pp.)

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1 DM-86 Public Counsel - Joint Applicants' Response to  
2 PC Data Request No. 539 (1 p.) (2/2/10)  
3 DM-87 Public Counsel - Joint Applicants' Response to  
4 PC Data Request No 538 (1 p.) (2/2/10)  
5 DM-88 Public Counsel - Joint Applicants' Response to  
6 PC Data Request No. 431 (1 p.) (12/8/09)  
7 (Moved from SES-22)  
8 WITNESS: FRONTIER: KIM L. CZAK  
9 KLC-1T Czak - Prefiled Rebuttal Testimony of Kim L.  
10 Czak (48 pp.) (11/19/09) (Revised 11/25/09)  
11 CROSS-EXAMINATION EXHIBITS  
12 KLC-2 Staff - Withdrawn by Staff  
13 WITNESS: FRONTIER: DAVID R. WHITEHOUSE  
14 DW-1T Whitehouse - Prefiled Rebuttal Testimony of  
15 David R. Whitehouse (62 pp.) (11/19/09)  
16 (Revised 11/25/09)  
17 DW-2 Whitehouse - Moody's Rating Action (3 pp.)  
18 (11/19/09)  
19 DW-3 Whitehouse - Fitch Ratings (1 p.) (11/19/09)  
20 DW-4 Whitehouse - Frontier Press Release (3 pp.)  
21 (11/19/09)  
22 DW-5 Whitehouse - Frontier Communications - Welcome  
23 to the New Frontier dated 5/13/09 (27 pp.)  
24 (11/19/09)  
25 DW-6 Whitehouse - Merger of CenturyTel/Embarq (13

0155

1 pp.) (11/19/09)  
2 DW-7 Whitehouse - Frontier-Verizon Spinco Financing  
3 (6 pp.) (11/19/09)  
4 DW-8 Whitehouse - Morgan Stanley Article on  
5 Frontier (9 pp.) (11/19/09)  
6 DW-9 Whitehouse - Frontier Press Release (2 pp.)  
7 (11/19/09)  
8 DW-10 Whitehouse - Frontier Press Release (2 pp.)  
9 (11/19/09)  
10 DW-11 Whitehouse - Frontier Press Release (1 p.)  
11 (11/19/09)  
12 DW-12 Whitehouse - Proxy Prospectus (344 pp.)  
13 (11/19/09)  
14 CROSS-EXAMINATION EXHIBITS  
15 DW-13 Staff - Withdrawn by Staff  
16 DW-14 Staff - Withdrawn by Staff  
17 DW-15 Staff - Withdrawn by Staff  
18 DW-16 Staff - Withdrawn by Staff  
19 DW-17 Staff - Withdrawn by Staff  
20 DW-18 Staff - Withdrawn by Staff  
21 DW-19 Public Counsel - Joint Applicants' Response to  
22 PC Data Request No. 390 (1 p.) (12/8/09)  
23 DW-20 Public Counsel - Joint Applicants' Response to  
24 PC Data Request No. 454 (1 p.) (12/8/09)  
25 DW-21 Public Counsel - Joint Applicants' Response to



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1 PC Data Request No. 455 (1 p.) (12/8/09)

2 DW-22 Public Counsel - Joint Applicants' Response to

3 PC Data Request No. 461 (1 p.) (12/8/09)

4 DW-23C Public Counsel - CONFIDENTIAL Joint

5 Applicants' Response to PC Data Request No.

6 462 (1 p.) (12/8/09)

7 DW-24 Public Counsel - Joint Applicants' Response to

8 PC Data Request No. 465 (Attachment WA PC

9 set28 FRO465 state service data) (3 pp.)

10 (12/8/09)

11 DW-25 Public Counsel - Joint Applicants' Response to

12 PC Data Request No. 469 (1 p.) (12/8/09)

13 DW-26 Public Counsel - Joint Applicants' Response to

14 PC Data Request No. 473 (1 p.) (12/8/09)

15 DW-27 Public Counsel - Joint Applicants' Response to

16 PC Data Request No. 475 (1 p.) (12/8/09)

17 DW-28 Public Counsel - Joint Applicants' Response to

18 PC Data Request No. 476 (1 p.) (12/8/09)

19 DW-29 Public Counsel - Joint Applicants' Response to

20 PC Data Request No. 477 (1 p.) (12/8/09)

21 DW-30HC Public Counsel - HIGHLY CONFIDENTIAL Joint

22 Applicants' Response to PC Data Request No.

23 518 (37 pp.) (1/26/10)

24 DW-31 Public Counsel - Joint Applicants' Response to

25 PC Data Request No. 520 (1 p.) (1/26/10)

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1 WITNESS: FRONTIER: BILLY JACK GREGG  
2 BJG-1T Gregg - Prefiled Rebuttal Testimony of Billy  
3 Jack Gregg (37 pp.) (11/19/09) (Revised  
4 11/25/09)  
5 BJG-2 Gregg - New York PSC Citizens' Communications  
6 Service Quality Report (19 pp.) (11/19/09)  
7 BJG-3 Gregg - New York PSC Citizens' Communications  
8 Service Quality Report (18 pp) (11/19/09)  
9 BJG-4 Gregg - New York PSC Citizens' Communications  
10 Service Quality Report (15 pp) (11/19/09)  
11 CROSS-EXAMINATION EXHIBITS  
12 BJG-5 Staff - Withdrawn by Staff  
13 BJG-6 Staff - Withdrawn by Staff  
14 BJG-7C Staff - Withdrawn by Staff  
15 BJG-8 Staff - Withdrawn by Staff  
16 BJG-9 Staff - Withdrawn by Staff  
17 BJG-10 Staff - Withdrawn by Staff  
18 BJG-11 Staff - Withdrawn by Staff  
19 BJG-12 Staff - Withdrawn by Staff  
20 BJG-13 Staff - Withdrawn by Staff  
21 BJG-14HC Public Counsel - HIGHLY CONFIDENTIAL Joint  
22 Applicants' Response to PC Data Request No. 9  
23 (Attachment V29, 66 attachment 1 DSL  
24 Availability) (4 pp.) (12/8/09)  
25 BJG-15C Public Counsel - CONFIDENTIAL Joint

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1 Applicant's Response to PC Data Request No. 23  
2 (1 p.) (12/8/09)  
3 BJG-16C Public Counsel - CONFIDENTIAL Joint  
4 Applicants' Response to PC Data Request No. 70  
5 (1 p.) (12/8/09)  
6 BJG-17 Public Counsel - Joint Applicants'  
7 Supplemental Response to PC Data Request No.  
8 164 (8 pp.) (12/8/09)  
9 BJG-18 Public Counsel - Joint Applicants' Response to  
10 PC Data Request No. 342(1 p.) (12/8/09)  
11 BJG-19 Public Counsel - Joint Applicants' Response to  
12 PC Data Request No. 346 (1 p.) (12/8/09)  
13 BJG-20 Public Counsel - Joint Applicants' Response to  
14 PC Data Request No. 366 (2 pp.) (12/8/09)  
15 BJG-21C Public Counsel - CONFIDENTIAL Joint  
16 Applicants' Response to PC Data Request No.  
17 433 (Attachment FRO433 High Speed Internet) (4  
18 pp.) (12/8/09)  
19 BJG-22 Public Counsel - Joint Applicants' Response to  
20 PC Data Request No. 436 (1 p.) (12/8/09)  
21 BJG-23 Public Counsel - Joint Applicants' Response to  
22 PC Data Request No. 437 (1 p.) (12/8/09)  
23 BJG-24 Public Counsel - Joint Applicants' Response to  
24 PC Data Request No. 438 (1 p.) (12/9/09)  
25 BJG-25 Public Counsel - Joint Applicants' Response to

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1 PC Data Request No. 439 (1 p.) (12/8/09)  
2 BJG-26 Public Counsel - Joint Applicants' Response to  
3 PC Data Request No. 441 (Attachment WAS PC  
4 SET27 FRO4411L Rebuttal Ex 2 15.0df) (5 pp.)  
5 (12/8/09)  
6 BJG-27 Public Counsel - Joint Applicants' Response to  
7 PC Data Request No. 442 (1 p.) (12/8/09)  
8 BJG-28 Public Counsel - Joint Applicants' Response to  
9 PC Data Request No. 443 (1 p.) (12/8/09)  
10 BJG-29 Public Counsel - Joint Applicants' Response to  
11 PC Data Request No. 449 (1 p.) (12/8/09)  
12 BJG-30 Public Counsel - Joint Applicants' Response to  
13 PC Data Request No. 450 (1p.) (12/8/09)  
14 BJG-31 Public Counsel - Joint Applicants' Response to  
15 PC Data Request No. 452 (1 p.) (12/8/09)  
16 BJG-32 Public Counsel - Verizon Web Page Verizon High  
17 Speed Internet Rates (2 pp.) (12/8/09)  
18 BJG-33 Public Counsel - West Virginia Commission  
19 Order (Case No. 08-0761-T-G1) on Verizon  
20 Service Quality (11 pp.) (12/8/09)  
21 BJG-34 Public Counsel - West Virginia Discovery  
22 Response - Service Quality Services (Q Series)  
23 Q54 (2 pp.) (12/8/09)  
24 BJG-35 Public Counsel - West Virginia Discovery  
25 Response CWA Set 3, Question # 10 (1 p.)

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1 (12/8/09)

2 BJG-36 Public Counsel - Excerpt of Billy Jack Gregg

3 Direct Testimony in West Virginia, p. 25 (Case

4 No. 09-0871-T-PC) (2 pp.) (12/8/09)

5 BJG-37C Public Counsel - CONFIDENTIAL Joint

6 Applicants' Response to PC Data Request No.

7 503 (6 pp.) (1/26/10)

8 BJG-38C Public Counsel - CONFIDENTIAL Joint

9 Applicants' Response to PC Data Request No.

10 515 (1 p.) (1/26/10)

11 BJG-39 Public Counsel - Joint Applicants' Response to

12 PC Data Request No. 517 (1 p.) (1/26/10)

13 BJG-40 Public Counsel - Excerpt from Hearing

14 Transcript from PSCWV, dated 1/14/2010, pp.

15 222-225 (5 pp.) (1/29/10)

16 WITNESS: FRONTIER: F. WAYNE LAFFERTY

17 FWL-1T Lafferty - Prefiled Rebuttal Testimony of F.

18 Wayne Lafferty (44 pp.) (11/19/09) (Revised

19 11/25/09)

20 FWL-2 Lafferty - Curriculum Vitae of F. Wayne

21 Lafferty (52 pp)

22 CROSS-EXAMINATION EXHIBITS

23 FWL-3 Public Counsel - Withdrawn by Public Counsel

24 FWL-4 Public Counsel - Withdrawn by Public Counsel

25 FWL-5 Public Counsel - Withdrawn by Public Counsel

0161

1 PARTY: BCAW

2 WITNESS: RON MAIN

3 RM-1T Main - Prefiled Corrected Rebuttal Testimony  
4 of Ron Main (8 pp.) (11/19/09)

5 PARTY: COMMISSION STAFF

6 WITNESS: WILLIAM WEINMAN

7 WHW-1T Weinman - Prefiled Responsive Testimony of  
8 William H. Weinman (29 pp.) (11/3/09) (Errata  
9 11/13/09) (Errata 12/9/09)

10 WHW-2 Weinman - Joint Applicant's Response to Staff  
11 Data Request No. 110 (3 pp.) (11/3/09)

12 WHW-3 Weinman - Joint Applicants' Response to Staff  
13 Data Request No. 107 (1 p.) (11/3/09)

14 WHW-4 Weinman - Joint Applicants' Response to Staff  
15 Data Request No. 7 (1 p.) (11/3/09)

16 WHW-5 Weinman - Joint Applicants' Response to Staff  
17 Data Request No. 96 (2 pp.) (11/3/09)

18 WHW-6 Weinman - Joint Applicants' Response to Public  
19 Counsel Data Request No. 97 (1 p.) (11/3/09)

20 CROSS-EXAMINATION EXHIBITS

21 WHW-7 Verizon - Withdrawn by Verizon

22 WHW-8 Verizon - Withdrawn by Verizon

23 WHW-9 Verizon - Withdrawn by Verizon

24 WHW-10 Verizon - Withdrawn by Verizon

25 WHW-11 Verizon - Withdrawn by Verizon

0162

1 WHW-12 Frontier - Withdrawn by Frontier  
2 WHW-13 Frontier - Withdrawn by Frontier  
3 WITNESS: RICK T. APPELEGATE  
4 RTA-1T Applegate - Prefiled Responsive Testimony of  
5 Rick T. Applegate (10 pp.) (11/3/09)  
6 RTA-2 Applegate - Verizon Response to Comcast Data  
7 Request 19 (1 p.) (11/3/09)  
8 WITNESS: JING LIU  
9 JL-1HCT Liu - HIGHLY CONFIDENTIAL Prefiled Responsive  
10 Testimony of Jing Liu (20 pp.) (11/3/09)  
11 JL-2HC Liu - HIGHLY CONFIDENTIAL Verizon DSL  
12 Capability, Take Rate, and FiOS Availability  
13 by Wire Center (3 pp.) (11/3/09)  
14 CROSS-EXAMINATION EXHIBITS  
15 JL-3 Verizon - Withdrawn by Verizon  
16 JL-4 Verizon - Withdrawn by Verizon  
17 JL-5 Verizon - Withdrawn by Verizon  
18 JL-6 Verizon - Withdrawn by Verizon  
19 WITNESS: JING Y. ROTH  
20 JYR-1HCT Roth - HIGHLY CONFIDENTIAL Prefiled Responsive  
21 Testimony of Jing Y. Roth (17 pp.) (11/3/09)  
22 JYR-2 Roth - Professional Information (4 pp.)  
23 (11/3/09)  
24 JYR-3 Roth - Verizon/Frontier Response to UTC Staff  
25 Data Request 72 (1 p.) (11/3/09)

0163

1 JYR-4 Roth - Verizon and Frontier Response to Public  
2 Counsel Data Request 248 (1 p.) (11/3/09)  
3 JYR-5 Roth - TR's State Newswire . . . with  
4 TRINSIGHT NEW YORK - Frontier Ordered to  
5 Refund Early Termination Fees (1 p.) (11/3/09)  
6 JYR-6HC Roth - HIGHLY CONFIDENTIAL HSR Document 4(c)  
7 (52), page 1 of 6, Reports the Results of a  
8 Verizon Evaluation of Frontier Residential  
9 Pricing Strategies (1 p.) (11/3/09)  
10 WITNESS: KRISTEN M. RUSSELL  
11 KMR-1T Russell - Prefiled Responsive Testimony of  
12 Kristen M. Russell (31 pp.) (11/3/09)  
13 KMR-2 Russell - WAC 480-120-439 (3 p.) (11/3/3/09)  
14 KMR-3 Russell - Service Quality Requirements (3 p.)  
15 (11/3/09)  
16 KMR-4 Russell - General and Local Exchange Tariff (1  
17 p.) (11/3/09)  
18 KMR-5C Russell - CONFIDENTIAL Service Performance  
19 Guarantee Payouts (1 p.) (11/3/09)  
20 KMR-6 Russell - Frontier Mission & Values '09 (1 p.)  
21 (11/3/09)  
22 WITNESS: SUZANNE L. STILLWELL  
23 SLS-1T Stillwell - Prefiled Responsive Testimony of  
24 Suzanne L. Stillwell (10 pp.) (11/3/09)  
25 SLS-2 Stillwell - Verizon and Frontier Responses to



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1 Public Counsel data Request Nos. 220 and 221  
2 (2 pp.) (11/3/09)

3 WITNESS: ROBERT T. WILLIAMSON

4 RTW-1HCT Williamson - HIGHLY CONFIDENTIAL Prefiled  
5 responsive Testimony of Robert T. Williamson  
6 (23 pp.) (11/3/09)

7 RTW-2 Williamson - Qualifications (1 p.) (11/3/09)

8 CROSS-EXAMINATION EXHIBITS

9 RTW-3 Verizon - Withdrawn by Verizon

10 RTW-4 Verizon - Withdrawn by Verizon

11 RTW-5 Verizon - Withdrawn by Verizon

12 RTW-6 Verizon - Withdrawn by Verizon

13 RTW-7 Verizon - Withdrawn by Verizon

14 RTW-8 Verizon - Withdrawn by Verizon

15 RTW-9 Verizon - Withdrawn by Verizon

16 RTW-10 Verizon - Withdrawn by Verizon

17 RTW-11 Verizon - Withdrawn by Verizon

18 PARTY: PUBLIC COUNSEL

19 WITNESS: BARBARA R. ALEXANDER

20 BRA-1CT Alexander - CONFIDENTIAL Prefiled Responsive  
21 Testimony of Barbara R. Alexander (46 pp.)  
22 (11/3/09) (Revised 12/2/09)

23 BRA-2 Alexander - Qualifications (12 pp.) (11/3/09)

24 BRA-3C Alexander - CONFIDENTIAL Service Quality  
25 Performance Data (1 p.) (11/3/09)

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1 CROSS-EXAMINATION EXHIBITS

2 BRA-4 Verizon - Public Counsel Response to JA DR 124

3 (1 p.) (12/8/09)

4 BRA-5 Verizon - Public Counsel Response to JA DR 126

5 (1 p.) (12/8/09)

6 BRA-6 Verizon - Prefiled Responsive Testimony of

7 Suzanne Stillwell (21 pp.(12/8/09)

8 BRA-7 Verizon - Order 07 in Docket UT-050814 (82

9 pp.) (12/8/09)

10 BRA-8 Verizon - Verizon Response to PC DR 129 (3

11 pp.) (12/8/09)

12 BRA-9C Verizon - CONFIDENTIAL Verizon NW UTC Report

13 Summary December 06 (1 p.) (12/8/09)

14 BRA-10C Verizon - CONFIDENTIAL Verizon NW UTC Report

15 Summary December 07 (1 p.) (12/8/09)

16 BRA-11C Verizon - CONFIDENTIAL Verizon NW UTC Report

17 Summary December 08 (1 p.) (12/8/09)

18 BRA-12 Frontier - Oregon PUC Testimony of Wolodymyr

19 Birko (9 pp.) (12/8/09)

20 WITNESS: STEPHEN G. HILL

21 SGH-1T Hill - Prefiled Responsive Testimony of

22 Stephen G. Hill (52 pp.) (11/3/09)

23 SGH-2 Hill - Education and Employment History (1 p.)

24 (11/3/09)

25 SGH-3 Hill - Frontier Verizon Merger Application:

0166

1 Risk Factors (13 pp.) (11/3/09)

2 SGH-4 Hill - WSJ article - "Two Sides of Verizon's  
3 Deal Making" (2 pp.) (11/3/09)

4 SGH-5 Hill - Frontier-Verizon Merger Application  
5 Spreadsheet Historical Data (1 p.) (11/3/09)

6 SGH-6 Hill - Verizon Merger Application Spreadsheet  
7 Historical Data (1 p.) (11/3/09)

8 SGH-7 Hill - Frontier-Verizon Merger Application  
9 Spreadsheet Spinco Historical Data (1 p.)  
10 (11/3/09)

11 SGH-8 Hill - Verizon-Wireless Customer Letter dated  
12 May 26, 2009 (1 p.) (11/3/09)

13 SGH-28 Hill - NRRI Article, "A New Era in ILEC  
14 Transfers; Safeguarding Wireline Telecom  
15 Service," Helen F. Golding (44 pp.) (1/26/10)

16 SGH-29 Hill - "Frontier Communications Shares Not  
17 Wired for Success", Barrons' (2 pp.) (1/26/10)

18 SGH-30 Hill - Withdrawn by Public Counsel

19 CROSS-EXAMINATION EXHIBITS

20 SGH-9 Verizon - SGH Curriculum vitae (1 p.)  
21 (12/8/09)

22 SGH-10 Verizon - Withdrawn by Verizon

23 SGH-11 Verizon - Withdrawn by Verizon

24 SGH-12 Verizon - Fitch Ratings (1 p.) (12/8/09)

25 SGH-13 Verizon- Withdrawn by Verizon

0167

1 SGH-14 Verizon- Moody's (2 pp.) (12/8/09)  
2 SGH-15 Verizon - Morgan Stanley (10 pp.) (12/8/09)  
3 SGH-16 Verizon - Withdrawn by Verizon  
4 SGH-17 Verizon - Withdrawn by Verizon  
5 SGH-18 Verizon - Public Counsel's Supplemental  
6 Response to JA DR No. 74 (1 p.) (12/8/09)  
7 SGH-19 Verizon - Public Counsel's Supplemental  
8 Response to JA DR No. 78 (2 pp.) (12/8/09)  
9 SGH-20 Verizon - Public Counsel's Supplemental  
10 Response to JA DR No. 80 (1 p.) (12/8/09)  
11 SGH-21 Verizon - Public Counsel's Supplemental  
12 Response to JA DR No. 81 (1 p.) (12/8/09)  
13 SGH-22 Verizon - Raymond James (1 p.) (12/8/09)  
14 SGH-23HC Verizon - HIGHLY CONFIDENTIAL Public Counsel's  
15 Supplemental Response to JA DR No. 79 (2 pp.)  
16 (12/8/09)  
17 SGH-24 Frontier - Public Counsel's Supplemental  
18 Response to JA DR No. 67 (2 pp.) (12/8/09)  
19 SGH-25 Frontier - Public Counsel's Supplemental  
20 Response to JA DR No. 74 (1 p.)  
21 SGH-26 Frontier - Public Counsel's Supplemental  
22 Response to JA DR No. 80 (1 p.) (12/8/09)  
23 SGH-27 Frontier - Public Counsel's Supplemental  
24 Response to JA DR No. 81 (1 p.) (12/8/09)  
25 WITNESS: DR. TREVOR R. ROYCROFT

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1 TRR-1HCT Roycroft - HIGHLY CONFIDENTIAL Prefiled  
2 Responsive Testimony of Dr. Trevor R. Roycroft  
3 (106 pp.) (11/3/09) (Revised 11/13/09)  
4 TRR-2 Roycroft - Qualifications and Education (15  
5 pp.) (11/3/09)  
6 TRR-3 Roycroft - Excerpt of Testimony of Daniel J.  
7 McCarthy, 9/30/09, Ohio PUC (2 pp.) (11/3/09)  
8 TRR-4 Roycroft - Excerpt of Deposition Transcript of  
9 Timothy McCallion, 9/30/09, Ohio PUC (5 pp.)  
10 (11/3/09)  
11 TRR-5 Roycroft - Consumer Advocate Division, State  
12 of W. Virginia PSC, Fifth Request for  
13 Information (2 pp.) (11/3/09)  
14 TRR-27 Roycroft - "The State of the Internet" Akamia  
15 report (32 pp.) (1/26/10)  
16 TRR-28 Roycroft - Joint Applicants' Response to  
17 Public Counsel Data Request No. 538 (1 p.)  
18 (2/1/10)  
19 TRR-29 Roycroft - Joint Applicants' Response to  
20 Public Counsel Data Request No. 539 (1 p.)  
21 (2/1/10)  
22 CROSS-EXAMINATION EXHIBITS  
23 TRR-6 Verizon - Withdrawn by Verizon  
24 TRR-7 Verizon - Withdrawn by Verizon  
25 TRR-8 Verizon - Frontier Response to PC DR. No. 348

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1 (2 pp.) (12/8/09)  
2 TRR-9 Verizon - Withdrawn by Verizon  
3 TRR-10 Verizon - Withdrawn by Verizon  
4 TRR-11 Verizon - Joint Applicants' Response to PC  
5 DR. No. 96 (2 pp.) (12/8/09)  
6 TRR-12 Verizon - Withdrawn by Verizon  
7 TRR-13 Verizon - Withdrawn by Verizon  
8 TRR-14 Verizon - Withdrawn by Verizon  
9 TRR-15 Verizon - Withdrawn by Verizon  
10 TRR-16 Verizon - Withdrwn by Verizon  
11 TRR-17 Verizon - Withdrawn by Verizon  
12 TRR-18 Verizon - Public Counsel Supplemental Response  
13 to JA DR No. 81 (1 p.) (12/8/09)  
14 TRR-19 Verizon - Withdrawn by Verizon  
15 TRR-20 Verizon - Verizon Response to PC DR No. 394 (1  
16 p.) (12/8/09)  
17 TRR-21 Verizon - Raymond James (1 p.) (12/8/09)  
18 TRR-22HC Verizon - HIGHLY CONFIDENTIAL Public Counsel  
19 Response to JA DR. No. 99 (2 pp.) (12/8/09)  
20 TRR-23HC Verizon - Withdrawn by Verizon  
21 TRR-24HC Verizon - Withdrawn by Verizon  
22 TRR-25 Frontier - Withdrawn by Frontier  
23 TRR-26 Frontier - Public Version of Dr. Roycroft's  
24 Testimony Before Ohio PUC (147 pp.) (12/8/09)  
25 PARTY: INTEGRA

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1 WITNESS: JAMES HUESGEN

2 JH-1T Huesgen - Prefiled Responsive Testimony of  
3 James Huesgen (21 pp.) (11/3/09)

4 JH-2 Huesgen - Proposed Wholesale Conditions (3  
5 pp.) (11/3/09)

6 JH-3 Huesgen - Notice to CLECs, et. (1 p.)  
7 (11/3/09)

8 JH-4 Huesgen - Impact of NMC Transition of Verizon  
9 Average Installation Interval WA (1 p.)  
10 (11/3/09)

11 JH-5 Huesgen - Impact of MNC Transition on Verizon  
12 Center Responsiveness (1 p.) (11/3/09)

13 JH-6 Huesgen - 2009 Open CUF Issues (8 pp.)  
14 (11/3/09)

15 JH-7 Huesgen - PWG Change Request History (48 pp.)  
16 (11/3/09)

17 JH-8 Huesgen - Verizon Change Management Meeting  
18 (19 pp.) (11/3/09)

19 WITNESS: DOUGLAS DENNEY

20 DD-1T Denney - Prefiled Responsive Testimony of  
21 Douglas Denney (28 pp.) (11/3/09)

22 DD-2 Denney - Verizon Response to Comcast Data  
23 Request No. 3 (1 p.) (11/3/09)

24 PARTY: DEPARTMENT OF DEFENSE AND ALL OTHER FEDERAL  
25 EXECUTIVE AGENCIES

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1 WITNESS: CHARLES W. KING

2 CWK-1T King - Prefiled Responsive Testimony of

3 Charles W. King (34 pp) (11/3/09)

4 Attachment A - Resume (1 p.) (11/3/09)

5 Attachment B - Appearances (15 pp.) (11/3/09)

6 Attachment C - Statement of David Hauser, CEO

7 FairPoint Communications (2 pp.) (11/3/09)

8 Attachment D - Joint Stipulation & Agreement,

9 NYPSE (14 pp.) (11/3/09)

10 Attachment E - Applicant's Response to CWA

11 Data Request No. 19 in W. Virginia (2 pp.)

12 (11/3/09)

13 Attachment F - Ninth Supplemental Order in

14 Docket UT-991358 (2 pp.) (11/3/09)

15 CROSS-EXAMINATION EXHIBITS

16 CWK-2 Verizon - Withdrawn by Verizon

17 CWK-3 Verizon - Withdrawn by Verizon

18 CWK-4 Frontier - Withdrawn by Frontier

19 CWK-5 Frontier - Withdrawn by Frontier

20 CWK-6 Frontier - Withdrawn by Frontier

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0172

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

2 JUDGE CLARK: Good morning, it's  
3 approximately 9:30 a.m., February 2nd, 2010. This is  
4 the time and the place set for hearing in the Matter of  
5 the Joint Application of Verizon Communications  
6 Incorporated and Frontier Communications Corporation for  
7 an Order Declining to Assert Jurisdiction Over, or, in  
8 the Alternative, Approving the Indirect Transfer of  
9 Control of Verizon Northwest Incorporated, given Docket  
10 Number UT-090842, Patricia Clark, Administrative Law  
11 Judge for the Commission presiding.

12 At this time I'm going to call for the  
13 appearances of the parties because the first thing we  
14 will address on the record this morning is the  
15 objections to the admission of the exhibits and any  
16 other procedural matters. Once we have resolved those  
17 procedural matters, I will take a brief recess and ask  
18 the Commissioners to join us for the substantive portion  
19 of today's hearing. I'm going to commence with  
20 appearances starting with Verizon.

21 MR. ROMANO: Thank you, Your Honor, Gregory  
22 M. Romano on behalf of Verizon, General Counsel of  
23 Verizon Northwest.

24 JUDGE CLARK: Thank you.

25 MR. RUGGIERO: Good morning, Your Honor,

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1 Joseph M. Ruggiero on behalf of Verizon.

2 JUDGE CLARK: All right, and, Mr. Ruggiero, I  
3 don't believe you've entered an appearance for the court  
4 reporter earlier, so if you could please spell your last  
5 name for her, that would be helpful.

6 MR. RUGGIERO: Sure, it's R-U-G-G-I-E-R-O.

7 JUDGE CLARK: All right, and the record  
8 should reflect that he has already filed an entry of  
9 appearance in this docket.

10 Appearing on behalf of Frontier.

11 MR. BEST: Your Honor, Charles Best, B-E-S-T,  
12 appearing --

13 JUDGE CLARK: Is your microphone on,  
14 Mr. Best?

15 MR. BEST: Apparently not, thank you, Your  
16 Honor.

17 Charles Best, B-E-S-T, appearing for  
18 Frontier.

19 MR. SAVILLE: Good morning, Your Honor, Kevin  
20 Saville, Associate General Counsel for Frontier  
21 Communications appearing on behalf of Frontier.

22 JUDGE CLARK: Thank you. And if you could  
23 spell your last name too, Mr. Saville.

24 MR. SAVILLE: It's Saville, S-A-V-I-L-L-E.

25 JUDGE CLARK: Thank you.

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1                   Appearing on behalf of the Commission Staff.

2                   MR. THOMPSON: Jonathan Thompson, Assistant  
3 Attorney General.

4                   JUDGE CLARK: Thank you.

5                   Appearing on behalf of Public Counsel.

6                   MS. SHIFLEY: Sarah Shifley, Assistant  
7 Attorney General.

8                   JUDGE CLARK: Appearing on behalf of Comcast.

9                   MR. KOPTA: Thank you, Your Honor, Gregory J.  
10 Kopta of the law firm Davis Wright Tremaine on behalf of  
11 Comcast Phone of Washington, LLC.

12                   JUDGE CLARK: Thank you.

13                   And appearing on behalf the joint CLECs.

14                   MR. TRINCHERO: Thank you, Your Honor, Mark  
15 Trinchero of the law firm of Davis Wright Tremaine on  
16 behalf of XO Communications Services, Inc., Integra  
17 Telecom of Washington, Inc., TW Telecom of Washington,  
18 LLC, Covad Communications Company, McLeod  
19 Telecommunications Services, Inc. d/b/a PAETEC, the  
20 joint CLECs.

21                   JUDGE CLARK: Thank you.

22                   Appearing on behalf of Level 3 and  
23 360networks.

24                   MR. LOWNY: Adam Lowney of the law firm of  
25 McDowell Rackner & Gibson on behalf Level 3

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1 Communications LLC and 360networks.

2 JUDGE CLARK: And, Mr. Lowney, could you  
3 spell your last name for the record, please.

4 MR. LOWNEY: It's Lowney, L-O-W-N-E-Y.

5 JUDGE CLARK: Thank you. And the record  
6 should reflect that Mr. Lowney has already filed a  
7 notice of appearance in this docket.

8 Appearing on behalf of the Department of  
9 Defense and all other Federal Executive Agencies.

10 MR. MELNIKOFF: Thank you, Your Honor, this  
11 is Stephen S. Melnikoff representing the Department of  
12 Defense and all other Federal Executive Agencies.

13 JUDGE CLARK: Thank you.

14 Appearing on behalf of The Broadcast  
15 Communications Association of Washington.

16 MR. HARLOW: Good morning, Your Honor, that's  
17 Broadband Communications Association of Washington.

18 JUDGE CLARK: I'm sorry.

19 MR. HARLOW: Brooks Harlow with the law firm  
20 of Miller Nash LLP.

21 JUDGE CLARK: Thank you. I think I'll stick  
22 with BCAW from now on.

23 MR. HARLOW: That's a good acronym.

24 JUDGE CLARK: The record should also reflect  
25 that IBEW does not intend to participate in the hearing

0176

1 in this matter.

2 I just have a couple of preliminary  
3 housekeeping things first. The first one I'm sure  
4 you're all familiar with. If you have a cell phone with  
5 you, this is an appropriate time for you to place that  
6 cell phone on mute or something else so that it does not  
7 ring and become disruptive during the hearing.

8 We do have a number of individuals appearing  
9 telephonically today on the Commission's conference  
10 bridge, therefore it is necessary for you to speak a  
11 little more loudly than you might ordinarily speak and  
12 perhaps a little more slowly than you might ordinarily  
13 speak so that everyone in the hearing room can hear  
14 those appearing telephonically and so that we can hear  
15 those who are appearing on the conference bridge.

16 I had established a deadline of last week for  
17 the parties to submit objections to the admission of any  
18 exhibits. I did distribute a revised exhibit list  
19 yesterday, and so we can go through that now. I do have  
20 only objections entered by two parties, Verizon and  
21 Frontier. Is there anyone else who has objections to  
22 the admission of evidence you wish to be entertained at  
23 this time?

24 All right, hearing none, I guess I will turn  
25 to you first, Mr. Romano, do you still have objections

0177

1 to the admission of some of the exhibits?

2 MR. ROMANO: Yes, Your Honor.

3 JUDGE CLARK: All right.

4 MR. ROMANO: I'll start first with this is  
5 more of a clarification with regard to the exhibit  
6 that's been marked TM-20HC. My understanding is that  
7 this has been reassigned to Mr. McCarthy of Frontier.  
8 However, the part that I wanted to clarify and that I  
9 have clarified with Ms. Shifley is that the first pages  
10 3 through, I'm sorry, it's --

11 JUDGE CLARK: I think you're on the wrong  
12 exhibit.

13 MR. ROMANO: Right, this is TM-3HC.

14 JUDGE CLARK: Yes, and that has been moved to  
15 Mr. McCarthy (DM-84HC) so I am going to entertain any  
16 objections to that exhibit actually from Mr. Best.

17 MR. ROMANO: But just to clarify, Your Honor,  
18 pages 3 through 38 it's my understanding are not part of  
19 the exhibit that will be used to cross-examine  
20 Mr. McCarthy, and I have clarified that with  
21 Ms. Shifley, because those are Verizon materials that  
22 Mr. McCarthy has not seen.

23 JUDGE CLARK: Ms. Shifley.

24 MS. SHIFLEY: Yes, we had that conversation,  
25 I believe that's the understanding.

0178

1 JUDGE CLARK: All right, so is there no  
2 longer an objection to the admission of this exhibit?

3 MR. BEST: Your Honor, Chuck Best again for  
4 Frontier, we do not object at this point given that  
5 clarification.

6 JUDGE CLARK: All right.

7 Now that gets us to TM-20HC.

8 MR. ROMANO: Yes, Your Honor, thank you.  
9 TM-20HC includes board materials and other things of  
10 which Mr. McCallion does not have personal knowledge  
11 other than just simply reviewing them in preparation for  
12 this hearing once they were identified. And based on  
13 that lack of personal knowledge, we don't think that  
14 it's an appropriate cross-examination exhibit for  
15 Mr. McCallion.

16 JUDGE CLARK: All right, and the board  
17 materials that you're referring to are Verizon board  
18 materials, correct?

19 MR. ROMANO: Yes.

20 JUDGE CLARK: All right.

21 Ms. Shifley.

22 MS. SHIFLEY: Thank you, Your Honor. There  
23 are actually four exhibits that have been designated  
24 TM-20, 21, 22 and 23 that are all attachments to Joint  
25 Applicants' response to UTC Staff Data Request Number

0179

1 11, and they pertain to the Verizon's Hart-Scott-Rodino  
2 filings, and they were not -- Verizon at no time  
3 designated the witness that would be -- that could be  
4 identified as asking questions about those, and I  
5 believe that since Mr. McCallion is Verizon's only  
6 witness to actually ask anybody about this, I don't know  
7 who else we would designate it for. If Verizon would  
8 like to offer somebody with more knowledge that we could  
9 redesignate these exhibits for, I think we could  
10 probably do that.

11 JUDGE CLARK: All right.

12 Mr. Romano.

13 MR. ROMANO: Yes, Your Honor, I believe  
14 Mr. Smith would be a more appropriate witness on behalf  
15 of Verizon to take cross-examination on those exhibits.

16 JUDGE CLARK: All right, so your objection  
17 really isn't to the admission of the exhibits but rather  
18 to the witness who will address them?

19 MR. ROMANO: Once I heard Public Counsel's  
20 explanation, yes, Your Honor.

21 JUDGE CLARK: All right, that's fine, then  
22 we're going to leave them with the numbering that we  
23 have for them right now, and we'll modify that later so  
24 that they will reflect that those are indeed  
25 cross-examination exhibits for Mr. Smith.



0180

1 MR. ROMANO: Okay.

2 And then turning now to cross-examination  
3 exhibits that have been identified for Mr. Smith.

4 JUDGE CLARK: Yes.

5 MR. ROMANO: There are a number of exhibits  
6 that are Frontier responses or data request responses  
7 that were prepared by Frontier, specifically SES-3,  
8 SES-5, SES-6HC, and Mr. Smith does not have firsthand  
9 knowledge of the answers to those particular data  
10 request responses, and so we would object to their use  
11 with him.

12 JUDGE CLARK: And I'm just going off your  
13 E-mail objections, does the same objection apply to  
14 SES-11, SES-12, and SES-13?

15 MR. ROMANO: Yes, Your Honor.

16 JUDGE CLARK: All right.

17 Ms. Shifley.

18 MS. SHIFLEY: Your Honor, to expedite this I  
19 can say that Public Counsel is willing to withdraw the  
20 following Exhibits: SES-3, SES-5.

21 JUDGE CLARK: Slowly.

22 MS. SHIFLEY: So these are all SES, so it's  
23 Number 3, Number 5, Number 6HC, Number 11, Number 12,  
24 Number 13, Number 18, and Number 23.

25 JUDGE CLARK: All right, so that leaves

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1 SES-22.

2 MS. SHIFLEY: That's correct.

3 JUDGE CLARK: All right.

4 MR. ROMANO: And, Your Honor, as to SES-22,  
5 that's another one that's focused on the actions of  
6 Frontier of which Mr. Smith has no personal firsthand  
7 knowledge.

8 JUDGE CLARK: Ms. Shifley.

9 MS. SHIFLEY: This exhibit is Joint  
10 Applicants' response to PC Data Request Number 431, and  
11 it specifically asks for evidentiary support for  
12 statements made by Mr. Smith in his direct testimony, so  
13 I -- and again it doesn't identify somebody else who  
14 might have answered that who we can ask about, but as  
15 far as it having -- is there a better witness for this,  
16 or is it that Verizon would prefer that we redesignated  
17 this for a Frontier witness?

18 MR. ROMANO: Well, if you look at the actual  
19 request and the response, we don't think it's probative.  
20 This talks about specific and objective evidence about  
21 certain things that Frontier management has done, and we  
22 don't think Mr. Smith would be the appropriate witness  
23 to take questions. I'm not sure if Frontier has a  
24 witness.

25 MR. SAVILLE: Your Honor, this particular

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1 data request that's been identified as the exhibit, in  
2 looking at it now, it appears that there wasn't a  
3 response, a detailed response provided. It just  
4 indicates objections with respect to particular  
5 questions that were raised by Public Counsel. We can  
6 certainly make one of our witnesses, Mr. McCarthy,  
7 available to respond to this, but there doesn't appear  
8 looking at it that there's any substantive response  
9 there that really needs to be put into the record.

10 JUDGE CLARK: Ms. Shifley, did you hear  
11 Mr. Saville's response?

12 MS. SHIFLEY: Yes. And just to clarify, this  
13 looks like it does actually ask a question of Verizon  
14 regarding statements that are made, so this question  
15 does seem to go to Verizon's management, if Verizon has  
16 a different witness that they would like to have it  
17 designated for.

18 MR. ROMANO: Your Honor, just because it  
19 refers to a page of testimony, when you actually look at  
20 the specific request, again I don't think Mr. Smith  
21 would be the appropriate person to try to answer these  
22 types of questions, and the response itself doesn't  
23 provide a response. It rests on objections that the  
24 data request is vague, ambiguous, argumentative, and so  
25 it doesn't seem to be probative as a cross-examination

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1 exhibit.

2 JUDGE CLARK: And Frontier has offered  
3 Mr. McCarthy to address this particular exhibit if you  
4 would like to inquire.

5 MS. SHIFLEY: The exhibit itself asks Verizon  
6 management to refer to portions of Mr. Smith's testimony  
7 and asks for clarification and objective evidence about  
8 statements that Mr. Smith made, so I believe that this  
9 witness should be or that this exhibit should be  
10 addressed to a Verizon witness.

11 JUDGE CLARK: Are you referring to Public  
12 Counsel Data Request Number 431?

13 MS. SHIFLEY: Yes.

14 JUDGE CLARK: The copy that I have asks to  
15 please provide any and all objective evidence showing  
16 that Frontier management tested and approved the  
17 specific allocation process, blah, blah. There are four  
18 subsets and they seem to be focused on Frontier.

19 MS. SHIFLEY: It's because these are  
20 statements that Mr. Smith made in his testimony  
21 regarding Frontier.

22 JUDGE CLARK: All right, well, I'm going to  
23 sustain the objection and allow inquiry of Mr. McCarthy  
24 on this particular topic, because it doesn't appear that  
25 Mr. Smith is going to be able to be appropriately

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1 responsive to your inquiry. We're not going to let  
2 Mr. Smith off the hook. If Mr. McCarthy is unable to  
3 respond to your -- and I don't know what your questions  
4 are and I don't want to know what your questions are,  
5 but if he can not appropriately answer your questions,  
6 then we may have to turn back to Mr. Smith.

7 MS. SHIFLEY: Thank you, Your Honor.

8 MR. ROMANO: Thank you, Your Honor.

9 The other two potential exhibits that Verizon  
10 had objections to relate to exhibits that were going to  
11 be attempted to be used in oral rebuttal testimony.

12 JUDGE CLARK: Yes.

13 MR. ROMANO: The first is SGH-28, and this is  
14 a NRRI article.

15 JUDGE CLARK: Yes.

16 MR. ROMANO: And the article as it would be  
17 offered here amounts to hearsay in the sense that it is  
18 being -- it appears, although it's hard to tell until we  
19 get to the rebuttal stage, that it appears to be offered  
20 for the truth of the matter asserted, and we have no  
21 ability to cross-examine the author of the paper, and it  
22 doesn't meet any of the exceptions to the hearsay rule,  
23 so we would ask that that exhibit not be admitted.

24 JUDGE CLARK: Ms. Shifley.

25 MS. SHIFLEY: I believe that you just said

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1 that that was an SGH exhibit.

2 JUDGE CLARK: Yes.

3 MS. SHIFLEY: But is it actually TRR-27?

4 MR. ROMANO: No, this is SGH-28.

5 MS. SHIFLEY: I don't believe that you  
6 previously identified this as one that you had an  
7 objection to.

8 JUDGE CLARK: He does. If you look at the,  
9 well, I printed it so it's on the second page.

10 MS. SHIFLEY: Okay.

11 JUDGE CLARK: It indicates that there is an  
12 objection. I had some difficulty with my superscript,  
13 it really isn't Exhibit SGH-283, it's 28, everyone was  
14 able to figure that out, and TRR-27.

15 MS. SHIFLEY: Your Honor, this is an article  
16 that was actually something that the Commissioners had  
17 sent notice that they were looking at. This is  
18 background information from a reputable source about  
19 transactions of this exact type, and I think that  
20 because it's reputable and useful, it will help the  
21 Commission properly evaluate the issues that arise in  
22 this transaction. And I also, as far as it being  
23 hearsay, I think that hearsay would be admissible in  
24 administrative proceedings if it is reliable and helpful  
25 and will help the Commission in its evaluation of the

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1 evidence.

2 JUDGE CLARK: All right. And just for the  
3 clarity of the record, the Commission did issue a notice  
4 indicating that one Commissioner had read this  
5 particular article and that no other Commissioners had  
6 read it or intended to read it. That was actually the  
7 notice issued by the Commission. That having been said,  
8 in administrative proceedings we do allow hearsay  
9 evidence to be admitted. The Commission will determine  
10 the appropriate weight, if any, to afford to this, and  
11 SGH-28 is admitted.

12 MR. ROMANO: Thank you, Your Honor.

13 The other objection Verizon had on the same  
14 grounds was to TRR-27, and it was the same objection in  
15 the sense that this is an article and amounts to  
16 hearsay. I believe Frontier has the same objection, but  
17 we're not able for instance to cross-examine the author  
18 of the article. It appears to be offered for the truth  
19 of the matter asserted, and so we make the same  
20 objection here.

21 JUDGE CLARK: Mr. Best, do you also want to  
22 be heard on this?

23 MR. BEST: Thank you, Your Honor. Yes, the  
24 only other thing I would note is that frankly I think it  
25 appears to be more of a marketing piece than anything

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1 else. If you look at the very end of it, they actually  
2 start selling or trying to sell products. And I'm  
3 specifically referring to this is TRR-27, page 31 and  
4 32. Again, I don't know this company. If it was the  
5 FCC, it might be a different matter. And I also don't  
6 know why it's being offered. But not only is it  
7 hearsay, I'm not even sure it's reliable hearsay, and I  
8 honestly don't know what basis they have to make these  
9 statements, and it doesn't say in the article.

10 JUDGE CLARK: All right, well, consistent  
11 with my last ruling, the Commission does allow hearsay,  
12 and the Commission will determine the appropriate  
13 weight, if any, to give to this document. TRR-27 is  
14 admitted.

15 There are -- I'm sorry, did you have other  
16 objections, Mr. Romano?

17 MR. ROMANO: No, thank you, Your Honor.

18 JUDGE CLARK: All right.

19 Mr. Best.

20 MR. BEST: Thank you, Your Honor. We  
21 actually still do have a number of objections, and I  
22 guess I would like to start out too with a  
23 clarification. I apologize, I'm a little confused about  
24 the process I guess. It was my expectation that with  
25 respect to data requests that those would be offered



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1 while they were being presented to a witness, and I  
2 notice that you've admitted them already. At least it  
3 appears that that's what's happened. We did not  
4 specifically object to data requests thinking we would  
5 have that opportunity depending on what the  
6 circumstances were. We might have no objection. As  
7 Mr. Romano points out, it may have been a foundational  
8 issue, so I'm not quite sure kind of where we sit. I  
9 generally stated that in my E-mail to you of January 28,  
10 so I guess I apologize for my confusion, but we didn't  
11 specify other than to say we didn't object to the  
12 authenticity, but we just frankly didn't know how they  
13 were going to be used.

14 JUDGE CLARK: Right, well, let me just do a  
15 little bit of background then. What the Commission  
16 ordinarily does in its proceedings, which is unusual for  
17 administrative agencies, is to have you not only prefile  
18 testimony but also to prefile cross-examination  
19 exhibits, and we routinely see responses to data  
20 requests being used as cross-examination exhibits. That  
21 is not an unusual practice at all. It is also the  
22 Commission's practice to sometimes before the hearing  
23 find out to which exhibits there are objections so that  
24 we're not using valuable hearing time with the  
25 Commissioners present to argue about foundational

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1 elements and perhaps other objections to these exhibits.

2 So I mean if you have specific exhibits that

3 you want to object to, that's fine. But as a practical

4 matter when a witness takes the stand because those

5 exhibits are prefiled, we're not going to run through

6 the foundational elements of each of those exhibits.

7 And I'm thinking that you're thinking that would be the

8 time that you would object to that, and that's not the

9 Commission's practice. We address them at once. Some

10 of the judges address all of the exhibits at the

11 conclusion of the hearing. Too many years in trial work

12 means that I address those at the onset of the hearing.

13 And if the exhibit isn't admitted, I don't want to hear

14 testimony on it.

15 MR. BEST: Okay, Your Honor, I just want to

16 clarify. For example, the examples that Mr. Romano has

17 just given, let's assume, and I'm not saying this is

18 going to happen, that Public Counsel produces an exhibit

19 that does not at all relate to the witness, the witness

20 has no knowledge of it, I assume I can still object, not

21 I guess to the admission of the exhibit but to the

22 question regarding it?

23 JUDGE CLARK: You can always object to the

24 inquiry that is being posed.

25 MR. BEST: Okay. Now this unfortunately

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1 poses yet another dilemma for us. We filed  
2 cross-examination exhibits really unsure whether or not  
3 we would actually use them depending on how the hearing  
4 developed. My question to you is will we be allowed to  
5 withdraw some of those exhibits if we do not decide to  
6 use them?

7 JUDGE CLARK: Yes.

8 MR. BEST: Okay.

9 JUDGE CLARK: And you don't have to withdraw  
10 them. One of the other Commission practices has been to  
11 allow a number of exhibits to remain in the record  
12 although no inquiry is ever conducted on those  
13 documents. The previous argument has been made that  
14 those documents should be reserved for use in post  
15 hearing briefing, and the Commission has allowed that.  
16 That has been their practice. So I will leave that to  
17 your discretion.

18 MR. BEST: Great.

19 JUDGE CLARK: After you have concluded your  
20 examination whether you actually wish to withdraw or if  
21 you wish to leave those documents in evidence for use in  
22 post hearing briefing.

23 MR. BEST: Great, thank you very much for the  
24 clarification.

25 Now back to the issues at hand with respect

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1 to the exhibits we did object to, Your Honor, some of  
2 them have been resolved obviously.

3 JUDGE CLARK: Most I think.

4 MR. BEST: Most. Let me first of all go to  
5 -- I guess what I would like to do is do this sort of in  
6 order of date as to how these things got raised. We  
7 first objected on January 28th in the E-mail we sent to  
8 you and the other parties to a number of exhibits,  
9 specifically SGH-3, which I understand has been  
10 withdrawn, and TRR-27, which you just ruled was  
11 admitted.

12 JUDGE CLARK: Right.

13 MR. BEST: So that leaves what I believe is  
14 DM-74.

15 JUDGE CLARK: Correct.

16 MR. BEST: This document is, purports to be  
17 anyway, the prefiled testimony of a John, and I would  
18 have no idea how to pronounce that, Puslowski, that was  
19 filed in West Virginia. It also says it's an excerpt of  
20 that testimony. To my knowledge Mr. Puslowski is not  
21 going to be here. We don't know what the context quite  
22 frankly of this testimony is, and my understanding is,  
23 and I was not there but Mr. Saville was, that  
24 Mr. Puslowski corrected a number of the things in the  
25 testimony including an item on page 6. And again, I'm

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1 referring to DM-74, page 6. He talked about a \$2  
2 Billion to shareholders and what he really meant was \$2  
3 a share, so there are a number of issues with this.  
4 Mr. Puszowski is not here, he's not subject to  
5 cross-examination, we aren't convinced that the  
6 testimony in West Virginia is applicable here, the  
7 issues were different there, so we would object  
8 basically for a wide variety of reasons and largely I  
9 guess hearsay.

10 JUDGE CLARK: Ms. Shifley.

11 MS. SHIFLEY: Public Counsel will withdraw  
12 this exhibit.

13 MR. BEST: Moving on in date, Your Honor,  
14 then we come to the exhibits that Ms. Shifley filed I  
15 believe on January 29th, which was past the deadline for  
16 exhibits of I believe both cross-examination and direct  
17 exhibits. Specifically we do not object to DM-76, this  
18 is just an updated version of an earlier exhibit.  
19 However, what was designated as DM-85, which is a  
20 hearing transcript from West Virginia and also BJG-40,  
21 which is also a hearing transcript from West Virginia.  
22 We would object to those, number one, as being late  
23 filed. You know, we didn't get this until Friday, our  
24 witnesses frankly had already done their preparation and  
25 were on their way out here, and this puts us at a

1 significant disadvantage. Also with respect to the  
2 transcripts, they're transcripts from another state, and  
3 without going into too much detail, I would think that  
4 it would be important for the offer of the exhibit to  
5 prove that these issues are substantially the same or in  
6 fact are the same. Our understanding is they are not  
7 the same, that the issues in West Virginia are quite  
8 different including systems being not replicated and cut  
9 over immediately. We know that there were a lot of  
10 different issues in that case than there were in this  
11 case, and so for those reasons we believe those items  
12 are not relevant as well as being late filed, so we  
13 would ask that they not be received.

14 JUDGE CLARK: Ms. Shifley.

15 MS. SHIFLEY: Thank you. The transcript  
16 materials were not available until after the deadline  
17 for pre-filing of cross-exhibits, and I believe that it  
18 was allowed for parties to identify cross-exhibits after  
19 that deadline if they weren't available at the time of  
20 the deadline. Also I believe that these statements are  
21 made by persons who will be appearing as witnesses in  
22 this transaction. And although the issues might be  
23 different and some of the facts might be different, I  
24 think that some of the statements are relevant to  
25 statements that they have already made in testimony here

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1 and will again be helpful in evaluating the evidence  
2 that they have presented already.

3 JUDGE CLARK: All right, the objection to  
4 these exhibits is overruled. First, if you may recall  
5 100 years ago or maybe 150 when I issued the prehearing  
6 conference order in this matter, I indicated that  
7 exhibits would not be allowed after the deadline unless  
8 there was good cause presented for late filing. Not  
9 receiving documents until after the deadline is  
10 certainly good cause. And if I look at the date of the  
11 transcript excerpts, I think it would have been  
12 impossible for them to have been submitted any earlier.  
13 With respect to the content and whether or not that  
14 information is relevant, it certainly appears from the  
15 content of the exhibits that there is the potential for  
16 relevant testimony to be elicited through  
17 cross-examination, so I'm going to allow those.

18 MR. BEST: Thank you, Your Honor.

19 JUDGE CLARK: Okay.

20 MR. BEST: Next I'm going to move to the  
21 exhibits that were filed on Saturday, January 30th, by  
22 Ms. Shifley electronically, which of course was a  
23 weekend, those include WH-36, TRR-28, and TRR-29, those  
24 are all --

25 JUDGE CLARK: I'm sorry, you have to slow way

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1 down.

2 MR. BEST: Sorry, Your Honor. WH-36.

3 JUDGE CLARK: All right.

4 MR. BEST: TRR-28 and TRR-29.

5 JUDGE CLARK: Thank you.

6 MR. BEST: Your Honor, those exhibits again  
7 being late filed was one reason for objection, but  
8 actually your colloquy here just recently is a great  
9 segue into this, these are responses to data requests  
10 that Public Counsel did not send to us until five days  
11 before their due date, and they were submitted January  
12 29th. The reason that these are late is all because  
13 Public Counsel chose not to ask them in a timely manner,  
14 not because we were late in responding. So again we  
15 would ask that these not be received.

16 JUDGE CLARK: Ms. Shifley.

17 MS. SHIFLEY: Thank you. The process of  
18 discovery here is that sometimes questions arise based  
19 on other discovery responses, and I believe that some of  
20 these were issues that our consultants could not have  
21 asked questions about any earlier. And again, the  
22 reason why they were filed on a weekend was because I  
23 was hoping to notify the parties as soon as possible  
24 that these were things that we intended to offer as  
25 exhibits. And we received them on Friday, and we



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1 notified the parties the following day.

2 JUDGE CLARK: All right, then the objection  
3 on these is also overruled. Again, I think that we all  
4 have to be cognizant of the fact that discovery is an  
5 ongoing process and that there is the possibility that  
6 documents will be received in a somewhat abbreviated  
7 fashion before the hearing. With respect to the  
8 relevance of that, again we'll see if the inquiry  
9 elicits testimony that the Commissioners will find  
10 helpful in making a decision in this case.

11 Are there other exhibits?

12 MR. BEST: Your Honor, I believe that covers  
13 it for Frontier.

14 JUDGE CLARK: All right, then I didn't have  
15 objections from anyone else; is that correct?

16 All right, I'm seeing people shaking their  
17 heads, and the court reporter doesn't pick that up quite  
18 as well as an auditory answer, so I think the answer is  
19 no.

20 I want to just very briefly go through the  
21 schedule before we get the Commissioners to join us.

22 MS. SHIFLEY: Your Honor.

23 JUDGE CLARK: Yes.

24 MS. SHIFLEY: I'm so sorry to interrupt,  
25 there are some -- I just want to clarify that Public

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1 Counsel would like to redesignate a couple of exhibits  
2 for witnesses whom they were not originally designated  
3 for, and Public Counsel also has three additional  
4 exhibits that are responses to data requests that we  
5 would like to offer at this time, and we have hard  
6 copies of those, sufficient copies.

7 JUDGE CLARK: All right, first I would like  
8 to know which exhibits you would like to redesignate,  
9 and again slowly, please.

10 MS. SHIFLEY: DM-63HC, which is response to  
11 Public Counsel Data Request 483. It was originally  
12 designated for McCarthy, and it should be redesignated  
13 for Mr. McCallion.

14 And what is originally labeled WHW-3 should  
15 be redesignated for Mr. McCarthy.

16 MR. BEST: I'm sorry, counsel, what exhibit  
17 number would that be, or we've not assigned it yet?

18 MS. SHIFLEY: It's currently Exhibit Number  
19 WHW-3, and we would like to designate that for  
20 Mr. McCarthy.

21 MR. BEST: Right, is there a number that goes  
22 with that?

23 JUDGE CLARK: Not yet.

24 MR. BEST: Thank you.

25 JUDGE CLARK: All right.

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1 MS. SHIFLEY: And response to Public Counsel  
2 Data Request 538 that we were just discussing was  
3 originally designated as an exhibit for Dr. Roycroft,  
4 and we would like to also in addition designate it for  
5 Mr. McCarthy.

6 JUDGE CLARK: Okay.

7 MS. SHIFLEY: Those are all the  
8 redesignations, thank you.

9 JUDGE CLARK: All right, I have a couple  
10 questions regarding that. The three documents that you  
11 would like to redesignate, are these in conjunction with  
12 examination on one of these settlement agreements or on  
13 the broader issues?

14 MS. SHIFLEY: Your Honor, I believe that  
15 they're all on the underlying testimony and the broader  
16 issues.

17 JUDGE CLARK: All right, is there an  
18 objection to having Mr. McCarthy address these  
19 particular documents?

20 MR. SAVILLE: Your Honor, could I ask could  
21 we just have a minute, I'm trying to find these  
22 particular exhibits at this time and look.

23 JUDGE CLARK: Absolutely, we'll take a moment  
24 off record.

25 (Discussion off the record.)

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1                   JUDGE CLARK: All right, has Frontier had an  
2 adequate opportunity to investigate these exhibits to  
3 determine if you have an objection?

4                   MR. SAVILLE: Your Honor, with respect to the  
5 two exhibits that Ms. Shifley identified as exhibits she  
6 would like to question Mr. McCarthy on, we have no  
7 objection to either of those two. With respect to the  
8 first one with Mr. McCallion, I think Mr. Romano will  
9 address that.

10                  JUDGE CLARK: Right, and I was going to get  
11 to him in just a minute. The other thing I want to say  
12 with respect to Mr. McCarthy is I hope everyone recalls  
13 that we're really going to have two sets of examination  
14 here. One is with respect to the settlement agreements  
15 that have been reached, and after we've concluded that,  
16 there will be an opportunity for examination on the  
17 broader issues. And the reason I asked that was I  
18 wanted to ensure that Mr. McCarthy has an adequate  
19 opportunity to look at these documents and review them  
20 before he is subject to cross-examination on those. Now  
21 I'm not enough of an optimist to think that we're going  
22 to get to that today, so I believe that Mr. McCarthy  
23 will have an adequate opportunity, but we need to ensure  
24 he has that, because he didn't have previous notice.

25                  MR. SAVILLE: Thank you, Your Honor, I think

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1 we will be prepared for that.

2 JUDGE CLARK: All right.

3 Now, Mr. Romano, do you have an objection to  
4 moving the exhibit from Mr. McCarthy to Mr. McCallion?

5 MR. ROMANO: Thank you, Your Honor. That  
6 particular exhibit is a data request response that was  
7 prepared by Frontier, but we don't object to it being  
8 used with Mr. McCallion. We'll just have to see how  
9 useful it is at the time since it was not a Verizon  
10 prepared answer.

11 JUDGE CLARK: I understand. And again, the  
12 reason I was inquiring about this was to ensure that  
13 Mr. McCallion has an adequate opportunity to review this  
14 and determine whether or not he can respond to any  
15 inquiry proposed on that.

16 MR. ROMANO: Thank you, Your Honor.

17 JUDGE CLARK: All right.

18 And now you have additional documents you  
19 wish to distribute as cross-examination. Let me ask  
20 again first if these are documents that you intend to  
21 use in examination regarding the settlement panels.

22 MS. SHIFLEY: Yes, Your Honor, these are two  
23 responses to data requests that we received after the  
24 deadline for pre-filing exhibits, and we would like to  
25 designate them for Mr. Weinman regarding the settlement

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1 agreement with Staff. They are the responses, Staff's  
2 responses to Public Counsel Data Requests 37 and 38.  
3 And we have sufficient hard copies at this time for the  
4 Bench and all parties.

5 JUDGE CLARK: All right. Of concern to me,  
6 and I'm going to let Mr. Thompson respond to these  
7 additional exhibits, but again the first panels that  
8 will be presenting evidence today will be the panels  
9 regarding the settlements, and I want to ensure that the  
10 witnesses who are examined on those have an adequate  
11 opportunity to review those.

12 So, Mr. Thompson, do you need a minute, and  
13 would you like to confer with your witness?

14 MR. THOMPSON: Yes, thank you, Your Honor.

15 JUDGE CLARK: We will take a brief moment off  
16 record.

17 (Discussion off the record.)

18 JUDGE CLARK: All right, Mr. Thompson, have  
19 you had an adequate opportunity to confer?

20 MR. THOMPSON: Yes, we have reviewed those,  
21 and we have no objection to those additional exhibits.

22 JUDGE CLARK: All right, then I'm going to  
23 have you distribute those when we take a recess, which  
24 will be perhaps momentarily.

25 MS. SHIFLEY: Thank you, Your Honor. Also I

0202

1 would just like to note that Mr. Thompson identified  
2 that there was an error in an exhibit that we had  
3 designated for Mr. Weinman, and we also have  
4 replacements to correct for that error. I believe that  
5 Mr. Thompson can explain.

6 MR. THOMPSON: Yes, it was the exhibit marked  
7 as WHW-32HC, and it was a response by Staff to a Public  
8 Counsel Data Request Number 27, but the attachment, and  
9 I think it was the highly confidential portion, was not  
10 the appropriate attachment to that data request  
11 response. It was an attachment to a different data  
12 request response.

13 MS. SHIFLEY: Yes, and that was an error on  
14 Public Counsel's part.

15 JUDGE CLARK: All right, so you want to file  
16 a substitution which would correct that error?

17 MS. SHIFLEY: That's correct, Your Honor,  
18 thank you.

19 JUDGE CLARK: And is the correction also  
20 highly confidential?

21 MS. SHIFLEY: The correction is confidential,  
22 not highly confidential.

23 JUDGE CLARK: All right.

24 Are there any other preliminary matters that  
25 we should address?

0203

1 MR. MELNIKOFF: Your Honor, this is Steve  
2 Melnikoff.

3 JUDGE CLARK: Yes, Mr. Melnikoff.

4 MR. MELNIKOFF: I was just inquiring as to  
5 the procedures and timing of the admissions of prefiled  
6 testimony specifically in support of the settlement and  
7 the settlement for DoD/FEA and the Joint Applicants, I  
8 believe at least the supplemental testimony in support  
9 of Charles King has been marked as CWK-7T.

10 JUDGE CLARK: That is correct. On the  
11 exhibit list I distributed yesterday, the first heading  
12 is the exhibits that are in support of settlement  
13 agreements. The Joint Applicant and DoD/FEA settlement  
14 has been designated Exhibit Number 4, Frontier's  
15 testimony in support thereof is DM-83T, and the  
16 testimony of Mr. King in support thereof is CWK-7T.

17 MR. MELNIKOFF: Have they been admitted, Your  
18 Honor?

19 JUDGE CLARK: There has been no objection to  
20 their receipt.

21 MR. MELNIKOFF: I'm sorry, all I heard was a  
22 beep.

23 JUDGE CLARK: Yes, because someone was either  
24 connecting or disconnecting to the bridge line.

25 Is there any objection to the receipt of the



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1 DoD/FEA settlement and the documents in support thereof?

2 Hearing none, they are admitted.

3 MR. MELNIKOFF: Thank you, Your Honor.

4 JUDGE CLARK: Are there any other preliminary  
5 matters?

6 MR. ROMANO: Yes, Your Honor.

7 JUDGE CLARK: Mr. Romano.

8 MR. ROMANO: We may take this off the record  
9 to discuss, but one question I had was if it's necessary  
10 to go into closed session to address at various times  
11 highly confidential or confidential information, is  
12 there a way you would like to handle that?

13 JUDGE CLARK: Yes. If it is necessary to  
14 disclose the content of any exhibits that have been  
15 filed either confidential or highly confidential, we  
16 will conduct an in camera session of that portion of the  
17 proceeding. And it is my practice to require counsel to  
18 verify that no one is present in the hearing room who is  
19 not allowed to hear that testimony rather than having me  
20 rely on who's allowed to be in the hearing room for  
21 that.

22 We will separately segregate the in camera  
23 portion of the hearing from the public transcript, and  
24 should it become necessary for the Commissioners to  
25 refer to either confidential or highly confidential

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1 material in an order, it may also be necessary for the  
2 Commission to issue a redacted version of some portions  
3 of that order.

4 MR. ROMANO: Thank you, Your Honor.

5 JUDGE CLARK: To the extent it is possible  
6 for the parties to ask questions regarding confidential  
7 and highly confidential material that do not require the  
8 disclosure of that material, it is helpful so that we're  
9 not shuffling witnesses and other individuals in and out  
10 of the hearing room, it's very disruptive.

11 MR. ROMANO: Thank you, Your Honor.

12 JUDGE CLARK: Any other preliminary matters?

13 Okay, I just have one more short matter, and  
14 I just want to confirm when I had inquired of the  
15 parties regarding the order of the presentation of  
16 witnesses, there was dead silence on the topic of the  
17 order in which we would be taking witnesses on the  
18 broader issues and Public Counsel's witnesses, so I am  
19 assuming that when we get to that portion of the  
20 testimony we'll take Verizon's witnesses first, Frontier  
21 witnesses second, and finally Public Counsel. I'm also  
22 assuming we will take Mr. McCallion and then Mr. Smith.

23 MR. ROMANO: Yes, Your Honor.

24 JUDGE CLARK: Mr. McCarthy and then  
25 Mr. Whitehouse and Mr. Gregg.

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1                   MR. SAVILLE: That's correct, Your Honor. We  
2 also do have Ms. Czak and she is here and available to  
3 the extent that there are questions for her, and  
4 Mr. Lafferty is here as well.

5                   JUDGE CLARK: All right. There was no  
6 cross-examination or Commissioner inquiry for either  
7 Ms. Czak or Mr. Lafferty.

8                   MR. SAVILLE: I understand, Your Honor.  
9 Those witnesses are here in the event that during the  
10 live or rebuttal that is presented by Public Counsel  
11 they may need to respond with surrebuttal testimony. At  
12 the conclusion of that, if there are no questions for  
13 either Ms. Czak or Mr. Lafferty, we would ask that their  
14 testimony be admitted and that they be excused.

15                   JUDGE CLARK: Okay, the testimony has already  
16 been admitted without objection, but yes, I do  
17 appreciate the clarification that they are available in  
18 the event it's necessary for them to testify on oral  
19 surrebuttal, appreciate that.

20                   And then, Ms. Shifley, I'm assuming that we  
21 will hear from Ms. Alexander telephonically, Mr. Hill,  
22 and finally Dr. Roycroft.

23                   MS. SHIFLEY: Yes, Your Honor, that would be  
24 correct.

25                   JUDGE CLARK: That would be the appropriate

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1 order, all right.

2           If there are no other preliminary matters,  
3 I'm going to take a recess. During that recess I would  
4 like the exhibits to be distributed so that I can offer  
5 them to the Commissioners, and then they will join us in  
6 the hearing room.

7           We're at recess until further call.

8           (Recess taken.)

9           JUDGE CLARK: This is continuation of the  
10 hearing in Docket UT-090842.

11           We're at recess.

12           (Recess taken.)

13           JUDGE CLARK: All right, the first thing I  
14 would like to do is let the record reflect that having  
15 addressed all the procedural and preliminary matters,  
16 the Commissioners have now joined us, and present for  
17 the hearing is Chairman Jeffrey Goltz, Commissioner  
18 Patrick Oshie, and Commissioner Philip Jones.

19           The next item on our agenda is for each party  
20 to make a brief opening statement. I'm going to  
21 commence with the opening statement of Verizon, and so,  
22 Mr. Romano, would you or Mr. Ruggiero be making opening?

23           MR. ROMANO: Thank you, Your Honor, I will be  
24 making the opening, but if it's okay with you, we would  
25 like to have Mr. Saville go first.

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1 JUDGE CLARK: That's fine.

2 MR. SAVILLE: Thank you, Your Honor,  
3 Commissioners. My name is Kevin Saville, I am Associate  
4 General Counsel for Frontier Communications Corporation.  
5 Frontier is very excited to have the opportunity to  
6 appear before the Commission today to answer any  
7 questions that the Commissioners may have regarding the  
8 proposed transaction that is before you, the transaction  
9 involving Frontier's transfer of the Verizon operations  
10 in the state of Washington. There are a couple of  
11 issues that I want to touch on briefly over the course  
12 of my opening statement. I want to give you a little  
13 bit more background on Frontier Communications, and I  
14 want to touch on the settlement agreements that are  
15 before the Commission, some of the specific benefits  
16 that are included in those agreements and that were also  
17 identified in the testimony that we filed in this  
18 proceeding.

19 To begin with, we're obviously aware that  
20 Frontier Communications does not currently provide  
21 telephone service in the state of Washington, so I would  
22 like to give you just a bit of a background on our  
23 company. Frontier is currently one of the largest  
24 ILEC's in the country. We provide service in 24 states,  
25 serve more than 2 million access lines. Our company

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1 provides service in very rural areas ranging from the  
2 Navaho Nation Reservation down in the Four Corners area  
3 of Arizona and New Mexico to Rochester, New York and to  
4 suburban areas like my home town, Minneapolis/Saint  
5 Paul, suburban areas around that community.

6           Frontier has employed a business strategy  
7 which is to expand the availability of broadband  
8 services in the areas that we serve. We currently  
9 provide broadband service to over 90% of the households  
10 in our 24 state footprint that we currently serve. In  
11 addition to traditional broadband services or DSL, we  
12 also provide a number of other enhanced services that  
13 complement broadband, things ranging from making a  
14 technician available when a customer orders broadband  
15 service, going out and installing the service at the  
16 customer's home, helping them set up their computer so  
17 that they can actually utilize that broadband service.  
18 We also offer another line of products which we refer to  
19 as peace of mind services that provide customer support  
20 on how to use their computer to do very simple things  
21 like backing up what's on their hard drive so they don't  
22 lose the information to being able to set up a printer  
23 or set up an iPod, all those things that enhance the  
24 customer experience associated with the use of the  
25 broadband product that we supply.

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1           In addition, Frontier is a financially strong  
2 company. Today our revenues exceed more than \$2  
3 Billion, and we generate free cash exceeding \$500  
4 Million a year. Following the close of this proposed  
5 transaction, Frontier will have an even stronger balance  
6 sheet and greater cash flow generation abilities. As  
7 we've indicated in our testimony, Frontier's revenues  
8 are expected to exceed \$6 Billion a year. We expect to  
9 generate more than \$1.3 Billion of free cash flow on an  
10 annual basis following the conclusion of this  
11 transaction. As we explain in our testimony, and  
12 specifically the testimony of our Treasurer and Senior  
13 Vice President David Whitehouse, Frontier believes that  
14 this stronger financial structure and increased cash  
15 flow capability will enhance its ability to expand  
16 services to customers not only in the state of  
17 Washington but the other territories that we're  
18 acquiring as a part of this transaction.

19           I'm going to touch briefly on the settlements  
20 that are before the Commission. As the Commission is  
21 aware, Frontier has entered into settlement agreements  
22 with the Commission Staff, with the Department of  
23 Defense and the Federal Executive Agencies, and with all  
24 the CLECs that have intervened in this proceeding. In  
25 fact, the Commission has five settlements in total

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1 before it, which I understand is an unusual situation  
2 for this Commission to address. At this point in time  
3 we have settlements with all of the parties with the  
4 exception of The Broadband Coalition and Public Counsel.  
5 Now I don't have time in this opening to go through all  
6 those settlements in detail, but there are a couple of  
7 specific points included in the settlements that I would  
8 like to touch on.

9           First, Frontier has made a number of  
10 commitments in those settlement agreements to ensure  
11 that Washington rate payers are not subject to any harm  
12 as a result of this transaction. For example, Frontier  
13 will honor all of the existing tariffs and obligations  
14 that Verizon Northwest currently has in the state of  
15 Washington, and as part of the settlements we have  
16 agreed to cap certain retail services for a period of  
17 time. In addition, Frontier has agreed to very specific  
18 service quality performance measures. Under the  
19 settlement with the Staff, the company will  
20 significantly augment the service quality credits that  
21 are available to customers and will be subject to  
22 significant financial consequences if it fails to  
23 fulfill those service quality commitments.

24           Frontier's witness Billy Jack Gregg has  
25 testified and will be available through this proceeding.



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1 He has explained that Frontier has undertaken a number  
2 of transactions in other states, and following those  
3 transactions there has not been any evidence that  
4 Frontier's service quality has caused a deterioration of  
5 service quality that existed prior to the completion of  
6 the transaction. He has also testified that Frontier  
7 has very favorable service quality in the other states  
8 where it provides service.

9           Frontier is also confident in its ability to  
10 provide high quality service because it will continue to  
11 utilize the same operation support systems that Verizon  
12 is currently using to serve customers in Washington  
13 today. As we explained in our testimony, Verizon is in  
14 the process and will complete the separation and  
15 replication of its operational support systems that are  
16 used to serve Washington customers. Those operational  
17 support systems will be separated and stood up on an  
18 independent basis by April 1st, and those systems will  
19 be thoroughly tested and will be utilized for at least  
20 60 days prior to the closing of this transaction. That  
21 will provide safeguards to ensure that those systems are  
22 fully functioning before the transaction closes.

23           One of the benefits of this transaction and  
24 the way it was structured is what I just described, the  
25 fact that the existing systems will continue to be

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1 utilized after the transaction closes by Frontier. This  
2 distinguishes this transaction from some of the other  
3 transactions this Commission may be familiar with where  
4 companies that acquired lines or properties had to  
5 establish brand new operational support systems from  
6 scratch and utilize them for the first time. That will  
7 not be the case here, because again Verizon's  
8 operational support systems will be transitioned over to  
9 Frontier, and we will use those after the close.

10 In addition, Frontier has taken some other  
11 steps to ensure that the transition from Verizon to  
12 Frontier goes smoothly. We will continue to utilize the  
13 same employees that Verizon has in place in Washington  
14 today to operate those systems to provide service to  
15 customers in the state. Those employees will come over  
16 to Frontier and continue as employees for our company.  
17 In addition, as Dan McCarthy, our Chief Operating  
18 Officer, identified in his prefiled testimony, one of  
19 the things that Frontier does from its business model  
20 perspective is it employs what it calls a local general  
21 manager model. With that what we do is we actually  
22 place general managers, local general managers in the  
23 communities that we serve in the state. And what that  
24 means is that there will be a local general manager that  
25 will be located in the markets we serve in Washington

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1 that will be responsible for day-to-day oversight and  
2 operations. They will have decisionmaking authority,  
3 and they will be close to the customer and in a position  
4 to make sure that there is a positive customer  
5 experience, that they can address service quality  
6 issues, and that they are close to the customer and can  
7 communicate throughout the corporation the particular  
8 needs that may arise in Washington in a particular  
9 market. We believe that this local manager presence,  
10 which we've employed in the other states in which we  
11 operate, allows us to prevent significant service  
12 quality issues from arising.

13 Another firm benefit that's included in the  
14 settlement agreement with the Staff relates to expanded  
15 broadband availability. As part of the settlement with  
16 the Staff, Frontier has committed to provide broadband  
17 service in 33 wire centers that Verizon currently does  
18 not provide broadband service in today and to  
19 significantly expand the availability of broadband  
20 service in an additional 64 wire centers. As part of  
21 that broadband commitment that's included in the Staff  
22 settlement, Frontier will expand the availability as far  
23 as the number of households that have access to  
24 broadband from the current level up to approximately  
25 89%. In addition, as a part of that commitment, we've

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1 made very specific commitments with respect to the speed  
2 of that broadband service. By the end of the year 2011,  
3 75% of the households in the service territory currently  
4 operated by Verizon will be able to access broadband at  
5 speeds of 1.5 megabits. By the end of 2014, 80% of the  
6 households will have broadband available at 3 megabits.  
7 As a further and I think significant commitment to  
8 demonstrate, you know, that Frontier is serious about  
9 making this broadband service available in Washington,  
10 as part of settlement with the Staff we've agreed to  
11 place \$40 Million in an account or an escrow fund to in  
12 effect ensure that we've fulfilled that broadband  
13 commitment that we've included in the Staff settlement  
14 agreement.

15           The last point I want to briefly address is  
16 the wholesale service issues involving the competitive  
17 local exchange carriers. As the Commission is aware, we  
18 have entered into three different settlement agreements  
19 with the CLECs in this state, with Comcast, with Level  
20 3, and then with a group of CLECs that are referred to  
21 as the Joint CLECs. Those settlement agreements  
22 identify a number of issues that were of importance to  
23 those CLECs. Frontier worked closely with the CLECs to  
24 address their concerns, and I won't go into detail with  
25 respect to those particular settlement agreements. I

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1 guess the two points that the Commission should be aware  
2 of with respect to those settlement agreements is they  
3 ensure that Frontier will continue with the legal and  
4 contractual obligations that Verizon currently has with  
5 the CLECs today. In addition to that, there's several  
6 provisions within those CLEC settlement agreements that  
7 ensure that there is no disruption to the CLECs'  
8 existing business that they do in the state of  
9 Washington today. Frontier is optimistic that this  
10 settlement agreement is just an indication that it will  
11 effectively be able to continue to work with the CLECs.  
12 Both Frontier and Ms. Kim Czak, who is our Vice  
13 President of Carrier Relations who filed testimony and  
14 who is here today, are committed to ensuring that we  
15 continue to work with the CLECs on a  
16 business-to-business basis to resolve whatever issues or  
17 concerns they may identify.

18 In conclusion, Frontier is very excited about  
19 the opportunity to expand its footprint into the state  
20 of Washington. We believe that with the settlement  
21 agreements we've reached a resolution that ensures that  
22 there will not be any harm to the rate payers in the  
23 state of Washington. In addition, we think with the  
24 settlement agreements and the other things that Frontier  
25 plans to bring to the state of Washington that there

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1 will be very positive and affirmative customer benefits  
2 associated with the broadband commitment that I  
3 identified, our local manager model, and a variety of  
4 other things that are identified in the settlement  
5 agreement and in the testimony we've filed. Again,  
6 thank you for the opportunity to address the Commission  
7 today, and with your indulgence I would like to just  
8 introduce our witnesses if that would be appropriate.

9 JUDGE CLARK: Actually, it would be better if  
10 you can hold and do that when the witnesses take the  
11 stand, but thank you for the offer, Mr. Saville.

12 MR. SAVILLE: Thank you.

13 JUDGE CLARK: All right, before we proceed,  
14 two things. First, everyone needs to slow down  
15 considerably when you're making your opening statement  
16 so that the court reporter can get a transcript. And  
17 secondly, I have muted the call so that we don't have  
18 music in the hearing room right now, and I am going to  
19 try taking that off and see if we can clear the bridge  
20 line. We have been informed that clearing the bridge  
21 line and having everyone dial back in may not resolve  
22 the problem according to our media management folks, but  
23 we're going to attempt that. So with great trepidation  
24 I'm going to take off the mute.

25 No, I'm not.

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1 All right, Mr. Romano.

2 MR. ROMANO: Thank you, Your Honor. Good  
3 morning, Chairman Goltz, Commissioner Oshie,  
4 Commissioner Jones. Verizon welcomes the opportunity to  
5 be here this week as the Commission considers the  
6 Verizon/Frontier transaction under the property transfer  
7 statute, RCW Chapter 80.12. WAC 480-143-170 specifics  
8 that the applicable standard for reviewing a  
9 telecommunications transaction is if the transaction is  
10 in the public interest. The Commission has held that  
11 the public interest standard requires a demonstration  
12 that there will be no harm done as a result of the  
13 transaction. This standard is different than the one  
14 that now applies to transactions of gas and electrical  
15 companies. Under 2009 legislation, those types of  
16 transactions may be approved only upon a showing that  
17 there will be a net benefit to customers involved as a  
18 result of the transaction. We think this transaction  
19 will indeed bring benefits to Washington customers, but  
20 that is not required, and we respectfully submit that  
21 the Commission now has everything before it that it  
22 needs to determine that the Verizon/Frontier transaction  
23 will cause no harm and thus will be in the public  
24 interest.

25 Much has gone on in this docket since the

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1 application was filed on May 29, 2009. There have been  
2 multiple rounds of prefiled testimony, extensive  
3 discovery, a public hearing, technical workshops  
4 presented by the applicants, and numerous settlement  
5 discussions. As Mr. Saville indicated, as a result of  
6 all that input and work, the Commission has before it  
7 now a number of settlement agreements among the  
8 applicants, Staff, CLEC interveners, and the Department  
9 of Defense that include specific commitments to  
10 conditions that prompt the settling parties to recommend  
11 that the Commission approve the transaction. The  
12 extensive process in this docket has allowed the  
13 applicants to focus and resolve specific issues raised  
14 by other parties. Mr. Saville touched on a number of  
15 those, and I will just highlight two.

16 A number of parties had concerns about the  
17 systems replication process that is being undertaken by  
18 Verizon. Staff in particular had some concerns, and we  
19 worked with them to include system testing provisions  
20 both before and during the time period during which the  
21 replicated systems will be used by Verizon with  
22 validation of results by a third party reviewer prior to  
23 closing. And, for instance, Comcast had a specific  
24 concern about having the ability to submit test orders  
25 prior to when Verizon starts using the replicated



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1 systems. We were able to work out a settlement with  
2 Comcast to allow them to do that.

3 Tim McCallion, President of the West Region  
4 of Verizon, is here, and with Dan McCarthy of Frontier  
5 they have prefiled testimony explaining the terms of the  
6 various settlement agreements and why they're in the  
7 public interest. And Mr. McCallion will be available  
8 along with Mr. McCarthy to present these settlements  
9 today as well as take any questions the Commission may  
10 have about them.

11 Again, the Commission now has before it a  
12 voluminous record and the extensive commitments and  
13 conditions in the settlements involving numerous parties  
14 that we respectfully submit should prompt it to  
15 expeditiously approve the transaction as doing no harm  
16 and thus one that is in the public interest. Thank you.

17 JUDGE CLARK: Thank you, Mr. Romano.

18 Opening statement on behalf of Comcast.

19 MR. KOPTA: Thank you, Your Honor. Good  
20 morning Mr. Chairman, Commissioners. Comcast has a  
21 limited interest in this proceeding. Comcast is a  
22 facilities based provider of telecommunications services  
23 in Washington and has an interconnection agreement with  
24 Verizon Northwest and submits thousands of orders to  
25 Verizon Northwest on an annual basis in terms of being

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1 able to convert customers from Verizon to Comcast and  
2 vice versa. So our concern has always been to ensure  
3 that the proposed transaction did not have any negative  
4 impact on our ability to serve our customers or on our  
5 ability to obtain new customers, and that's been the  
6 driving force in our participation in this proceeding.

7           We are glad to say that we have been able to  
8 work out a settlement agreement with Verizon and with  
9 Frontier that addresses those concerns, allows us to  
10 test the systems that Frontier will eventually be using  
11 prior to their implementation to ensure that the  
12 continuity will be the same, that we will have the same  
13 order receipt and processing tomorrow that we do today,  
14 and also to ensure that the terms and conditions under  
15 which we have dealings with Verizon Northwest remain the  
16 same after the proposed transaction closes.

17           So at this point, we are certainly hopeful  
18 that we will be able to continue to work with Verizon  
19 and Frontier as the process continues and with Frontier  
20 if the transaction is consummated and the Commission  
21 approves. So at this point, we thank you for the  
22 opportunity to address our concerns and to have the  
23 Commission act as a facilitator to ensure that our  
24 customers are able to continue to obtain service from us  
25 and to have the full ability to make their choice of

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1 telecommunications providers in the service territories  
2 currently served by Verizon Northwest. Thank you.

3 JUDGE CLARK: Thank you, Mr. Kopta.

4 I've gotten the thumbs up on the sound  
5 system, so I'm going to test that again, and if we're  
6 able to get participation on the bridge without music,  
7 I'm going to turn to Mr. Trincherro for his opening  
8 statement.

9 MR. KOPTA: Your Honor, if I might just make  
10 one clarifying statement, I apologize.

11 JUDGE CLARK: Yes, you may.

12 MR. KOPTA: Comcast is a member of The  
13 Broadband Association, who is another party in this  
14 proceeding, but I just wanted to clarify that we are not  
15 participating in The Broadband Association's  
16 participation in this particular proceeding, that we  
17 recused ourselves from any discussion among The  
18 Broadband Association members in terms of process or how  
19 they will proceed in this particular case and wanted to  
20 make sure that the Commission is aware that Comcast is  
21 completely separate in this proceeding from The  
22 Broadband Association.

23 JUDGE CLARK: Thank you, Mr. Kopta, I  
24 appreciate that clarification.

25 Mr. Trincherro, are you on line?

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1           All right, I'm going to turn to the  
2 individuals who are present in the hearing room to give  
3 opening first, and then we will recontact Mr. Melnikoff  
4 and Mr. Trincherero.

5           Level 3 and 360networks.

6           MR. LOWNEY: Good morning, thank you, Your  
7 Honor. I'm going to provide -- first I should introduce  
8 myself, my name is Adam Lowney, and I'm here on behalf  
9 of Level 3 Communications as well as 360networks. For  
10 the purposes of my opening statement, I will only be  
11 addressing Level 3's independent settlement agreement.  
12 360networks signed on to what we've termed the Joint  
13 CLECs agreement, and Mr. Trincherero I believe will be  
14 addressing that issue.

15           So with respect to Level 3, Level 3  
16 Communications LLC is a competitive local exchange  
17 carrier here in Washington. Coming into this docket,  
18 Level 3's primary objectives in this docket were to  
19 maintain, number one, the network that it had built with  
20 Verizon, and number two, the terms and conditions of its  
21 interconnection agreement with Verizon. Level 3 also  
22 wanted to ensure that it worked well with Frontier and  
23 allow sufficient time to commence negotiations and  
24 arbitrate a new interconnection agreement when it became  
25 necessary to do so. The terms of the stipulation Level

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1 3 has reached with Verizon/Frontier satisfy these  
2 concerns. The interconnection agreements and network  
3 will remain in place for 30 months, and amendments to  
4 the interconnection agreement will be filed with the  
5 Commission to reflect this extension. In addition, the  
6 agreement calls for the parties to commence negotiations  
7 on a new interconnection agreement at least 1 year  
8 before the termination of the existing agreement. The  
9 stipulation between Level 3 and the Joint Applicants  
10 satisfies the no harm standard required by Washington  
11 law and for that reason should be approved by the  
12 Commission. Thank you.

13 JUDGE CLARK: Thank you.

14 BCAW.

15 Let me again remind everyone to please ensure  
16 that you deliver your opening statement as slowly as  
17 possible.

18 MR. HARLOW: Thank you, Your Honor. Good  
19 morning, Commissioners.

20 JUDGE CLARK: Very good.

21 MR. HARLOW: I do have a challenge with  
22 speaking too fast sometimes.

23 The Broadband Communications Association of  
24 Washington, which we can more easily say as BCAW, also  
25 has a limited interest in this proceeding. BCAW does

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1 not have any position on the transfer per se, but as our  
2 testimony reflects, we are very concerned with  
3 originally the Staff recommended conditions, some of  
4 which have been withdrawn, and the Public Counsel  
5 recommended conditions if the transaction is approved.  
6 The conditions effectively regulate, would regulate  
7 rates as well as mandate entry, so regulate rates and  
8 entry as to services this Commission does not regulate.  
9 So our concern, we have several, but primarily our  
10 concern is that these recommendations of Public Counsel  
11 would put additional financial pressure on the  
12 transferee, Frontier, if the transaction is approved  
13 subject to those conditions. In other words, it would  
14 increase the risk for the regulated rate payers in  
15 attempting to extend regulation beyond the Commission's  
16 jurisdiction. So that increases the risk of phone  
17 customers including wholesale customers. We don't think  
18 it's in the public interest, we don't think the record  
19 supports the need for the Commission to extend its  
20 regulation into these unregulated areas because of the  
21 competition that exists, and in addition raises serious  
22 jurisdictional questions for the Commission. Thank you,  
23 Commissioners.

24 JUDGE CLARK: Thank you, Mr. Harlow. It's my  
25 understanding that having given your opening statement,

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1 there is no cross-examination for your witness,  
2 Mr. Main, and that Mr. Main wishes to forfeit his  
3 opportunity for oral rebuttal, and therefore does BCAW  
4 wish to be excused from further participation in this  
5 proceeding at this juncture?

6 MR. HARLOW: Yes. Mr. Main's expected oral  
7 rebuttal is really in the nature of a position statement  
8 and doesn't change our position that we don't take a  
9 position on the transaction per se, so I think we can  
10 effectively address that just fine in the closing  
11 briefs, and I've addressed it a little bit in the  
12 opening statement, so oral rebuttal is waived by  
13 Mr. Main, and we would request to be excused. Probably  
14 stay in the room until lunch hour and then leave after  
15 that if it's acceptable to Your Honor.

16 JUDGE CLARK: That request is granted.

17 MR. HARLOW: Thank you.

18 JUDGE CLARK: All right, I'm going to turn  
19 now to you, Mr. Thompson for your opening statement.

20 MR. THOMPSON: Good morning, Commissioners,  
21 Jonathan Thompson on behalf of Commission Staff. I want  
22 to address my opening statement to sort of the process  
23 by which we arrived at our settlement that we're  
24 presenting to you today. Back in July, the Joint  
25 Applicants, the two companies, filed testimony in

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1 support of the proposed transaction, and not  
2 surprisingly it was pretty much focused on the asserted  
3 benefits of that transaction. I think it was somewhere  
4 in the neighborhood of probably 80 pages total,  
5 something like that. At that point, we commenced our  
6 discovery phase along with Public Counsel issuing quite  
7 a number of data requests and exploring possible harms  
8 that the transaction might pose to consumers in  
9 Washington state. We also had a couple of workshops  
10 with the company to discuss operational support systems  
11 issues because of concerns regarding prior transactions.  
12 Verizon transactions in Hawaii and with FairPoint in New  
13 England obviously prompted us to take that line of  
14 inquiry. We also had workshops on financial issues, and  
15 in November we filed testimony through seven Staff  
16 witnesses on various issues, financial operations,  
17 support systems, retail rates, services, retail service  
18 quality, broadband, wholesale, CLEC issues, and  
19 Washington telephone assistance program issues. We at  
20 that time sort of took a critical view toward the  
21 transaction based partly on what we felt was  
22 insufficient information at that time.

23 Our testimony and the testimony of Public  
24 Counsel prompted very extensive rebuttal testimony from  
25 the companies in the hundreds of pages, and we found



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1 that a lot of the analysis presented there was -- in  
2 fact did ease our chief concerns about Frontier's  
3 fitness from a financial and an operational standpoint.  
4 And the companies did also volunteer to accept some of  
5 our proposed conditions from our testimony. That  
6 allowed us to move forward to negotiate with the  
7 companies toward the settlement agreement that you have  
8 before you today in order to get additional conditions  
9 to guard against specific harms that we still had  
10 concerns about and to get the companies to commit  
11 primarily in the area of broadband and service quality  
12 to definite quantifiable benefits as generally promised  
13 in their testimony.

14           So we believe that the settlement that we  
15 have reached together with the complementary settlements  
16 that the companies have reached with the CLECs and with  
17 the Department of Defense and the Federal Executive  
18 Agencies presents a package of conditions that meets the  
19 no net harm standard that the Commission has previously  
20 articulated and therefore should be accepted. I won't  
21 repeat again the terms of the settlements, it's been  
22 covered in Mr. Weinman's testimony and in previous  
23 comments, but Mr. Weinman will be available on the panel  
24 to answer questions, and also Mr. Williamson will be  
25 available for questions of a more technical nature on

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1 the operations support system issues. So thank you very  
2 much.

3 JUDGE CLARK: Thank you, Mr. Thompson.

4 Ms. Shifley.

5 MS. SHIFLEY: Good morning, Chairman Goltz,  
6 Commissioner Oshie, and Commissioner Jones. I'm pleased  
7 to be here today to present Public Counsel's  
8 recommendation on the proposed sale of Verizon's long  
9 distance and local telephone service in Washington  
10 state. On November 3rd, Public Counsel and Commission  
11 Staff filed testimony recommending that you reject the  
12 proposed sale, and today Public Counsel must come before  
13 you and make that same recommendation.

14 Washington law charges the Commission with  
15 the duty of approving proposed sales of public  
16 utilities, and the Commission must find that the  
17 proposed sale is in the public interest, in other words  
18 that it will do no harm. The burden of showing that the  
19 proposed sale is in the public interest rests solely on  
20 the applicants. In this case Verizon and Frontier have  
21 not met this burden. The companies have not provided in  
22 their initial, rebuttal, or settlement testimonies, nor  
23 through discovery, sufficient information to find that  
24 the numerous potential harms identified by Commission  
25 Staff and Public Counsel will not come to pass.

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1 Moreover the conditions in the settlement do not remedy  
2 those potential harms. Instead of reasonable  
3 evidentiary support, the applicant companies have relied  
4 on empty assurances and a continuing mantra of just  
5 trust us, we've done this before.

6           The transaction allows Verizon to walk away  
7 without having to stand behind the functionality of  
8 their operating systems or the condition of the  
9 essential plant. Frontier will be left with operations  
10 that Verizon has underfunded for years and are yielding  
11 lower and lower revenues, and Frontier will be paying a  
12 very high price based on a hypothetical valuation  
13 created by Verizon that no party has been able to  
14 confirm.

15           A central issue is whether Frontier has  
16 demonstrated that it has the financial capability to  
17 complete this transaction. Unfortunately, the Joint  
18 Applicants have failed to provide any party the  
19 necessary information to evaluate their financial  
20 projections. On repeated occasions Public Counsel  
21 requested a complete and working financial model, and we  
22 never received one.

23           Another critical issue is whether Frontier  
24 has a reasonable plan to operate in Washington state.  
25 On numerous separate occasions Public Counsel requested

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1 and sought from Frontier a capital expenditure budget  
2 for Washington. In each response Frontier confirmed  
3 that it had no capital budget for this state, and as  
4 recently as last Friday Frontier again confirmed that  
5 indeed they have no capital budget for Washington state.

6 In addition, Frontier has also expressed that  
7 it has no certain plan for the integration of the  
8 replicated systems into its existing operations even  
9 though it has confirmed that it will not be able to  
10 obtain the hundreds of millions of dollars of synergies  
11 that it has promised its investors absent integration.

12 So we are left with little reliable evidence  
13 and more questions than answers. This is an \$8 Billion  
14 transaction with vague and incomplete financial  
15 projections that no party has been able to examine in  
16 detail. Moreover after watching not one, not two, but  
17 three previous Verizon sales end in bankruptcy, Public  
18 Counsel remains justifiably worried that a similar  
19 result will occur here. The evidence that Public  
20 Counsel will present at hearing along with the evidence  
21 that we have provided in our testimony will show that  
22 there is simply not enough information to conclude that  
23 the proposed transaction is in the public interest.

24 Thank you.

25 CHAIRMAN GOLTZ: Can I ask a question?

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1 JUDGE CLARK: Yes.

2 CHAIRMAN GOLTZ: I have one question for  
3 Ms. Shifley. I heard you say and I noticed it was in I  
4 believe Ms. Alexander's testimony basically setting the  
5 standard, the standards and the regulations in the  
6 public interest and by Commission precedent that's been  
7 interpreted to be a no harm standard, but you're  
8 agreeing that that is not a standard? I guess I was  
9 thinking that perhaps you might make the argument that  
10 it's still a net benefit, would be a net benefit  
11 standard.

12 MS. SHIFLEY: No, Chairman Goltz, we  
13 understand that the precedent sets it as a no harm  
14 standard.

15 CHAIRMAN GOLTZ: So you're acquiescing that  
16 standard?

17 MS. SHIFLEY: Yes.

18 CHAIRMAN GOLTZ: Thank you.

19 JUDGE CLARK: Thank you.

20 Is Mr. Trincherro on line?

21 MR. TRINCHERO: Yes, Your Honor.

22 JUDGE CLARK: Fabulous. Since I have  
23 Mr. Trincherro on line and perhaps other individuals on  
24 the bridge line, I would like to remind everyone that  
25 you can not place your phone on hold or you will have

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1 music playing in the hearing room during the hearing,  
2 and I thank you for your cooperation.

3 Mr. Trincherro, if you could proceed with your  
4 opening statement, please.

5 MR. TRINCHERO: Thank you, Your Honor, thank  
6 you, Commissioners. My name is Mark Trincherro and I  
7 represent a group of competitive local exchange carriers  
8 commonly referred to in this proceeding as the Joint  
9 CLECs. My clients are both wholesale customers of  
10 Verizon and also Verizon's competitors. After this  
11 merger is completed, my clients will be wholesale  
12 customers and competitors of Frontier. We had raised a  
13 number of concerns related to this transaction, and  
14 following lengthy negotiations we were able to reach the  
15 compromise that is reflected in the settlement agreement  
16 with a number of conditions. While no settlement is  
17 ever perfect, these conditions are reasonable, and they  
18 do ensure both a period of stability with respect to  
19 rates, terms, and conditions, and operational process  
20 needs relating to the wholesale services that my clients  
21 currently purchase from Verizon and will be purchasing  
22 from Frontier and also the commitment from Frontier to  
23 participate in the development of service quality  
24 standards for wholesale services which will also ensure  
25 that the transition from Verizon to Frontier does not

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1 negatively impact the wholesale services that my clients  
2 purchase in order to provide competitive services in the  
3 state. And it also ensures that the transfer of  
4 operations support systems is smooth and does not  
5 disrupt the services that my clients ultimately provide  
6 to customers in the state. And with that, we urge the  
7 Commission to approve the settlement. Thank you.

8 JUDGE CLARK: Thank you, Mr. Trincherro.  
9 Mr. Melnikoff.

10 MR. MELNIKOFF: Yes.

11 JUDGE CLARK: We're ready for your opening  
12 statement, Mr. Melnikoff.

13 MR. MELNIKOFF: Thank you. Good morning, I'm  
14 Steve Melnikoff representing the Department of Defense  
15 and all other Federal Executive Agencies. I appreciate  
16 the opportunity to address the Commission on this  
17 matter. The interests of DoD/FEA in this proceeding is  
18 that of a customer of telecommunications services  
19 provided by Verizon Northwest in the exchanges that are  
20 to be sold to Frontier Communications Corporation. We  
21 have numerous offices, both military and civilian.  
22 These offices and installations vary in size, and the  
23 business telecommunications services purchased range  
24 from large complex systems to small office services. In  
25 addition to the services procured directly from Verizon,

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1 DoD/FEA purchases services through competitive bidding  
2 procedures whenever possible to obtain the best  
3 available services at the lowest possible cost.  
4 DoD/FEA's interest thus encompasses the issue of  
5 Frontier's ability to provide both wholesale service to  
6 competitive carriers as well as to compete fairly for  
7 DoD/FEA's business.

8           We have fully participated in this  
9 proceeding. While DoD/FEA did not necessarily oppose  
10 the transaction, our concern was that Verizon's and  
11 Frontier's mere assurances in its application that the  
12 transaction would be harmless, transparent, and seamless  
13 to customers was no more than just trust us words. Any  
14 approval of the transaction should contain as needed  
15 sufficient conditions and safeguards, consequences and  
16 penalties, incentives and importantly reporting  
17 requirements to assist the Commission's ability to  
18 monitor the aftermath and react if necessary to ensure  
19 that harmlessness, transparency, and seamlessness would  
20 be a reality. To this end, DoD/FEA filed the testimony  
21 of its expert, Charles W. King, which pointed out areas  
22 of concern about the transaction and buyer, Frontier,  
23 and suggested potential remedial conditions.

24           After the Staff/Verizon/Frontier settlement  
25 which addressed many concerns expressed by DoD/FEA, we



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1 negotiated and recently reached a settlement with  
2 Frontier and Verizon which from our perspective building  
3 upon the Staff settlement -- builds upon the Staff  
4 settlement in two important aspects. First, it  
5 strengthens the monitoring of the service quality  
6 performance by adding quarterly rather than annual  
7 service quality metrics and reporting, a shortened  
8 reporting cycle providing a quicker reward and a more  
9 timely remedial response. In addition, it also added a  
10 focused remedial response by Frontier, a clearly  
11 specified plan to resolve any service inadequacy  
12 complete with a committed detailed budget, and finally  
13 the tracking of remedial funding and expenditures on a  
14 monthly basis until any problems have been or any  
15 problems have been resolved.

16           And secondly, we strengthened that foundation  
17 by expanding the three year rate cap from residential  
18 basic service to basic services used by all business  
19 customers. If only residential rates are capped, then  
20 Frontier could likely seek to resolve any perceived  
21 revenue deficiencies by increasing unprotected business  
22 service rates. This provision ensures that during a  
23 three year transition period business customers will  
24 remain unharmed, receiving the same stability and  
25 protection from rate increases that residential

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1 customers would enjoy.

2           The DoD/FEA settlement was the product of  
3 gives and takes of the negotiation process and was  
4 generally coordinated with Staff. The overall results  
5 add certainty and protection building on the significant  
6 foundation of the Staff settlement and resolve all  
7 issues raised by DoD/FEA in this proceeding. This  
8 settlement is in the public interests and should be  
9 approved. To deny the transaction would effectively  
10 require Verizon to continue to operate in a state it  
11 wishes to exit and serve customers it would prefer not  
12 to have. This would not be a prescription for reliable,  
13 efficient, responsive telecommunications service.

14           While there are legitimate risks in  
15 transferring Verizon's service territory to Frontier and  
16 its customers, that company appears eager to expand the  
17 scope of services offered in Washington, particularly  
18 high speed Internet service, broadband, however DoD  
19 believes on balance the risk is minimized with  
20 Frontier's experience of providing rurally oriented  
21 local exchange carrier services and particularly with  
22 the safeguard conditions of the Staff, DoD/FEA, and the  
23 wholesale market settlements, plural. It is the  
24 beneficial result of all the reporting requirements to a  
25 vigilant Commission as well as the potential penalties

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1 and remedies available. Thus we believe the approval of  
2 the Verizon/Frontier transaction in Washington with the  
3 agreed upon conditions of those settlements is in the  
4 public interest. Thank you.

5 JUDGE CLARK: Thank you, Mr. Melnikoff. The  
6 settlement between the Joint Applicants and DoD/FEA as  
7 well as the testimony filed in support thereof has  
8 already been received by the Commission. There is no  
9 cross-examination for your witness, Mr. King, and there  
10 is no Commissioner inquiry for your witness, Mr. King.  
11 Therefore, does DoD/FEA wish to be excused from the  
12 remainder of this proceeding?

13 MR. MELNIKOFF: I intend to recede into  
14 listening mode and reserve a right to jump back in if I  
15 need to participate.

16 JUDGE CLARK: All right, then I'm not going  
17 to excuse you under the sole condition that you don't  
18 place your phone on hold.

19 MR. MELNIKOFF: Agreed.

20 JUDGE CLARK: All right.

21 The next order of business will be calling  
22 the panel for the Joint CLECs settlements. Given other  
23 Commission business, I am not going to be able to do  
24 that regrettably before the lunch recess, and so we are  
25 going to be at recess until approximately 1:15. When we

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1 come back, I would like to have empanelled for  
2 Commissioner inquiry those witnesses presenting  
3 testimony regarding all three of the CLEC settlements,  
4 including Mr. McCarthy, Mr. Timothy McCallion,  
5 Mr. Robert Munoz, who I understand is appearing  
6 telephonically, Mr. Rick Thayer, whom I understand will  
7 be appearing telephonically, and Mr. Doug Denney, whom I  
8 understand will be appearing telephonically.

9 We are at recess until approximately 1:15.

10 (Luncheon recess taken at 11:45 a.m.)

11

12 A F T E R N O O N S E S S I O N

13 (1:15 p.m.)

14 JUDGE CLARK: Just a reminder, we do have a  
15 number of individuals appearing telephonically via the  
16 bridge line, both counsel and witnesses, and individuals  
17 who have elected to listen in. Do not place your phone  
18 on hold, or you will play music in the hearing room. If  
19 you are either counsel or a witness for a party, please  
20 identify yourself before you speak so that the court  
21 reporter can accurately make a transcript of this  
22 proceeding. And a reminder again that when you're  
23 appearing telephonically it is important that you speak  
24 considerably more loudly than you would ordinarily speak  
25 and perhaps more slowly so that we can get an

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1 appropriate transcript.

2 I have requested that the Joint Applicants as  
3 well as the CLECs who have entered into settlement  
4 agreements with the Joint Applicants sit on one panel  
5 this afternoon, and so I am going to ask counsel for  
6 each of those parties to call their witnesses to the  
7 stand.

8 I'll commence with you, Mr. Romano.

9 MR. ROMANO: Thank you, Your Honor, Verizon  
10 calls Timothy McCallion.

11 JUDGE CLARK: Thank you.

12 And Frontier.

13 MR. SAVILLE: Good afternoon, Your Honor,  
14 Frontier calls Daniel McCarthy.

15 JUDGE CLARK: Thank you.

16 Comcast.

17 MR. KOPTA: Thank you, Your Honor, Comcast  
18 calls Robert Munoz.

19 JUDGE CLARK: Thank you.

20 Mr. Munoz, can you verify that you're  
21 appearing telephonically?

22 MR. MUNOZ: Yes, I can, I'm on the phone.

23 JUDGE CLARK: And can you spell your last  
24 name for the record, please.

25 MR. MUNOZ: M-U-N-O-Z.

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1 JUDGE CLARK: Perfect.

2 Level 3.

3 MR. LOWNEY: Level 3 calls Rick Thayer.

4 JUDGE CLARK: Mr. Thayer, can you verify that  
5 you're on the line?

6 MR. THAYER: Yes, I am appearing on -- I am  
7 on the line, and my last name is spelled T-H-A-Y-E-R.

8 JUDGE CLARK: Perfect.

9 And Mr. Trincherro for the Joint CLECs.

10 MR. TRINCHERO: Yes, Your Honor, the Joint  
11 CLECs call Douglas Denney.

12 JUDGE CLARK: Thank you.

13 Mr. Denney, can you verify that you're on the  
14 line?

15 MR. DENNEY: Yes, I am.

16 JUDGE CLARK: And spell your last name,  
17 please.

18 MR. DENNEY: D-E-N-N-E-Y.

19 JUDGE CLARK: All right, I'm going to  
20 administer the oath to all the individuals who will be  
21 serving on this afternoon's panel. It is my convention  
22 to stand up and raise my right hand and ask the  
23 witnesses to do the same. I am going to break from that  
24 convention so that I can speak into the microphone and  
25 actually be heard by those individuals on the bridge

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1 line. If you would stand and raise your right hand  
2 please.

3 (Witnesses DANIEL MCCARTHY, TIMOTHY J.  
4 MCCALLION, ROBERT MUNOZ, RICHARD THAYER, and  
5 DOUGLAS DENNEY were sworn.)

6 JUDGE CLARK: Thank you, please be seated.

7 All right, Mr. Romano.

8

9 Whereupon,

10 DANIEL MCCARTHY, TIMOTHY J. MCCALLION, ROBERT MUNOZ,

11 RICHARD THAYER, and DOUGLAS DENNEY,

12 having been first duly sworn, were called as witnesses

13 herein and were examined and testified as follows:

14

15 D I R E C T E X A M I N A T I O N

16 BY MR. ROMANO:

17 Q. Mr. McCallion, do you have testimony in front  
18 of you that's marked as DM/TM/RM-1T, which is joint  
19 testimony in support of the Comcast settlement  
20 agreement?

21 A. (McCallion) I do.

22 Q. And do you also have testimony marked as  
23 DM/TM/DD-1T, which is joint testimony in support of the  
24 settlement agreement with the Joint CLECs?

25 A. (McCallion) I do.

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1 Q. Do you have any changes or corrections to  
2 that testimony?

3 A. (McCallion) No, I do not.

4 MR. ROMANO: Thank you.

5 JUDGE CLARK: Thank you.

6 Mr. Saville.

7

8 D I R E C T E X A M I N A T I O N

9 BY MR. SAVILLE:

10 Q. Mr. McCarthy, can you just state your name  
11 and title for the record.

12 A. (McCarthy) My name is Daniel McCarthy, I'm  
13 the Executive Vice President and Chief Operating Officer  
14 of Frontier Communications.

15 Q. Mr. McCarthy, do you have in front of you an  
16 exhibit which was prefiled joint testimony in support of  
17 the Comcast settlement that's been marked as  
18 DM/TM/RM-1T?

19 A. (McCarthy) I do.

20 Q. And do you also have in front of you the  
21 prefiled testimony in support of the settlement with  
22 Level 3 that is marked DM/RT-1T?

23 A. (McCarthy) I do.

24 Q. And do you also have in front of you the  
25 prefiled testimony in support of the settlement with the



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1 Joint CLECs which is DM/TM/DD-1T?

2 A. (McCarthy) I do.

3 Q. And do you have any changes to make to any of  
4 that prefiled testimony?

5 A. (McCarthy) No, I do not.

6 MR. SAVILLE: Thank you.

7 JUDGE CLARK: Mr. Lowney.

8

9 D I R E C T E X A M I N A T I O N

10 BY MR. LOWNEY:

11 Q. Mr. Thayer, do you have before you an exhibit  
12 marked DM/RT-1T, joint testimony of McCarthy and Thayer?

13 A. (Thayer) I do.

14 Q. And do you have any changes to that testimony  
15 today?

16 A. (Thayer) No, I don't.

17 MR. LOWNEY: Thank you.

18 JUDGE CLARK: Thank you.

19 Mr. Kopta.

20 MR. KOPTA: Thank you, Your Honor.

21

22 D I R E C T E X A M I N A T I O N

23 BY MR. KOPTA:

24 Q. Mr. Munoz, do you have before you a document  
25 that's entitled prefiled joint testimony of Daniel

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1    McCarthy, Timothy McCallion, and Robert Munoz in support  
2    of settlement, Number DM/TM/RM-1T?

3           A.     (Munoz) I do.

4           Q.     Do you have any changes or corrections to  
5    make to that testimony?

6           A.     (Munoz) I do not.

7           MR. KOPTA: Thank you.

8           JUDGE CLARK: Thank you.

9           Mr. Trincherero.

10          MR. TRINCHERO: Thank you, Your Honor.

11

12                   D I R E C T   E X A M I N A T I O N

13    BY MR. TRINCHERO:

14          Q.     Mr. Denney, do you have the document in front  
15    of you entitled testimony in support of settlement by  
16    the parties to the Joint CLEC settlement marked as  
17    Exhibit DM/TM/DD-1T?

18          A.     (Denney) Yes, I do.

19          Q.     And do you have any changes or corrections to  
20    make to that testimony?

21          A.     (Denney) No.

22          MR. TRINCHERO: Thank you.

23          JUDGE CLARK: All right, and we also have the  
24    settlement agreement marked DM/TM/DD-2, and I'm assuming  
25    there's no corrections to that either.

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1 MR. DENNEY: That's correct, Your Honor.

2 JUDGE CLARK: Thank you, Mr. Denney.

3 All right, the parties indicated that they do  
4 not have any cross-examination for these witnesses,  
5 therefore the purpose of empanelling these individuals  
6 is to allow the Commissioners to inquire on the three  
7 settlement agreements reached with the CLECs. I'm going  
8 to start with Commissioner Jones and see if you have any  
9 inquiry.

10 COMMISSIONER JONES: No questions.

11 JUDGE CLARK: Commissioner Oshie.

12 COMMISSIONER OSHIE: No questions.

13 CHAIRMAN GOLTZ: I haven't either.

14 JUDGE CLARK: Thank you very much for your  
15 testimony.

16 Would Comcast, Level 3, and the Joint CLECs  
17 like to be excused from further participation in this  
18 proceeding?

19 MR. KOPTA: Speaking on behalf of Comcast,  
20 yes, we would.

21 JUDGE CLARK: All right, you're excused,  
22 thank you.

23 MR. TRINCHERO: On behalf of the Joint CLECs,  
24 yes, Your Honor.

25 JUDGE CLARK: Thank you, you're excused.

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1 MR. LOWNEY: And on behalf of Level 3, yes,  
2 Your Honor.

3 JUDGE CLARK: Thank you, you're excused.

4 All right, why don't we take just a moment to  
5 empanel the next witnesses who will be appearing and  
6 allow those individuals who are no longer participating  
7 to leave the hearing room.

8 The next panel will be the Joint Applicant  
9 and Staff settlement. We've already empanelled  
10 Mr. McCarthy and Mr. McCallion, and we need Mr. William  
11 Weinman, please.

12 Mr. McCarthy, Mr. McCallion, I'm just going  
13 to remind you that you remain under oath.

14 Mr. Weinman, please rise.

15 (Witness WILLIAM H. WEINMAN was sworn.)

16 JUDGE CLARK: Thank you, please be seated.

17 Mr. Thompson.

18

19 D I R E C T E X A M I N A T I O N

20 BY MR. THOMPSON:

21 Q. Staff calls Mr. Weinman, and I would ask  
22 Mr. Weinman to indicate, did you cause to be filed the  
23 testimony in support of the settlement that is marked as  
24 WHW-14T?

25 A. (Weinman) I did.

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1 Q. And do you have any changes or corrections to  
2 that today?

3 A. (Weinman) No, I don't.

4 JUDGE CLARK: All right, thank you.

5 Ms. Shifley, cross-examination.

6 MS. SHIFLEY: Thank you, Your Honor.

7

8 C R O S S - E X A M I N A T I O N

9 BY MS. SHIFLEY:

10 Q. I would like to start by asking Mr. McCarthy  
11 a couple of questions. Could you please turn to what  
12 has been marked Exhibit DM-75.

13 MR. SAVILLE: Ms. Shifley, may I ask, can you  
14 just identify what that exhibit is.

15 MS. SHIFLEY: Certainly, it is Mr. McCarthy's  
16 prefiled surrebuttal testimony before the Illinois  
17 Commission.

18 A. (McCarthy) Yes, I have it.

19 BY MS. SHIFLEY:

20 Q. Mr. McCarthy, this exhibit is your prefiled  
21 surrebuttal testimony before the Illinois Commission  
22 regarding the proposed transaction, correct?

23 A. (McCarthy) Correct, an excerpt from it I  
24 believe.

25 Q. I would like to just ask you a few brief

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1 questions about two points that you made in this  
2 testimony. These questions should be pretty quick, just  
3 simple yes or no questions. In your Illinois testimony  
4 you state that Frontier will accept a number of service  
5 quality conditions proposed by Illinois staff that are  
6 different and in some respects more onerous than those  
7 included in the proposed settlement in this state; is  
8 that correct?

9 A. (McCarthy) If you would just give me a  
10 second just to review.

11 Could you just repeat the question, I'm  
12 sorry.

13 Q. In the Illinois testimony you state that  
14 Frontier will accept a number of service quality  
15 conditions that are different and in some respects more  
16 onerous than those included in the proposed settlement  
17 in this state, correct?

18 MR. SAVILLE: Ms. Shifley, can I ask you are  
19 you pointing to a particular line item of the testimony  
20 in this exhibit?

21 MS. SHIFLEY: Certainly.

22 BY MS. SHIFLEY:

23 Q. You might turn to page 11 of the testimony,  
24 which I believe is the second page of the exhibit.

25 A. (McCarthy) And which line item, I'm sorry?

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1 Q. Beginning on line 212, and specifically on  
2 line 214 you talk about how the service quality  
3 performance standards will be tied to Verizon's current  
4 performance averages?

5 A. (McCarthy) Correct.

6 Q. And those averages go beyond the Illinois  
7 Commission's existing service quality performance  
8 standards?

9 A. (McCarthy) I believe I said that they were  
10 stricter than the commission's current performance  
11 averages, I'm sorry, standards, yes.

12 Q. And in this state, is it your understanding  
13 that Public Counsel made a similar recommendation to  
14 base future standards on Verizon's recent performance in  
15 Washington?

16 A. (McCarthy) Well, first off, the -- from the  
17 Illinois, just to clarify, this was part of a settlement  
18 negotiated with staff. It was a comprehensive  
19 settlement that was looking at broadband additions in  
20 the state going from approximately 61% up into the 80's.  
21 There were a number of different components, so. The  
22 first part of the settlement was conditioned around  
23 service standards in the state, and there were penalties  
24 if we missed the majority of the service metrics.

25 Q. So just again just to clarify, did you accept

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1 as a condition in Washington state the recommendation to  
2 tie Frontier service quality standards going forward to  
3 Verizon's historical performance in Washington?

4 A. (McCarthy) I believe the standards were set  
5 as part of the settlement at different answer times for  
6 toll assistance, information answer time, repair office  
7 answer time, business office answer time, installation  
8 requests over 5 business days, interruption of service  
9 over 24 hours, and trouble reports for 1-800 lines, so  
10 it was, as I recall in the settlement, it was detailed  
11 actual targets set and laid out in the settlement.

12 Q. But were the standards that Frontier has to  
13 meet, they were not based on Verizon's historical  
14 performance, were they?

15 A. (McCarthy) The standards that are in the  
16 settlement were agreed upon by the parties in the  
17 settlement, and I just highlighted what those items  
18 were. There's very specific targets in each one of the  
19 settlement parameters.

20 Q. But again, I just want to clarify that in  
21 Washington state the standards that are set for service  
22 quality are not based on Verizon's performance in  
23 Washington state; is that correct?

24 A. (McCarthy) Correct.

25 Q. And would you please now turn to Exhibit



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1 DM-76, which is an attachment to your Illinois  
2 testimony.

3 A. (McCarthy) Which page?

4 Q. The second page, please. And under 1(d) of  
5 that exhibit, it states that Frontier agrees that  
6 service quality conditions should remain in effect until  
7 Frontier meets certain credit ratings or five years,  
8 whichever is earlier, and that the condition will be  
9 reinstated if the credit rating's dropped; is that  
10 correct?

11 A. (McCarthy) That is exactly what was  
12 negotiated with staff. It has not been adopted by the  
13 commission at this point.

14 Q. And does the settlement that is before this  
15 Commission in Washington state include service quality  
16 durations that go beyond three years?

17 A. (McCarthy) One second, just one second.

18 Correct, it was three years.

19 Q. Okay. And does the settlement here in  
20 Washington tie the duration of any service quality  
21 standards to any relevant event or occurrence such as  
22 reaching a specified credit rating?

23 A. (McCarthy) No, it doesn't. However, I would  
24 say that the negotiation with Staff here was very  
25 different from Illinois, and there are self effecting

0253

1 penalties that are associated there in addition to the  
2 service protection guarantees that are related by  
3 Verizon today, so it was a very different situation than  
4 it was in Illinois.

5 Q. Certainly. But just to clarify again that  
6 the duration is not tied to any event?

7 A. (McCarthy) Correct.

8 Q. And also would you just clarify,  
9 Mr. McCarthy, that you accepted in Illinois that  
10 Frontier would tie service quality to potential dividend  
11 restrictions?

12 A. (McCarthy) It was we tied jurisdictional  
13 dividend restrictions from the LEC to the majority -- of  
14 hitting the majority of the service quality metrics.

15 Q. Thank you.

16 And now I believe that these -- I'm going to  
17 move to a different subject now, and I believe that  
18 these are for Mr. McCallion.

19 Mr. McCallion, where is Verizon Northwest  
20 located?

21 A. (McCallion) What states are we located in?

22 Q. The corporate headquarters for Verizon  
23 Northwest, where is that?

24 A. (McCallion) Everett, Washington.

25 Q. Thank you.

0254

1                   And Verizon Northwest is a subsidiary of  
2 Verizon; is that correct?

3           A.       (McCallion) That's correct.

4           Q.       Okay. So it's a separate subsidiary  
5 corporation?

6           A.       (McCallion) Yes, totally owned subsidiary of  
7 Verizon.

8           Q.       And Verizon Northwest has its own income  
9 statements, balance sheets, cash flow statements, et  
10 cetera?

11          A.       (McCallion) Yes.

12          Q.       And, Mr. McCarthy, could you just clarify for  
13 me where Frontier Northwest will be located if this  
14 transaction proceeds?

15          A.       (McCarthy) It will be located in Everett as  
16 well.

17          Q.       Okay. And it will also be a stand-alone  
18 corporation, or will it be a division of Frontier, or  
19 not a stand-alone, excuse me, a subsidiary corporation?

20          A.       (McCarthy) I'm just not sure on the subtle  
21 difference you're asking right now.

22          Q.       Would you just explain what type of corporate  
23 entity Frontier Northwest will be?

24          A.       (McCarthy) Frontier Northwest will be the  
25 same as it is today, so to the extent that it is that

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1 entity for Verizon Northwest, we will just be acquiring  
2 that, so it will remain the same.

3 Q. Okay. And just like Verizon Northwest it  
4 will have its own books, income statements, balance  
5 sheets, et cetera?

6 A. (McCarthy) Yes.

7 Q. And I believe that the bulk of my questions  
8 will be for Mr. Weinman this afternoon. I would like to  
9 ask you a couple of questions regarding your testimony  
10 in support of the settlement which has been marked  
11 Exhibit number WHW-14T1. Have you got that in front of  
12 you?

13 A. (Weinman) I do.

14 Q. On page 1 you state that your original  
15 recommendation to the Commission was that they should  
16 deny the transfer of control from Verizon to Frontier,  
17 in essence reject the deal, correct?

18 A. (Weinman) I'm sorry, my settlement  
19 testimony?

20 Q. Oh, no, excuse me, I would like to ask you on  
21 page 1 of your rebuttal testimony, your first direct  
22 filed testimony, I'm sorry.

23 A. (Weinman) Oh.

24 Q. Have you got that?

25 JUDGE CLARK: No, you need to wait just a

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1 minute.

2 A. (Weinman) Actually I do not.

3 COMMISSIONER JONES: Judge, is that labeled  
4 WHW-1T?

5 JUDGE CLARK: Yes.

6 COMMISSIONER JONES: Okay.

7 BY MS. SHIFLEY:

8 Q. Actually, Mr. Weinman, you do state or I  
9 believe that you state on page 1 of your testimony in  
10 support of the settlement agreement that in your direct  
11 testimony you recommended that they deny the  
12 transaction, is that correct, on lines 18 and 19 on page  
13 1 of your settlement testimony?

14 A. (Weinman) Yes, that's true.

15 Q. I don't think I'll need to be referring too  
16 often to your previous testimony, but I would keep it  
17 handy.

18 MR. THOMPSON: Could we get Mr. Weinman a  
19 copy of that testimony maybe? I've got a copy here, but  
20 then I wouldn't be able to look at it.

21 JUDGE CLARK: Mr. Weinman, do you have  
22 WHW-1T?

23 MR. WEINMAN: Excuse me, are you talking  
24 about my original testimony?

25 MS. SHIFLEY: Do you have a copy of your

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1 original testimony with you?

2 MR. WEINMAN: I do, yes.

3 BY MS. SHIFLEY:

4 Q. Okay, so I just want to confirm that you did  
5 in your direct testimony recommend that the Commission  
6 deny the sale?

7 A. (Weinman) Yes, I did.

8 Q. And on page 1 and the top of page 2 of your  
9 settlement testimony, you say that your recommendation  
10 to reject the deal was based on the fact that the  
11 applicants had not provided enough information in their  
12 direct testimony or in response to data requests to meet  
13 the burden of proof that the transaction would be in the  
14 public interest; is that correct?

15 A. (Weinman) That's correct.

16 Q. And continuing on page 2, you state that  
17 additional information that the applicants provided  
18 along with the conditions in the proposed settlement  
19 provide all the assurance necessary for Staff to  
20 conclude that the deal is in the public interest. Do  
21 you see that?

22 A. (Weinman) That's true.

23 Q. Would you now turn to Exhibit WHW-15.

24 A. (Weinman) Are we back on original testimony  
25 now?

0258

1 Q. WHW-15 is Staff's response to Data Request  
2 Number 2 from Public Counsel.

3 A. (Weinman) Oh, okay.  
4 I'm there.

5 Q. And here you identify the additional  
6 information that you referred to in your testimony as  
7 the applicants' rebuttal testimony; is that correct?

8 A. (Weinman) I'm sorry, what data request  
9 number is that?

10 Q. I believe it's Data Request Number 2.

11 A. (Weinman) Yes.

12 Q. Okay. I would now like to ask you some  
13 questions about the financial concerns that Staff  
14 originally had, and I just hope that you can explain how  
15 the company's rebuttal testimony addresses these  
16 concerns, so now I'll be referring to your previously  
17 filed testimony, your direct testimony that you filed in  
18 November.

19 JUDGE CLARK: And that's WHW-1T?

20 MS. SHIFLEY: That is correct, Your Honor.

21 A. (Weinman) I'm there.

22 BY MS. SHIFLEY:

23 Q. And on page 8 of that testimony you state  
24 that one of Staff's concerns was that Frontier is a  
25 double B rated company, a below investment grade

0259

1 company, and Verizon is A rated, an investment grade; is  
2 that correct?

3 A. (Weinman) Correct.

4 Q. Mr. Weinman, companies that are below  
5 investment grade are financially weaker than those above  
6 investment grade; would you agree?

7 A. (Weinman) Yes.

8 Q. And companies with a low bond rating are more  
9 likely to default than companies with investment grade  
10 bond ratings, are they not?

11 A. (Weinman) That's true.

12 Q. And you're aware, are you not, that this  
13 Commission has in the past gone to great lengths to  
14 prevent utilities under its purview from dropping into  
15 below investment grade territory?

16 A. (Weinman) Yes.

17 Q. Mr. Weinman, will the settlement change the  
18 fact that Frontier has a below investment grade bond  
19 rating?

20 A. (Weinman) It could. I don't know that for  
21 sure.

22 Q. Does the settlement by its terms, it does not  
23 change the investment grading or the investment grade  
24 bond rating?

25 A. (Weinman) No, it does not.



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1 Q. Would the settlement protect rate payers from  
2 the consequences of a bankruptcy?

3 A. (Weinman) I don't know.

4 Q. Now turning to page 9 of your direct  
5 testimony, just which was filed in November again,  
6 that's WHW-1T. Are you there?

7 A. (Weinman) I am.

8 Q. You state that based on your review of the  
9 financial projections presented to Frontier's board on  
10 May 12, 2009, the day before the merger was approved by  
11 the board, the financial projections showed that  
12 Frontier estimates that it will continue to pay 60% to  
13 70% of its free cash flow in dividends; is that correct?

14 A. (Weinman) That is true.

15 Q. In that same portion of your testimony, you  
16 also state that the practice of paying out a high  
17 percentage of cash flow is inconsistent with the  
18 company's capital expenditure program and improving its  
19 financial position.

20 A. (Weinman) I did make that statement.

21 Q. The company has not changed its financial  
22 projections since it filed its rebuttal testimony, has  
23 it?

24 A. (Weinman) No, it really hasn't.

25 Q. Okay. So Frontier still intends to pay out a

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1 high percent of its free cash flow in dividends,  
2 correct?

3 A. (Weinman) Yes, based on its free cash flow  
4 it will pay out a high percentage. I believe it starts  
5 to taper down as time goes on.

6 Q. The proposed settlement does not contain any  
7 restrictions on dividend payments, conditional or  
8 otherwise, does it?

9 A. (Weinman) No, because there's no use to  
10 restrict the dividend at the operating company level.

11 Q. And over the past few years, Frontier has  
12 continued to pay out more in dividends than it has  
13 earned, correct?

14 A. (Weinman) That's true.

15 Q. And the company's financial projections show  
16 that it will continue to do so, correct?

17 A. (Weinman) Yes, primarily because it's  
18 throwing up a lot of cash from depreciation expense.

19 Q. And would it be accurate to say that a  
20 company's financial condition deteriorates if it  
21 continues to pay dividends greater than earnings for a  
22 long period of time?

23 A. (Weinman) It certainly can do it for a short  
24 period of time. And if it did it forever, then it would  
25 have to look at some other means like issue more equity

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1 or something else to keep its capital structure at an  
2 optimal level.

3 Q. Okay. Just a few more questions about some  
4 of the dividend issues. In your direct testimony, again  
5 that's the November testimony, one of the reasons you  
6 originally provided for rejecting the deal was that  
7 Frontier's dividend payments exceed its earnings per  
8 share; is that correct?

9 A. (Weinman) Mm-hm.

10 Q. Okay. Would you please now turn to Exhibit  
11 WHW-18, which is Staff's response to Public Counsel Data  
12 Request Number 7. Are you there?

13 A. (Weinman) Yes.

14 Q. And specifically subsection E, you indicate  
15 that this concern was answered by Mr. Whitehouse's  
16 rebuttal testimony when he stated that Frontier could  
17 reduce the amount of dividends.

18 A. (Weinman) That's true.

19 Q. And in his rebuttal testimony, Mr. Whitehouse  
20 stated that Frontier could reduce dividends but that it  
21 does not plan to do so; is that correct?

22 A. (Weinman) Yes, I believe it is, but we have  
23 to recognize they have reduced dividends.

24 Q. Certainly.

25 JUDGE CLARK: Ms. Shifley, are you on a

0263

1 particular page of WHW-18 that we can follow?

2 MS. SHIFLEY: Sure, it's the second of the  
3 three pages, and it's --

4 JUDGE CLARK: Subsection.

5 MS. SHIFLEY: -- subsection E of the  
6 response, 3 lines down, Staff believes the company can  
7 maintain its dividend payout amount without -- excuse  
8 me.

9 BY MS. SHIFLEY:

10 Q. But just to clarify my understanding of  
11 Mr. Whitehouse's rebuttal testimony, it doesn't address,  
12 really address the fact that Frontier is currently  
13 paying dividends in excess of its earnings and that --  
14 and it states that in fact the company will continue to  
15 do so?

16 A. (Weinman) Well, I think the fact that the  
17 company's balance sheet will be significantly improved  
18 with equity, that it puts it in a better position to  
19 continue to look at cash flow issues in terms of  
20 declaring dividends to the shareholders.

21 Q. Okay. I'm just going to move on to a  
22 different issue now. Going back to Exhibit WHW-14T1,  
23 which is your settlement testimony, on page 2, lines 17  
24 and 18, are you there?

25 A. (Weinman) I am.

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1 Q. You cite as one reason for Staff's change in  
2 position as that the applicants have given workshops  
3 regarding OSS issues, correct?

4 A. (Weinman) That's true.

5 Q. And those OSS workshops took place in August  
6 and October?

7 A. (Weinman) Correct.

8 MR. THOMPSON: This may be a little late, but  
9 I want to object to the form of the prior question. I  
10 think -- I'm not sure there was a change of position on  
11 Staff's OSS -- on the OSS issue, just for the record.  
12 Maybe if Ms. Shifley could point to a place in  
13 Mr. Weinman's testimony where it indicates where he's  
14 saying there was a change in position with regard to the  
15 OSS issues.

16 Q. I believe that Mr. Weinman identifies that  
17 OSS concerns were one of the primary areas of concern  
18 about the transaction, and then he changed his position  
19 on the transaction as being one that should be rejected  
20 because of these primary concerns to one that should be  
21 approved because those primary concerns were no longer  
22 an issue.

23 A. (Weinman) That's true.

24 Q. And you just stated that the workshops took  
25 place in August and October, correct?

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1 A. (Weinman) Correct.

2 Q. And those workshops actually took place  
3 before you filed your direct testimony proposing or  
4 recommending that the transaction be rejected?

5 A. (Weinman) Yes, they did take place. I would  
6 point out that the workshop in October was I believe  
7 towards the middle or the latter part of the month, and  
8 by that time we had kind of firmed our position, so  
9 those are two primary things that helped us make the  
10 decision on OSS, but there's been numerous discussions  
11 between my staff and the company that also accompanied  
12 this decisionmaking to go to -- and validate and  
13 recommend that the OSS systems will work and the  
14 replication will work.

15 Q. Okay. But just to clarify again, you do  
16 state in your settlement testimony that the OSS issues  
17 were addressed in these workshops?

18 A. (Weinman) They were addressed in the  
19 workshop, as with many other conversations that have  
20 taken place along the way before we came to the  
21 settlement, and as well the settlement has conditions  
22 that further gave us comfort that the OSS replication  
23 process will work.

24 Q. Thank you.

25 I would just like to go back to your direct

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1 testimony to talk about a different concern that you  
2 originally had, so if you would please turn to pages 5  
3 and 6 of your direct testimony.

4 A. (Weinman) I'm there.

5 Q. And here you summarize the concerns about the  
6 financial aspects of the transaction that caused you to  
7 recommend rejection; is that correct?

8 A. (Weinman) That's true.

9 Q. And in Data Request Number 7 that we were  
10 looking at earlier, which is labeled WHW-18, Public  
11 Counsel asked you about some of these items, correct?

12 A. (Weinman) Yes.

13 Q. Okay, I just want to ask you some  
14 clarification questions on these items. If you could  
15 now focus on item number 3 on page 5 of your direct  
16 testimony.

17 A. (Weinman) Okay.

18 Q. Here you state as one of the reasons to  
19 reject the deal as that Verizon has a broader product  
20 line that helps offset land line losses, correct?

21 A. (Weinman) That's true.

22 Q. And in response to sub part A of data request  
23 number 7, which starts on the first page of that data  
24 request, you confirm that this condition has not  
25 changed; is that correct?

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1 A. (Weinman) Yes.

2 Q. Turning now to page 6 of your direct  
3 testimony at line 12, you note that Frontier is unable  
4 to provide a capital budget for Washington.

5 JUDGE CLARK: Where are we, WHW-1?

6 MS. SHIFLEY: Direct testimony, WHW-1T.

7 JUDGE CLARK: Line 12 or item 12?

8 MS. SHIFLEY: Item 12.

9 MR. WEINMAN: Oh, thank you.

10 BY MS. SHIFLEY:

11 Q. You noted that Frontier was unable to provide  
12 a capital budget for Washington; is that correct?

13 A. (Weinman) I think at least on my direct  
14 testimony item 12 states that Frontier discloses  
15 numerous risk factors, Securities and Exchange form S-4,  
16 none of which are addressed. It has nothing to do with  
17 capital budgets for Washington.

18 Q. Okay. So would you please look at item 9.

19 A. (Weinman) I'm there.

20 Q. Would it be possible to say that at some --  
21 in conjunction with this item you had concerns that  
22 Verizon or Frontier had not provided a capital budget  
23 for Washington?

24 A. (Weinman) Item 9 talks about interest rate  
25 costs and estimates of additional debt.



0268

1 Q. Okay, I might come back to that in just a  
2 moment.

3 Could you just confirm for me though that  
4 Staff was never provided a capital budget?

5 A. (Weinman) That's true, and that's one of the  
6 reasons we have the escrow payment so we really don't  
7 have to address the buildout of the DSL condition.

8 Q. But they don't have any sort of budget for  
9 any other type of expenditures, the escrow payment is  
10 only for broadband; is that correct?

11 A. (Weinman) It is.

12 Q. So I'm now going to move to another one of  
13 your previous reasons. I believe that this was the one  
14 that I was asking about earlier, and that was that we do  
15 not yet know what the debt covenant, of the projected  
16 \$3.3 Billion debt issues are going to be?

17 A. (Weinman) No, we do not.

18 Q. Okay. And that is in your original direct  
19 testimony that you filed in November?

20 A. (Weinman) Yes, it is.

21 Q. And then when Public Counsel asked you about  
22 this issue in its Data Request 7, which we were just  
23 looking at which is WHW-18, subsection 8, or excuse me,  
24 subsection H on page 2, you indicate that not knowing  
25 the debt covenants for the debt won't be an issue

1 because of the condition in the settlement that Frontier  
2 will not encumber the assets of the Washington operating  
3 company; is that correct?

4 A. (Weinman) That's true.

5 Q. By encumber, do you mean that the assets of  
6 the operating company will not be pledged as security  
7 for debt?

8 A. (Weinman) Yes.

9 Q. As in first mortgage debt?

10 A. (Weinman) Yes.

11 Q. Okay. And are you aware that telephone  
12 company debt is not mortgage debt but debentures; is  
13 that correct?

14 A. (Weinman) I don't know.

15 Q. So discussing also the debt agreement, is it  
16 possible for Frontier to issue more than \$3.3 Billion of  
17 debt when the transaction closes?

18 A. (Weinman) I guess it would be, but I still  
19 think we have the materiality issue in the settlement  
20 agreement that if they start changing the terms of what  
21 is expected with the transaction that we are going to  
22 know about it and there will be additional discussion  
23 about that, whether it's an issue or not.

24 Q. Okay. So what if prior to the close of the  
25 transaction Frontier's stock price fell to \$5 a share,

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1 and as the merger agreement specifies the company issued  
2 750 million shares, that would raise \$3.75 Billion, but  
3 as you understand the merger agreement calls for a  
4 closing equity of \$5.25 Billion, right?

5 A. (Weinman) Correct.

6 Q. And would Frontier have to issue more than  
7 \$3.3 Billion in debt to make the difference between  
8 those two amounts?

9 A. (Weinman) I don't know, I can't answer that  
10 question.

11 MR. MCCARTHY: Your Honor, can I just help  
12 with that?

13 JUDGE CLARK: Certainly.

14 A. (McCarthy) There's a collar set on stock  
15 price that would limit the amount of shares that we have  
16 to issue, and anything below the collar price Verizon  
17 has essentially accepted that as risk in the  
18 transaction, so there would be not borrowing any  
19 additional debt to make up a difference between a  
20 hypothetical equity shortfall.

21 BY MS. SHIFLEY:

22 Q. Okay.

23 Mr. Weinman, I would just like to go back,  
24 I'm sorry, I had to clarify something on the questions  
25 that I was asking you about before, would you please

0271

1 turn to page 16 of your original direct testimony,  
2 WHW-1T.

3 A. (Weinman) I'm there.

4 Q. And at line 12 of page 16 you state that you  
5 had not received Frontier's five year capital budget  
6 showing its projected capital additions in Washington;  
7 is that correct?

8 A. (Weinman) That's true.

9 Q. And again, I was just asking you before, has  
10 such a capital budget ever been provided?

11 A. (Weinman) No.

12 Q. All right. I'm going to go back to another  
13 one of the reasons you listed for rejecting the  
14 transaction in your direct testimony, and on page 6,  
15 number 11, you state that merger synergies will not  
16 provide any benefit to Washington rate payers; is that  
17 correct?

18 A. (Weinman) That's true.

19 Q. Okay. And in your response to Data Request  
20 Number 7, subsection I, which is on the last page; are  
21 you there?

22 A. (Weinman) I am.

23 Q. You indicate that while Frontier has promised  
24 broadband deployment could provide benefits, you still  
25 admit that merger synergies resulting from this

0272

1 transaction will provide no benefit to Washington rate  
2 payers?

3 A. (Weinman) I think when you look at it in  
4 total, it will not provide a benefit to rate payers  
5 because of the economies of scale for Verizon. But the  
6 problem we have with Verizon is they're not deploying  
7 broadband services, they're losing lines, and that in  
8 effect will also increase the cost of -- to the  
9 Washington rate payers over time.

10 Q. Okay. I would now like to ask you a couple  
11 questions about Staff's analysis of the financial  
12 aspects of the transaction. Could you please turn to  
13 page 4 of your testimony supporting the proposed  
14 settlement, specifically lines 7 to 11. Would it be a  
15 fair summary to say that from a financial perspective  
16 that either with or without synergy savings you stated  
17 in this testimony that you believe Frontier will have a  
18 reasonable projected financial performance?

19 A. (Weinman) Yes.

20 Q. Do you know the level of synergies that  
21 Frontier is telling its investors it is expecting from  
22 this transaction?

23 A. (Weinman) \$500 Million. They have mentioned  
24 up to \$700 Million, and we also looked at it with no  
25 synergies whatsoever in our workpapers.

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1 Q. Okay. Does Staff have an opinion as to  
2 whether Frontier will have reasonable financial  
3 performance if it does not achieve synergies and it  
4 experiences line losses that are either equal to or  
5 greater than the level of line losses associated with  
6 the to be acquired territories currently?

7 A. (Weinman) Could you repeat that.

8 Q. Does Staff have an opinion as to whether  
9 Frontier will continue or will have a reasonable  
10 financial performance if it does not realize synergies  
11 and it experiences a similar level of line loss as is  
12 currently occurring in the territories that it's going  
13 to acquire?

14 A. (Weinman) We have looked at line loss up to  
15 10%, but I don't believe we've looked at that in  
16 combination with a synergy calculation.

17 Q. So you did look at 10% but only if they were  
18 going to be achieving the synergies that they had  
19 anticipated?

20 A. (Weinman) Yes.

21 Q. And where is that information about Staff's  
22 analysis?

23 A. (Weinman) Where is it?

24 Q. Do you have any sort of workpapers or  
25 documentation of that analysis?

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1           A.     (Weinman) We've done analysis after we  
2 responded to your data request getting ready for cross.  
3 I mean we're talking about issues, and so one of those  
4 things came up.

5           Q.     And where is the line loss information that  
6 you -- have you got any information on the line loss?

7           A.     (Weinman) No, actually we just took 10% and  
8 believed that that was in the range of what Verizon is  
9 currently losing and left it at that.

10           MS. SHIFLEY: I'm sorry, Your Honor, could I  
11 have a moment.

12           JUDGE CLARK: We'll take a moment off record.

13           MS. SHIFLEY: Thank you.

14           (Discussion off the record.)

15 BY MS. SHIFLEY:

16           Q.     So, Mr. Weinman, you state that Staff did an  
17 analysis of 10% line loss; where is that analysis?

18           A.     (Weinman) What I stated was we took the pro  
19 forma and looked at what would happen if it was a 10%  
20 loss and still concluded that the company could --  
21 Frontier would be able to handle that kind of loss  
22 remain at that level.

23           Q.     Was that in a workpaper that you provided to  
24 Public Counsel?

25           A.     (Weinman) No, because it was produced after.

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1 We were getting ready for cross, we were looking at  
2 where were you guys going to come after us, and that was  
3 one question that popped up, and so we took a shot at  
4 trying to do a thumbnail back of the envelope  
5 calculation.

6 Q. Would it be possible for us to get that  
7 analysis?

8 A. (Weinman) Yes.

9 Q. When are we going to be able to see that?

10 A. (Weinman) At a break or something.

11 Q. Thank you.

12 Does Staff have an opinion as to whether  
13 Frontier will have a reasonable financial performance if  
14 it does not achieve synergies and it can not increase  
15 DSL subscription above the current levels associated  
16 with the territories it hopes to acquire?

17 A. (Weinman) We didn't look at that.

18 Q. Does Staff have an opinion as to whether  
19 Frontier will have a reasonable financial performance if  
20 it experiences unexpected costs associated with making  
21 necessary upgrades to outside plant in the areas to be  
22 acquired?

23 A. (Weinman) No again, but let me explain that,  
24 because for us with the evaluation of the plant we know  
25 that Verizon's central offices are up to the most



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1 current generics under switches, and their Verizon  
2 troubles at least for the past year have been primarily  
3 below 1%. And with the line loss and then recovering  
4 pairs, we believe that also lends credibility to the  
5 fact that their plants' in good shape. Whether it can  
6 -- it needs to have some upgrades for a DSL broadband  
7 product, that probably will happen. I would imagine  
8 there's bridged taps on those lines, and so that is  
9 something that happens with normal telecommunications  
10 when you're deploying that product.

11 Q. Okay. So but just to confirm, Staff didn't  
12 do any analysis of what would happen if Frontier has to  
13 make unexpected or if Frontier sees unexpected costs  
14 associated with upgrading?

15 A. (Weinman) We did not.

16 Q. Okay. And now just going back to any of the  
17 analyses that Staff did do, particularly the information  
18 on line loss, is that Washington specific, or is that  
19 for the entire SpinCo VSTO area?

20 A. (Weinman) It's the entire pro forma pro  
21 formed to SpinCo.

22 Q. But you didn't look at Washington alone?

23 A. (Weinman) No.

24 Q. Okay. Mr. Weinman, in response to Staff Data  
25 Request Number 4, you stated that the Oregon settlement

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1 agreement was one piece of information that helped you  
2 change your recommendation on the transaction; is that  
3 correct?

4 JUDGE CLARK: Ms. Shifley, if you can let us  
5 know where you are, it's a lot easier for us to follow  
6 your cross.

7 MS. SHIFLEY: Thank you, Your Honor, this is  
8 Exhibit WHW-16.

9 JUDGE CLARK: Thank you.

10 BY MS. SHIFLEY:

11 Q. In the middle of the paragraph labeled A of  
12 the response, Mr. Weinman, here you state that the  
13 Oregon settlement was one piece of information that  
14 helped change your mind regarding Frontier's fitness?

15 A. (Weinman) Yes.

16 Q. Are you aware of a bench request that was  
17 issued in the Oregon proceeding?

18 A. (Weinman) I am now.

19 Q. And that bench request has been marked  
20 WHW-35; is that correct?

21 A. (Weinman) I have the bench request, but I'm  
22 not sure what exhibit number it was marked, I didn't get  
23 that down. I mean it's dated January 8, 2010, the bench  
24 request that I'm looking at.

25 Q. That's correct.

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1 A. (Weinman) Okay.

2 Q. While the bench request speaks for itself, is  
3 it fair to say that this document seeks information  
4 beyond what was provided by the settling parties in  
5 Oregon?

6 A. (Weinman) Yes.

7 Q. Okay. Question 1(a) of the bench request  
8 which appears on page 2 asks for pro forma financial  
9 statements for 2010, 2011, 2012, and 2015 under 3  
10 different scenarios for future annual national access  
11 line losses of 4%, 8%, and 12%. Did Staff conduct a  
12 review or any similar analysis prior to settling with  
13 the joint applicants?

14 A. (Weinman) No.

15 Q. Okay. Question 1(c) which also appears on  
16 page 2 requests that a sensitivity analysis be conducted  
17 on the financials associated with higher and lower costs  
18 of DSL deployment across Frontier's service territory.  
19 Did Staff conduct a review or similar analysis prior to  
20 settling?

21 A. (Weinman) No.

22 Q. Question 1(d) of the Oregon bench request  
23 asks for a sensitivity analysis on financials assuming  
24 variation in take rates for DSL. Did Staff conduct a  
25 review or similar analysis prior to settling?

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1 A. (Weinman) No.

2 Q. Okay.

3 All right, I would like to now turn to the  
4 issue of broadband starting with some questions on  
5 availability currently and under the settlement  
6 agreement.

7 JUDGE CLARK: And, Ms. Shifley, I do want to  
8 caution you that there are some portions of the  
9 settlement agreement with Staff that have been  
10 designated highly confidential, and if you're going to  
11 be inquiring into that particular area, we need to  
12 conduct an in camera proceeding.

13 MS. SHIFLEY: Thank you, Your Honor.

14 BY MS. SHIFLEY:

15 Q. Would you please turn to Exhibit WHW, this is  
16 Staff's response -- or WHW-22 which is Staff's response  
17 to Public Counsel Data Request Number 11.

18 A. (Weinman) Did you say Data Request Number  
19 22?

20 JUDGE CLARK: 11.

21 MR. WEINMAN: Oh, 11.

22 JUDGE CLARK: WHW-22, Data Request Response  
23 11.

24 A. (Weinman) Okay, I'm there.

25 BY MS. SHIFLEY:

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1 Q. And in this response you state that Staff  
2 believes it is likely that the FCC will apply the same  
3 conditions to this merger as it applied to the  
4 CenturyTel/Embarq merger, i.e., that the FCC will  
5 require 100% broadband availability?

6 A. (Weinman) That's true.

7 Q. What support do you have for this statement?

8 A. (Weinman) The order for the  
9 CenturyTel/Embarq merger.

10 Q. But nothing beyond that?

11 A. (Weinman) No. I mean personally once you  
12 get to 90%, I believe the rest of the buildout of 10% is  
13 extremely difficult to justify economically.

14 Q. Okay.

15 Would you now turn to condition 18 of the  
16 proposed settlement. Are you there?

17 A. (Weinman) I am.

18 Q. And this condition requires Frontier to make  
19 stand-alone DSL available under Verizon's current terms  
20 and rates for 12 months; is that correct?

21 A. (Weinman) That's correct.

22 Q. Is it correct that Staff is uncertain whether  
23 Frontier will continue to make stand-alone DSL available  
24 at any price or speed after one year as specified in the  
25 settlement?

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1           A.     (Weinman) That's true, although Frontier  
2 does offer stand-alone DSL.

3           Q.     Is there anything in the settlement  
4 obligating Frontier to provide stand-alone DSL at any  
5 price or any speed for more than one year?

6           A.     (Weinman) No.

7           Q.     And you're aware that Verizon currently  
8 offers stand-alone DSL in Washington?

9           A.     (Weinman) I am.

10          Q.     Okay. Subject to check, is it your  
11 understanding that Verizon currently charges \$19.99 for  
12 its stand-alone DSL?

13          A.     (Weinman) I will take that subject to check.

14          Q.     And its download and upload speeds are about  
15 1 megabyte per second and 384 kilobytes per second  
16 respectively?

17          A.     (Weinman) Could you repeat those?

18          Q.     1 megabyte and 384 kilobytes?

19          A.     (Weinman) 384 up?

20          Q.     Yes.

21          A.     (Weinman) Okay, I'll take that subject to  
22 check.

23          Q.     And also subject to check is it your  
24 understanding that where Frontier currently offers DSL  
25 it charges between \$29 and \$35?

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1           A.     (Weinman) That sounds in the range of  
2     reasonableness.

3           Q.     And that's with stand-alone DSL with lesser  
4     download and upload speeds?

5           A.     (Weinman) That part I do not know.

6           Q.     Okay. Would you accept subject to check that  
7     their download speeds are 768 and 128 respectively?

8           A.     (Weinman) 758 down and 128 up?

9           Q.     768 and 128.

10           MR. ROMANO: Your Honor, perhaps the company  
11     witnesses could help with this.

12           JUDGE CLARK: Yes, I was just going to say it  
13     seems that maybe some of these questions could be  
14     further clarified by inquiring of either Mr. McCallion  
15     or Mr. McCarthy.

16           MS. SHIFLEY: Thank you, Your Honor. I would  
17     like -- some of these questions I am trying to establish  
18     Staff's own review and analysis of some of its -- some  
19     of the terms in the settlement condition and issues in  
20     this case, so for some of those I would like  
21     Mr. Weinman's testimony on.

22           JUDGE CLARK: That's fine.

23           Then you'll be given the opportunity for  
24     redirect, Mr. Romano.

25           MR. ROMANO: Thank you.

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1 BY MS. SHIFLEY:

2 Q. So would you say as a general matter that  
3 where Frontier offers stand-alone DSL it has lesser  
4 download and upload speeds than Verizon's stand-alone in  
5 Washington?

6 A. (Weinman) It would appear so, but there may  
7 be a reason for that.

8 Q. Okay. Does Staff have any evidence that  
9 Frontier would not charge the maximum price that demand  
10 allows for DSL service if and when allowed, in other  
11 words after any regulatory price caps lapse?

12 A. (Weinman) I don't understand your question.

13 Q. Would there be any reason why Frontier  
14 wouldn't charge the maximum price that it could after  
15 any price caps lapse?

16 A. (Weinman) There could.

17 Q. There could be some reasons why it wouldn't?

18 A. (Weinman) Market pressure might be one.

19 Q. But you would agree that Frontier would  
20 charge the maximum price that demand allows, demand and  
21 market pressure?

22 MR. BEST: Your Honor, I'm going to object to  
23 that question. That does not characterize what the  
24 witness just said I don't believe.

25 JUDGE CLARK: Response, Ms. Shifley.



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1 MS. SHIFLEY: I will withdraw the question.

2 JUDGE CLARK: All right.

3 BY MS. SHIFLEY:

4 Q. Turning now to the general matter of funding  
5 for broadband deployment, are you aware of whether there  
6 is or was anything prohibiting Verizon or Frontier from  
7 applying for federal stimulus funds on behalf of  
8 Frontier Northwest?

9 A. (Weinman) I believe Verizon made a decision  
10 not to apply for stimulus, but I don't know about  
11 Frontier. They indicated they may when we've had  
12 discussions with them.

13 Q. But there was nothing prohibiting Verizon, it  
14 was Verizon's own choice?

15 A. (Weinman) Not that I'm aware of, no.

16 Q. And is there any barrier to creating a  
17 settlement that includes a condition requiring  
18 application for stimulus funding?

19 A. (Weinman) No.

20 MS. SHIFLEY: Your Honor, may I have a  
21 moment?

22 JUDGE CLARK: You may, we'll take a moment  
23 off record.

24 (Discussion off the record.)

25 JUDGE CLARK: Ms. Shifley.

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1 MS. SHIFLEY: Thank you.

2 BY MS. SHIFLEY:

3 Q. I would now like to ask you a couple of  
4 questions about the retail services conditions in the  
5 proposed settlement starting with condition number 26.  
6 Are you there?

7 A. (Weinman) I am.

8 Q. This paragraph states that Frontier must  
9 provide bundled services as offered by Verizon today for  
10 12 months; is that correct?

11 A. (Weinman) That's true.

12 Q. Does this provision of the settlement  
13 agreement cover Verizon's, excuse me if I pronounce this  
14 incorrectly, IOBI service?

15 A. (Weinman) I don't know.

16 Q. Does --

17 MR. ROMANO: Your Honor, if it would be  
18 helpful, the Verizon witness could --

19 JUDGE CLARK: Well, I've offered that to  
20 Ms. Shifley, and it appears that she's exploring at this  
21 juncture what Mr. Weinman is aware of, and so if there  
22 are topics like that that you want to cover, we'll cover  
23 those on redirect.

24 MR. ROMANO: Okay.

25 A. (Weinman) I mean to the extent that there

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1 are bundles that Verizon has, they would be included in  
2 the 12 month period.

3 BY MS. SHIFLEY:

4 Q. Perhaps one of the company witnesses would  
5 like to clarify whether or not this provision covers the  
6 IOBI service that Verizon currently offers?

7 A. (McCallion) To be clear, IOBI's a  
8 non-regulated service. It's basically just an  
9 information service that you can put in your computer  
10 and identify incoming calls. I use it myself. We are  
11 not giving that service to Frontier, so therefore it  
12 would be -- it wouldn't be covered. It's not part of  
13 Verizon Northwest, it's a separate non-regulated  
14 information service.

15 Q. Currently is IOBI offered bundled with  
16 regulated services?

17 A. (McCallion) I don't recall that it is or  
18 isn't. I just don't recall if it's included in any of  
19 our bundles.

20 Q. Okay. And if it is included in a bundle, it  
21 will stay with Verizon, and the regulated portion of  
22 that bundle will then go to Frontier?

23 A. (McCallion) That's correct.

24 Q. Back to Mr. Weinman, do you know if this  
25 provision number 26 in the proposed settlement covers

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1 Verizon's one bill service where customers get one bill  
2 for Verizon wireless and wire line together?

3 A. (Weinman) I do not know. I would believe it  
4 doesn't, because Frontier isn't offering the wireless  
5 service. I believe -- well, never mind.

6 Q. Okay. So is it your understanding then that  
7 the terms offered and provided in number 26 means that  
8 Frontier must charge the same prices as those currently  
9 charged by Verizon?

10 A. (Weinman) I believe that that is the  
11 commitment from the company.

12 Q. Okay. And after 12 months, the settlement  
13 agreement's pricing provisions then no longer apply to  
14 bundled services; is that correct?

15 A. (Weinman) Yes.

16 Q. Thank you.

17 Would you turn now to condition 11. Have you  
18 got that?

19 A. (Weinman) I do.

20 Q. If Frontier can increase bundled services  
21 prices after 12 months, how can consumers be held  
22 harmless from increases in overall management costs that  
23 result from this transaction?

24 A. (Weinman) Well, I think it's to their  
25 benefit not to have had this provision in for 12 months.

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1 I mean you need -- you want them to be held harmless  
2 while all of the integration goes forward so that when  
3 we start looking at the AFOR we're looking at a company  
4 that's integrated and experienced whatever synergies  
5 it's going to have.

6 Q. And is that integration going to take place  
7 in 12 months?

8 A. (Weinman) No, I would imagine it would take  
9 at least three years.

10 Q. Okay, would you now please turn to condition  
11 23 of the proposed settlement.

12 A. (Weinman) I'm there.

13 Q. Okay. And this states that Frontier is  
14 allowed to seek recovery from the impact of exogenous  
15 events that materially impact the operations of Verizon  
16 Northwest transferred exchanges including but not  
17 limited to orders of the FCC and the Commission,  
18 correct?

19 A. (Weinman) That's true.

20 Q. Does this condition provide that Frontier  
21 will be allowed to petition for rate relief outside of a  
22 general rate case?

23 A. (Weinman) No, it doesn't.

24 Q. Okay. I would now like to ask you a couple  
25 of questions about condition number 28, which has to do

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1 with systems replication. This condition governs the  
2 process that would occur or will occur during Verizon's  
3 operations of the replicated systems prior to closing;  
4 is that correct?

5 A. (Weinman) Yes.

6 Q. Under this condition, the Staff will have 60  
7 days worth of service quality reports on four specific  
8 metrics with which to evaluate the replicated systems;  
9 is that correct?

10 A. (Weinman) That's true.

11 Q. And you would agree that service quality  
12 performance varies from month to month for any telephone  
13 utility including Verizon?

14 A. (Weinman) Certainly do.

15 Q. So it may be difficult or impossible to see  
16 trends or reach a definitive conclusion when comparing  
17 the average of two months' data to the data from a  
18 longer period?

19 A. (Weinman) Actually I don't think we're  
20 looking for a trend. What we want to ensure is that  
21 when that system comes in that the replication that it's  
22 performing at a level that gives us confidence that the  
23 replication is working correctly.

24 Q. Okay. But you also just said that, did you  
25 not, just to go back to your other statement which was

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1 that performance can vary greatly from month to month;  
2 is that correct?

3 A. (Weinman) I said it can.

4 Q. Okay. On what grounds did Staff determine  
5 that 60 days' worth of data will be sufficient to make  
6 the judgment that you just described?

7 A. (Weinman) For the purposes that we're  
8 looking at this, it gives us one full billing cycle, and  
9 then it gives us 30 days beyond to see if the trouble or  
10 whatever metric we're looking at here starts to become a  
11 problem or an issue for us.

12 Q. Okay. And condition 28 lists four metrics  
13 for review, but these four metrics aren't reflective of  
14 all the Commission's performance standards, are they?

15 A. (Weinman) No, they're not.

16 Q. For example, you didn't include all the  
17 metrics that are governed by the SQI that appear in  
18 condition 20 of the proposed settlement, did you?

19 A. (Weinman) I mean those will kick in after  
20 close, but not for this particular piece of the analysis  
21 or the data that we're looking for.

22 Q. And one of the four metrics in condition 28  
23 is billing error complaints. Is there a definition for  
24 billing error that has been developed to implement this  
25 provision?

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1           A.     (Weinman) I think I'm at the point where if  
2 you want to continue with this that we need Bob  
3 Williamson to come up and talk. He's the guy that has  
4 done most of the work on the OSS system and what we were  
5 trying to achieve.

6           Q.     But is there -- there's no definition in the  
7 settlement for a billing error complaint?

8           MR. THOMPSON: Your Honor, if I could ask,  
9 Mr. Williamson might be able to provide a more  
10 definitive answer to that question.

11          MS. SHIFLEY: That's fine, Your Honor.

12          JUDGE CLARK: Ms. Shifley, would you like to  
13 pose your inquiry to Mr. Williamson?

14          MS. SHIFLEY: Certainly, Your Honor.

15          JUDGE CLARK: Mr. Williamson, if you would  
16 come forward, please. We're going to take a moment off  
17 record because we will need to squeeze another chair in,  
18 and this is relatively close to when we take an  
19 afternoon break, so we're going to be at recess for 10  
20 to 15 minutes, we'll do all those things during recess.

21                 (Recess taken.)

22          JUDGE CLARK: All right, Mr. Thompson.

23          MR. THOMPSON: At this time Staff would call  
24 Mr. Bob Williamson.

25          JUDGE CLARK: Thank you.



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1                   Mr. Williamson, if you would raise your right  
2 hand, please.

3                   (Witness ROBERT T. WILLIAMSON was sworn.)

4                   JUDGE CLARK: Thank you, please be seated.

5                   MR. ROMANO: Your Honor.

6                   JUDGE CLARK: Just a second.

7                   Mr. Thompson, do you want to go ahead and  
8 identify your witness, have him spell his name, et  
9 cetera. We have no prefiled testimony for  
10 Mr. Williamson, so I think a little clarification for  
11 the record would be helpful.

12

13 Whereupon,

14                                 ROBERT T. WILLIAMSON,  
15 having been first duly sworn, was called as a witness  
16 herein and was examined and testified as follows:

17

18                                 D I R E C T   E X A M I N A T I O N

19 BY MR. THOMPSON:

20                 Q.     Okay, Mr. Williamson, could you please state  
21 your name and I guess spell your last name for the  
22 record.

23                 A.     (Williamson) Robert Williamson,  
24 W-I-L-L-I-A-M-S-O-N.

25                 Q.     And you've submitted prefiled testimony on

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1 operational support systems issues in the case?

2 A. (Williamson) Yes, I did.

3 MR. THOMPSON: If that's all you require,  
4 Your Honor, then the witness is available for  
5 cross-examination.

6 JUDGE CLARK: Well, I would just like, you  
7 know, a little clarity in the record indicating that  
8 Mr. Williamson didn't actually file testimony in support  
9 of the settlement but that he may have some  
10 qualifications that would aid in the inquiry being  
11 conducted by Ms. Shifley.

12 MR. THOMPSON: Indeed.

13 JUDGE CLARK: Or not, in which case you might  
14 be swearing someone else in.

15 MR. WILLIAMSON: Or just swearing.

16 BY MR. THOMPSON:

17 Q. Mr. Williamson, could you just I guess  
18 briefly state what your involvement has been in the OSS  
19 aspects of the settlement and -- well, just if you could  
20 do that, please.

21 A. (Williamson) I'm an engineer for the Utility  
22 Commission, and I was asked at the beginning of this  
23 process to analyze the operational support system issues  
24 and to write testimony on what I found.

25 JUDGE CLARK: Thank you.

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1 Now, Mr. Romano.

2 MR. ROMANO: Thank you, Your Honor. We would  
3 like to offer to put up Mr. Smith since he's an  
4 operation support system expert on behalf of Verizon and  
5 could also help with these particular subjects relating  
6 to the testing and the systems.

7 JUDGE CLARK: Ms. Shifley, would it aid your  
8 examination to also have Mr. Smith available to respond  
9 to your inquiry regarding this topic?

10 MS. SHIFLEY: I think my questions go more to  
11 again Staff's understanding of these conditions and its  
12 review of the service quality conditions, so at this  
13 time I wouldn't have any questions for Mr. Smith.

14 JUDGE CLARK: All right.

15 Thank you for the offer, Mr. Romano.

16 MR. ROMANO: Thank you.

17

18 C R O S S - E X A M I N A T I O N

19 BY MS. SHIFLEY:

20 Q. Good afternoon, Mr. Williamson.

21 A. (Williamson) Good afternoon.

22 Q. So we were just talking about condition 28 in  
23 the proposed settlement and the four metrics that are  
24 listed in condition 28, and one of those metrics is  
25 billing error complaints. Is there a definition of

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1 billing error that has been developed to implement this  
2 provision?

3 A. (Williamson) Not that I'm aware of.

4 Q. And would you agree that there is no reported  
5 metric for billing errors now in existence?

6 A. (Williamson) I would agree.

7 Q. Okay. And these, I don't know if Mr. Weinman  
8 would like to respond to any of these as well, they are  
9 still about condition 28 but they might be a little bit  
10 more broad than very technical information on OSS. With  
11 regard to Staff's review of the data, you'll have 5 days  
12 before close to review this data; is that correct?

13 A. (Williamson) That is correct by this, but I  
14 would like to mention that we're not going to go through  
15 this blindly without talking to the companies during the  
16 process. We're also talking to at least three other  
17 commission staffs, Oregon and Ohio, because they have  
18 similar conditions, and we've reached out to other state  
19 staffs. So we also have an agreement with the company  
20 that if we have a question at any time that we can  
21 contact them and discuss it with them.

22 Q. Is there any process laid out in the  
23 settlement agreement showing that you will -- what will  
24 happen between Staff and the company during the other  
25 period of time that the systems are running?

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1           A.     (Williamson)  Nothing officially.

2           Q.     So in those -- but -- and I would also like  
3 to clarify that the company is not going to turn over  
4 this data until 5 days before close; is that correct?  
5 In fact, it probably couldn't because it would take the  
6 60 days for the data to be developed?

7           A.     (Williamson)  Officially by this I think  
8 you're correct, but I believe having seen the RFP or RFQ  
9 that the company put out for the third party that there  
10 will be reports available at different intervals during  
11 that period.  So you are correct that officially the  
12 official report to Staff is 5 days before finish, but we  
13 don't expect to be surprised by what's in the report.  
14 We should know before it gets to us if there's any  
15 issues.

16          Q.     And the data that is going to be in the  
17 report, that's data that you believe can be developed in  
18 less than 60 days or 1 billing cycle, are these the  
19 types of things you can measure more frequently?

20          A.     (Williamson)  The issues I threw --

21          Q.     The 4 metrics.

22          A.     (Williamson)  The 4 metrics.  Billing is a  
23 difficult one to do, I believe we'll see 1 full billing  
24 cycle in that 60 day period where a customer has a  
25 chance to look at their bill, and if they have an issue

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1 it usually is 3, 4, 5, 10 days before they will call, so  
2 we'll probably really only see complaints from 1 billing  
3 cycle.

4 Q. And --

5 A. (Williamson) It --

6 Q. Sorry.

7 A. (Williamson) That's all right.

8 Just as a follow up to that, we would be  
9 happy of course to have six months to look at data  
10 before we said it was okay, but that's unreasonable. We  
11 chose items that having looked at the past failures that  
12 would be indicative of a problem, and we think if  
13 there's a problem it would happen more immediately, so  
14 we would know way before the 60 days was up.

15 Q. And there's nothing in the settlement that  
16 would guaranty that Staff would have any more than 5  
17 days to look at this data; is that correct?

18 A. (Williamson) That's correct.

19 Q. And in those 5 days, Staff will be able to  
20 make or will have to make a determination as to whether  
21 the difference between the 60 days worth of data shows a  
22 material degradation compared to the prior 12 months of  
23 data; is that correct?

24 A. (Williamson) That would be correct.

25 Q. And condition 28 does not contain any

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1 definition of material degradation; is that correct?

2 A. (Williamson) That's correct.

3 Q. And the condition also contains no provisions  
4 for what will happen if Staff has concerns; is that  
5 correct?

6 A. (Williamson) That is correct.

7 Q. And now, Mr. Williamson, I think that that's  
8 all the questions that I would have for you, and I will  
9 just turn back to Mr. Weinman now for a couple of  
10 questions. I do have some more questions about service  
11 quality though, so it might be -- you might want to  
12 stick around just for a few other questions about other  
13 commitments.

14 And still discussing condition 28,  
15 Mr. Weinman, would you please turn to what has been  
16 marked as Public Counsel or WHW-38.

17 JUDGE CLARK: Just for the clarity of the  
18 Bench, that's one of the new exhibits that was  
19 identified today, so that's in a little pile in front of  
20 your portion of the Bench, and that exhibit is already  
21 marked, yes, sir.

22 MR. THOMPSON: Just for clarification, is  
23 that a response to a --

24 MS. SHIFLEY: Yes, it is Staff's response to  
25 Public Counsel Data Request Number 38.

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1 BY MS. SHIFLEY:

2 Q. Have you got that in front of you,  
3 Mr. Weinman?

4 A. (Weinman) I do.

5 Q. And this data request asked what the  
6 Commission would do if Verizon issued a report that  
7 didn't show that OSS are operational in accordance with  
8 the terms of the merger agreement, and the response in  
9 the last paragraph states that the Commission might  
10 petition for a declaratory order that the transaction is  
11 void, consider penalties or a petition for injunctive  
12 relief.

13 JUDGE CLARK: All right, we're going to take  
14 a moment off record.

15 (Discussion off the record.)

16 JUDGE CLARK: The record should reflect that  
17 we are experiencing the same interruptions this  
18 afternoon that we experienced this morning, and we have  
19 no other parties who are appearing telephonically, so I  
20 have requested that the bridge be turned off so we don't  
21 have further interruptions.

22 Ms. Shifley.

23 MS. SHIFLEY: Your Honor, one of our expert  
24 witnesses, Barb Alexander, who is actually our witness  
25 for service quality issues, is listening in on the



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1 bridge line.

2 JUDGE CLARK: I understand that, but she's  
3 not testifying yet, and I can't have tunes in the  
4 hearing room.

5 MS. SHIFLEY: Thank you, Your Honor.

6 BY MS. SHIFLEY:

7 Q. So this data request, in your response to  
8 this data request you listed a number of things that  
9 Staff would do if it did not receive a report that the  
10 OSS systems were operational in accordance with the  
11 terms of the merger; is that correct?

12 A. (Weinman) I think we list a number of things  
13 that could be done.

14 Q. Is there anything in the settlement agreement  
15 that lays out what might trigger any of these actions by  
16 Staff?

17 A. (Weinman) No.

18 Q. And there's nothing in the settlement  
19 agreement that actually lists any of these possible  
20 remedies for if Staff does find a material degradation  
21 or the OSS operation systems are not operational in  
22 accordance with the merger agreement?

23 A. (Weinman) No, I mean we have the neutral  
24 third party looking at the replication as it moves  
25 along. I think we have a firm commitment from the

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1 company that they will be working diligently if  
2 something should come to light. But specifically in the  
3 settlement agreement itself, the answer is no.

4 Q. And also just to clarify on the third party  
5 reviewer, is it your understanding that that third party  
6 reviewer will as far as condition 28 and the replicated  
7 systems only be validating the accuracy of the data and  
8 is actually not providing anything but a validation of  
9 accuracy?

10 A. (Weinman) I believe in terms of validating  
11 the accuracy of the data, they're also validating the  
12 systems are working properly.

13 A. (Williamson) Could I?

14 Q. Mr. Williamson.

15 A. (Williamson) Part of the validation is that  
16 the test plan as written by Verizon and the test scripts  
17 that are being used are the correct types of tests to  
18 run and that the answer to those tests is accurate, so  
19 there's a little more than just the accuracy.

20 Q. But as far as the metrics listed in 28 and  
21 not just the testing plans, I believe that the third  
22 party verifier is only listed in condition 27 which goes  
23 to a different part of the replication process; is that  
24 correct?

25 A. (Williamson) In this document that appears

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1 to be true.

2 Q. Okay.

3 A. (Williamson) But in agreement with the  
4 company, conversations with the company and with a  
5 document that's been given to the third party provider,  
6 the company has agreed that the third party provider  
7 will also validate the metrics in 28.

8 Q. Okay, thank you.

9 But just to go back, nothing is laid out in  
10 the settlement agreement about the third party  
11 verifier's work on condition 28 or any of the potential  
12 consequences or triggers for Staff action, correct?

13 MR. THOMPSON: I'm going to object to that in  
14 that it calls for a legal conclusion about the  
15 interpretation of the agreement.

16 JUDGE CLARK: Response, Ms. Shifley.

17 MS. SHIFLEY: I don't think that I'm asking  
18 for a legal conclusion, I'm just trying to understand  
19 how condition 28 will work, and I believe that Staff  
20 would be in the position to answer that since they  
21 negotiated this condition.

22 JUDGE CLARK: The objection is sustained. If  
23 you want to inquire on this line, you need to restate  
24 your question.

25 MS. SHIFLEY: Thank you, Your Honor.

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1 BY MS. SHIFLEY:

2 Q. I'm just going to move on to some questions  
3 about other service quality conditions.

4 Would you first turn to page 10 of your  
5 testimony supporting the settlement. Are you there,  
6 Mr. Weinman?

7 A. (Weinman) Yes.

8 Q. At this point in your testimony, you stated  
9 that the settlement terms provide assurance that the  
10 local exchange company's basic service quality metrics  
11 will not deteriorate following the transaction.

12 A. (Weinman) I do.

13 Q. So provision number 19 in the settlement  
14 agreement doesn't reflect Verizon's actual historical  
15 performance in Washington but reflects the Commission's  
16 minimum standard?

17 A. (Weinman) I'm sorry, could you repeat that,  
18 I finally found it.

19 Q. Certainly. Looking actually at condition 19,  
20 does condition 19 reflect Verizon's actual historical  
21 performance in Washington or the Commission's minimum  
22 standards?

23 A. (Weinman) Are you talking about like the --

24 MR. THOMPSON: Your Honor, I have to object  
25 to the question. The condition requires Frontier to

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1 increase a credit available to customers for missed  
2 appointments. I'm not sure how that can reflect  
3 anything in terms of existing performance.

4 JUDGE CLARK: Okay, I --

5 MS. SHIFLEY: Can I just have a minute?

6 JUDGE CLARK: Yes.

7 MS. SHIFLEY: Thank you.

8 Thank you, Your Honor, I can proceed at any  
9 time.

10 JUDGE CLARK: All right, you may go ahead.

11 BY MS. SHIFLEY:

12 Q. I'm just going to ask you a couple of  
13 questions about condition number 19 specifically.

14 A. (Weinman) Okay.

15 Q. How did Staff determine that it was  
16 appropriate to have the increased customer credits in  
17 place for only two years?

18 MR. THOMPSON: I'm going to object to that  
19 too. It says Frontier may petition the Commission for  
20 elimination of these conditions after 24 months. I'm  
21 not sure that it's necessarily the case that they would  
22 only exist for 24 months.

23 JUDGE CLARK: Ms. Shifley, do you want to  
24 rephrase your question.

25 MS. SHIFLEY: Yes, I will, thank you, Your

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1 Honor.

2 BY MS. SHIFLEY:

3 Q. Mr. Weinman, how did Staff determine that it  
4 was appropriate to potentially remove the increased  
5 customer credits after two years?

6 A. (Weinman) Staff believes that the two year  
7 period will give us data that indicates Frontier's  
8 performance, and if they're performing well, then they  
9 have an option to come in and request that this  
10 provision be removed.

11 Q. Is the two year period tied to any external  
12 event or Frontier's compliance with any service  
13 standards?

14 A. (Weinman) No.

15 Q. Is this period linked at all to the timeline  
16 for future integration of the replicated systems into  
17 Frontier's systems?

18 A. (Weinman) No. Well, wait, let's back up a  
19 second. It's going to be done on the replicated system.  
20 If during a three year period Frontier wants to migrate  
21 the replication over to their own internal systems, then  
22 they have to inform Staff, and we have discussions about  
23 why is it appropriate with them to -- and what the  
24 migration policies and procedures will be before they  
25 actually go forward and do the migration to their

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1 internal Frontier system.

2 Q. It's possible, is it not, Mr. Weinman, that  
3 this increase in the customer credit is removed before  
4 the integration takes place; is that correct?

5 A. (Weinman) It's conceivable, but that wasn't  
6 the purpose for the two year period and allowing the  
7 company to provision to petition that the two year  
8 period would be removed. I'm sure that if you guys  
9 don't like it, you'll probably be in having some  
10 conversations about that exemption petition.

11 Q. Does the stipulation provide any criteria  
12 that would be used to determine whether Frontier could  
13 eliminate the credits?

14 A. (Weinman) Only by petition.

15 Q. But there's no criteria for what would be  
16 looked at in that petition?

17 A. (Weinman) No.

18 Q. I'm going to move on to condition 20 now.  
19 Condition 20 includes a number of penalties. What was  
20 the basis for Staff's agreement to the penalty amounts  
21 reflected in this condition?

22 MR. THOMPSON: Just another point of  
23 clarification, they're actually better characterized as  
24 bill credits I think than penalties, but minor point.

25 A. (Weinman) I mean as far as setting -- are

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1 you talking about the \$100,000 or how did we arrive at  
2 that or the progression or --

3 Q. How did Staff determine that the amounts of  
4 these bill credits were appropriate?

5 A. (Weinman) Well, we have knowledge of other  
6 states that actually have that amount. We believe that  
7 amount is high enough that it creates the incentive to  
8 make sure that the company doesn't experience -- does  
9 everything possible not to experience those problems.

10 Q. So you believe that it's high enough to  
11 create a disincentive?

12 A. (Weinman) I believe it's high enough it  
13 creates an incentive for the company to do everything  
14 possible to make sure that they don't get in trouble  
15 with poor performance.

16 Q. Subject to check, Mr. Weinman, would you  
17 agree that the maximum penalty in one year if Frontier  
18 fails to meet every single standard would be \$600,000?

19 A. (Weinman) Yes.

20 Q. And is it true that Staff recommended in its  
21 direct testimony to have an annual maximum penalty of \$5  
22 Million, meaning that Staff now supports a maximum  
23 penalty that's about 12% of what it first proposed,  
24 subject to check?

25 A. (Weinman) I'm sorry, I don't know what



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1 you're talking about the \$5 Million.

2 JUDGE CLARK: Are we still on the bill  
3 credits?

4 MS. SHIFLEY: Yes, we are.

5 Okay, I will return to that.

6 One moment, Your Honor.

7 A. (Weinman) Oh, I'm sorry, I guess that is  
8 correct. My service quality person is sitting in the  
9 back of the room, they agree with your number.

10 MS. SHIFLEY: Okay, so just --

11 JUDGE CLARK: Do you want to talk to your  
12 witness about coaching, Mr. Thompson.

13 BY MS. SHIFLEY:

14 Q. So just to clarify, Mr. Weinman, Staff  
15 initially recommended a maximum penalty of \$5 Million?

16 A. (Weinman) Correct.

17 Q. And it's now supporting a maximum penalty for  
18 one year if Frontier fails to meet, or excuse me, a  
19 maximum bill credit if Frontier fails to meet every  
20 single standard that would be \$600,000 or about 12% of  
21 what was first proposed?

22 A. (Weinman) That's true. We believe that it's  
23 significant enough and fair and that it will create  
24 incentives for the company not to -- to do everything it  
25 possibly can not to get into that situation.

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1 Q. And just for clarification, the \$5 Million  
2 number appears in the direct testimony of Kristen M.  
3 Russell, Exhibit Number KMR-1T on page 27 at line 1.

4 And you mentioned a little bit that you had  
5 looked at some other states, but did Staff do any  
6 research to determine whether a bill credit of \$600,000  
7 in one year is sufficient to deter deterioration in  
8 service?

9 A. (Weinman) Could you repeat that?

10 Q. Did Staff do any research to determine  
11 whether the \$600,000 maximum bill credit would be enough  
12 and would be sufficient to deter deterioration of  
13 service?

14 A. (Weinman) We believe so.

15 Q. Did you -- my question was did you do any  
16 research?

17 A. (Weinman) External research?

18 Q. Or any analysis to determine whether that  
19 penalty amount was sufficient?

20 A. (Weinman) We believe it is sufficient. Did  
21 we do any external research? I think we relied on logic  
22 and experience of our Staff service quality person.

23 Q. Still on condition number 20, as to the three  
24 year timeline for the standards, what future event is  
25 that tied to? Or maybe I can rephrase the question so

0310

1 it's a little more clear.

2 It's correct that it's not tied to any future  
3 event, true?

4 A. (Weinman) Correct.

5 Q. So what is the reason for why three years is  
6 the appropriate length of time for these standards to be  
7 in place?

8 A. (Weinman) I believe it's appropriate because  
9 we will have had things fairly well settled out during  
10 this transition period and that by the time we get into  
11 the fourth year I do not believe we're going to be  
12 having any significant problems with service standards,  
13 not that I perceive we have any significant problems  
14 from the get go. But there are always some issues when  
15 you have a conversion of systems to new companies that  
16 there will be some potential for a miss, if you will,  
17 that could cause customers inconvenience, and that's the  
18 purpose of this.

19 Q. Okay. And but would it be accurate to say  
20 that it is uncertain that the condition 20 standards  
21 will be in place if and when Frontier integrates the  
22 replicated systems into its existing systems?

23 A. (Weinman) That could be true, and I mean  
24 they certainly don't have to convert the replicated  
25 systems to -- within a certain time specific period. So

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1 it could happen outside that, but by that time the  
2 operations people will -- should be fairly well in tune  
3 with their new territories, and we perceive it as a  
4 combination of a lot of things, new people with -- even  
5 though there's a lot of Verizon people, they have  
6 Frontier's philosophies versus the acquired company's  
7 philosophies, and that offers some potential for things  
8 to fall through the cracks that normally once the  
9 company's fairly well established and in tune with  
10 itself won't happen.

11 Q. Okay. Would it be accurate to say that  
12 there's a potential that there might be some service  
13 quality problems that would arise during the integration  
14 process?

15 A. (Weinman) That there may be some? I say  
16 that's accurate. I mean there's -- it's just as  
17 accurate to say Qwest could have a major problem  
18 integrating a new software package into their existing  
19 operations today. It's just a fact of life when you're  
20 changing IT systems that there is potential, and that's  
21 why we want to make sure with the replication that it is  
22 done and the data is scrutinized as much as it possibly  
23 can be and have some financial penalty after the  
24 properties are turned over to give them additional  
25 incentive to want to make sure that their system's up to

0312

1 form.

2 Q. Mr. Weinman, you just made reference to  
3 penalties, and I believe that Staff counsel also said  
4 that these are bill credits.

5 A. (Weinman) I'm sorry, you're right.

6 Q. So it would be accurate to say that there are  
7 no additional penalties besides the bill credits that  
8 are reflected in the settlement?

9 A. (Weinman) I consider that if the company  
10 lost \$600,000 to bill credits a penalty.

11 MS. SHIFLEY: Your Honor, could I have one  
12 more moment, I would like to revisit one subject with  
13 Mr. Weinman.

14 JUDGE CLARK: All right, we'll take a few  
15 moments off record.

16 (Discussion off the record.)

17 JUDGE CLARK: Ms. Shifley.

18 BY MS. SHIFLEY:

19 Q. A couple minutes ago we were asking you about  
20 Staff's analysis regarding line loss; is that correct?

21 A. (Weinman) Correct.

22 Q. And I believe that I've -- when asking Staff  
23 counsel it was confirmed that you can't produce  
24 workpapers on that; is that correct?

25 A. (Weinman) Oh, we can, we're in that process,

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1 I'm considering next break we'll have it ready for you.

2 Q. But at this point in time, you did this  
3 informally, and you don't have anything that you can  
4 produce right now?

5 A. (Weinman) It's sitting in electronic record.  
6 I mean actually I do have the paper here. I mean if  
7 that's what you're looking for.

8 Q. Yes, I think that's what we're looking for.

9 JUDGE CLARK: All right, Mr. Thompson, is  
10 this a document that Mr. Weinman is prepared to  
11 distribute?

12 MR. THOMPSON: Well, I frankly hadn't  
13 discussed it with him, so if I could maybe have a couple  
14 of minutes to do that.

15 JUDGE CLARK: Yeah, we're going to take a  
16 moment off record.

17 (Discussion off the record.)

18 JUDGE CLARK: All right, have the parties had  
19 an adequate opportunity to confer regarding this  
20 document?

21 MS. SHIFLEY: I believe so, Your Honor.

22 JUDGE CLARK: And how do you wish to proceed,  
23 Ms. Shifley?

24 MS. SHIFLEY: I would like to make an oral  
25 records requisition at this time for the document

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1 dealing with line loss analysis that Staff has done.

2 JUDGE CLARK: Referenced in their testimony,  
3 all right.

4 MS. SHIFLEY: Referenced in the testimony  
5 that was just given.

6 JUDGE CLARK: All right, thank you.

7 And, Mr. Thompson.

8 MR. THOMPSON: And we can endeavor to get  
9 that to Public Counsel probably by the end of the day  
10 today, but --

11 JUDGE CLARK: So the end of the day today  
12 meaning 5:00?

13 MR. THOMPSON: Or, you know, a few, well,  
14 let's say after Mr. Weinman has had an opportunity to  
15 talk with --

16 JUDGE CLARK: After the conclusion of the  
17 hearing?

18 MR. THOMPSON: Yes.

19 JUDGE CLARK: All right. The reason I'm  
20 asking all these sort of little mundane procedural  
21 questions is this is our one opportunity to inquire of  
22 Mr. Weinman and Mr. Williamson. They will not be taking  
23 the stand again. And so I am a little bit concerned if  
24 we have an oral records requisition that you aren't able  
25 to see and confer with your witness until after the

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1 hearing is over and until Mr. Weinman has an opportunity  
2 to confer with his counsel and other Staff until after  
3 the conclusion of the hearing, that perhaps we would be  
4 best to recall these individuals for inquiry on this  
5 sometime tomorrow rather than pursuing this now. I'm  
6 thinking it might be a more fruitful discussion.

7 MS. SHIFLEY: Yes, Your Honor, I agree, I  
8 think that that would be a good idea.

9 JUDGE CLARK: All right, fine, then that's  
10 what we're going to do. Staff has taken note of the  
11 request, and that will give everyone an opportunity to  
12 confer, and we can recall if we need to.

13 MR. BEST: Your Honor, Chuck Best for  
14 Frontier, I just want to make sure, I assume that the  
15 other parties will also have a chance to look at this?

16 JUDGE CLARK: Absolutely. An oral records  
17 requisition response, there's just too many R's in that  
18 sentence, will go to everyone including the Bench.

19 MR. BEST: Just out of curiosity, do we know  
20 whether this is confidential, highly confidential, or  
21 just --

22 MR. WEINMAN: Highly confidential.

23 JUDGE CLARK: All right.

24 MS. SHIFLEY: Thank you, Your Honor. At this  
25 time I have no more cross-examination for the panel.



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1 JUDGE CLARK: All right.

2 Do the Commissioners have inquiry for any of  
3 the individuals on this panel, and I'm going to start  
4 with you, Commissioner Jones, and see if you do.

5

6 E X A M I N A T I O N

7 BY COMMISSIONER JONES:

8 Q. Good afternoon, panel. I understand that  
9 Mr. McCallion and Mr. McCarthy will be available for  
10 questions later, so, at a later time in the proceeding,  
11 so since this is my last opportunity for Mr. Weinman and  
12 Mr. Williamson, I will have some questions, and I'll  
13 start with Mr. Williamson. In your responsive testimony  
14 labeled RTW-1HCT, I don't know if you have that in front  
15 of you or can get that.

16 A. (Williamson) I do have it.

17 Q. Could you turn to page 21 there. And my  
18 questions are going to be concerning not the first  
19 cutover but the second cutover, so I'm not going to have  
20 any questions on the first cutover. But page 21 on  
21 lines 2 and 3, could you just read that first sentence.

22 A. (Williamson)

23 Staff is very concerned about the second  
24 conversion. It is disconcerting that  
25 Frontier has no plan or apparently any

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1           idea what the costs would be to convert  
2           to its legacy systems, and there is no  
3           guaranty that Verizon will maintain  
4           support for the OSS after five years.

5           Q.     Okay, that's enough of your testimony. So  
6     now we have a settlement agreement, and we have 27,  
7     merger commitments 27 through 31 that deal with OSS  
8     issues, correct?

9           A.     (Williamson) Yes, that's correct.

10          Q.     So I'm just trying to get your process first  
11     at a high level as why you are comfortable now with the  
12     provisions in the settlement agreement that satisfy the,  
13     quote, strong concerns that you have on the second  
14     cutover. And by second cutover, I mean the eventual  
15     integration into the legacy OSS system of Frontier.

16          A.     (Williamson) Well, first there's no guaranty  
17     that that will happen at all. They may choose to  
18     convert some or all at some future date after a year.  
19     With any conversion there's always concern, but in 29 --

20          Q.     I was going to get to that.

21          A.     (Williamson) In 29 of the agreement, within  
22     three years if they decide to convert one or all of  
23     their systems, they will provide Staff the details in an  
24     operation support system integration plan, tell us which  
25     system or systems they plan to change out, which system

0318

1 they will replace it with, and the reasons why, and any  
2 experience they have with the new system.

3 Q. Right. Mr. Williamson, if I could just  
4 interrupt for a minute.

5 A. (Williamson) Sure.

6 Q. I was going to get to 29 and the enforcement  
7 mechanism associated with that, but before we get to  
8 that, tell me a little bit about the process that gives  
9 you comfort. For example, there were workshops, and  
10 this Commissioner of course because of the ex parte rule  
11 I could not participate in the workshops, so how many  
12 workshops did you have on these OSS issues?

13 A. (Williamson) We had two official workshops  
14 where everybody was there. We've had a number since we  
15 started negotiating this. We've had a number of  
16 meetings that Public Counsel was at a number of them.

17 Q. Okay.

18 A. (Williamson) With the company, and continued  
19 in more detail as we've gotten closer to the hearings.

20 If I might?

21 Q. Sure.

22 A. (Williamson) I testified of course of being  
23 nervous, I'm always a little nervous when you talk about  
24 converting systems.

25 Q. You're an engineer, aren't you?

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1           A.     (Williamson) Yes, engineers are always  
2 nervous. I've reached a comfort level because the level  
3 of expertise that I've found at the company and the  
4 planning following the second meeting in September gives  
5 me comfort. I've gone through some of these same issues  
6 with replication. In fact, did it in Hawaii when you  
7 allowed me to go there for a year and a half. And I've  
8 looked at the questions they've answered and the issues  
9 that they've looked at in detail, and that gives me  
10 comfort that they're moving in the right direction.

11          Q.     Was Public Counsel and its expert witness at  
12 these workshops on OSS?

13          A.     (Williamson) Yes, they were.

14          Q.     Okay. And did you look in detail at the, I'm  
15 not going to use -- I have to be careful with the  
16 adjective here -- with the lack of success in the two  
17 other conversion processes in the spinoffs of this  
18 particular company, Verizon Communications?

19          A.     (Williamson) Yes, obviously that was our  
20 main concern with operation support systems when we  
21 first looked at this possible deal.

22          Q.     Okay. So let's go back into some of these  
23 detailed commitments, and let's refer, as you started,  
24 to merger commitment 29. And I think you probably have  
25 this memorized and hard wired into your memory now, so I

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1 will just ask you a couple of questions. What -- have  
2 you seen any preliminary plan that Frontier has  
3 provided, either a previous plan for example with  
4 Commonwealth Telephone or Rochester, previous  
5 integration plans that they had done with other  
6 acquisitions, or have they submitted any outline or any  
7 preliminary plan on the second conversion to you?

8 A. (Williamson) No, they have not, and I have  
9 not looked at any detailed plans that they had for other  
10 conversions, although they provided in their testimony  
11 some general things that they did. In fact, I believe  
12 in response to DR's they've said they have no plan at  
13 this time to do a second.

14 Q. Right. And that last sentence where it says  
15 that the integration plan has to be prepared by IT  
16 professionals with detailed experience and knowledge, I  
17 assume that that means an engineer such as yourself?

18 A. (Williamson) Yes, such as myself or someone  
19 with more knowledge.

20 Q. So does that provide you comfort as well? I  
21 don't mean to be denigrating other professions, but that  
22 gives you other professions a little more assurance as  
23 well that this integration process is going to be done  
24 by professionals who have done work in this area?

25 A. (Williamson) I think the operative word is

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1 IT professional, not a switch engineer.

2 Q. Right.

3 A. (Williamson) But a person who works with IT  
4 systems all the time, and that's the kind of person or  
5 group that you want looking at it. That's the kind of  
6 people that I've been discussing it with.

7 Q. So hardware and software?

8 A. (Williamson) Yes.

9 Q. What happens, Mr. Williamson, with this plan,  
10 and what is the enforcement mechanism to let's say you  
11 don't like the plan or you find the plan insufficient,  
12 what does Staff do with it?

13 A. (Williamson) There's nothing in the plan  
14 that gives us a hammer. It's our belief that this  
15 company, the company Frontier, understands that they're  
16 going to have to deal with Staff and this Commission and  
17 Commissioners for a long time into the future, and to  
18 purposefully put forth a bad plan that fails will not  
19 work well for them the next time they need a rate  
20 increase or come to us with an issue.

21 Q. And let's say -- they have to submit this  
22 plan 180 days prior to the second conversion  
23 integration, correct?

24 A. (Williamson) Yes.

25 Q. So if Staff has some concerns with the plan

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1 at that time, that gives you six months to address them  
2 and resolve them, correct?

3 A. (Williamson) Yes.

4 Q. And what would be your plan or what would be  
5 your thoughts about informing the Commission as to any  
6 large concerns that you might have if there were  
7 concerns?

8 A. (Williamson) It would be my belief and my  
9 understanding from conversations we've had dealing with  
10 that kind of issue for the first go round that if Staff  
11 was very concerned and thought that the company was not  
12 providing the information correctly or had provided a  
13 bad plan but would not listen to Staff about slowing  
14 down or providing more information, that with counsel's  
15 assistance we would want to bring that sort of issue to  
16 the Commissioners if we thought we needed to to stop it  
17 if we really thought there was going to be an issue.

18 Q. Thank you, I think that's all I have on OSS,  
19 thank you.

20 Mr. Weinman, I have a few questions for you  
21 on the financial conditions, specifically merger  
22 commitment number 1. Now you are familiar of course  
23 with the dividend restrictions or the dividend  
24 conditions that were included in the CenturyTel/Embarq  
25 merger, are you not?

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1 A. (Weinman) Yes.

2 Q. Were you the primary Staff lead on that or on  
3 the financial conditions in that merger?

4 A. (Weinman) I was.

5 Q. Okay. And just explain to the Bench how,  
6 refresh my memory on how those dividend limitations  
7 were?

8 A. (Weinman) In the CenturyTel/Embarq merger,  
9 basically we took the dividend restrictions from the  
10 spinoff of Embarq out of Sprint previously testified to  
11 I believe by Will Saunders and put those conditions  
12 forth again, which have certain market day averaging in  
13 order for them to go forward to declare the dividend.  
14 We -- I put it in, and I was reluctant to do it at the  
15 time and so have not done it at this point in time,  
16 because from my opinion, a dividend coming out of an  
17 operating company up to a parent, while it has an effect  
18 on the equity in the operating company, it doesn't do  
19 anything in terms of disturbing cash flow. Cash flow  
20 for the parent and the operating company is continually  
21 changing. In other words, the -- for example, customer  
22 pays their bill, ultimately that gets pretty much into  
23 the parent fairly quickly, and it sets up a receivable  
24 on the operating company, and then at the parent company  
25 they have a payable for that cash. Likewise, the parent



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1 buys equipment for the operating company because most of  
2 those are done at that -- at least the purchasing is  
3 done at that level, then the parent's going to be  
4 essentially billing the operating company to get it into  
5 its expense structure or capital structure, and so it  
6 will set up another intercompany receivable and payable.

7           So the cash is flowing back and forth between  
8 the operating company and the parent all the time, so  
9 just to say that you've restricted the dividend in my  
10 opinion doesn't necessarily restrict the cash. And so  
11 that's why we thought it was better to have a good  
12 handle on the intercompany receivables and payables and  
13 whatever dividend they might put up to the parent rather  
14 than look at trying to have some sort of a ring fenced  
15 kind of scenario that we do with these energy companies.

16           And the problem, it works well in the energy  
17 company because it's a stand-alone encased business that  
18 has all the functions, executive, accounting, customer  
19 service, everything is sitting at quote/unquote the  
20 operating company like it is with Puget Sound or  
21 PacifiCorp. But when you get to telco companies,  
22 they're so heavily integrated into corporate and other  
23 affiliate operations that a ring fence really doesn't do  
24 much. If you're going to ring the fence and make some  
25 dividend restriction, you almost have to do it at the

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1 parent level, and I don't really believe that's  
2 appropriate, and I don't know if it's legal or illegal.  
3 I mean honestly I haven't looked at that aspect of it.  
4 So we're looking at looking at the cash flow flowing  
5 between the entities and trying to make it some --  
6 derive an opinion that whether or not the cash is going  
7 appropriately.

8           The other thing is this \$40 Million escrow is  
9 going to set up a loss payable to the parent, because  
10 the cash is going to come down, the cash is going to sit  
11 at the operating company, and it only gets released once  
12 the -- on a quarterly basis with the performance of  
13 providing the promise of DSL equipment and getting it in  
14 service before we release it back to the company.

15       Q.     I'm familiar with intercompany accounts and  
16 how they operate, but let's go through the working of  
17 merger commitment number 1, at least Staff's  
18 understanding of this. So your understanding of the  
19 corporate structure of Verizon, of Frontier, is it is a  
20 fully integrated company with Frontier Northwest  
21 operating as a pretty closely integrated division within  
22 a corporate structure; is that correct?

23       A.     (Weinman) I think that's --

24       Q.     And there's free cash flow, there's cash  
25 coming back and forth, you'll have centralized

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1 operations like procurement as you said?

2 A. (Weinman) Correct.

3 Q. Payroll perhaps, other operations, so there's  
4 a lot of intra or intercompany accounting that has to be  
5 done.

6 A. (Weinman) I mean with the telcos, most of  
7 the what we would call general administration expenses,  
8 you know, executive, personnel, HR, customer service,  
9 accounting, billing the customer, most of those  
10 functions are really done at a corporate level.

11 Q. Right.

12 A. (Weinman) What's left in the operating  
13 company is the people that do what I would call more or  
14 less the hands-on day-to-day work with techs and other  
15 personnel that really need to be down closer to the  
16 company to provide service.

17 Q. So is it fair to say that this quarterly  
18 report on intercompany receivables and payables that's  
19 going to be done and the authority to actually control  
20 the cash flow, is it correct to say that that is more at  
21 the parent level than the operating company level based  
22 on what you just said?

23 A. (Weinman) My opinion, yes.

24 Q. So the primary authority or role, if you  
25 will, if there is a question about what is intercompany

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1 and the way cash flowed back and forth, it's going to be  
2 made by the parent, correct?

3 A. (Weinman) Yes, I believe it will.

4 Q. So I guess my question is I understand your  
5 concerns about dividends and dividend limitations in the  
6 CenturyTel/Embarq merger commitment, but what  
7 specifically gives you the assurance that this  
8 intercompany reporting mechanism is going to provide  
9 this Commission just for the state of Washington more  
10 clarity on how the free cash flow is being used for  
11 intrastate revenues generated in this state from our  
12 rate payers?

13 A. (Weinman) I mean I think we start with  
14 better initial data than what we have with or would have  
15 had with the Embarq restrictions when we set up the ring  
16 fence. And so watching those cash flows on a quarterly  
17 basis gives us some sense of which way that there is an  
18 interchange between a parent and the operating company  
19 rather than the parent just trying to suck too much cash  
20 out of the operating company for whatever purpose they  
21 might think. But at least we have our eyeballs on it  
22 and are able to make some judgment. And then if we need  
23 to come before the Commission, I assume there's some  
24 mechanism that will allow us to do that.

25 Q. Sure. And just one last, this is more of a

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1 technical question on dividend regarding the last two  
2 sentences in the merger commitment number 1, so even  
3 though Frontier Northwest is an operating company within  
4 a large parent, Frontier, isn't it true that Frontier  
5 the parent company pays the dividend to shareholders of  
6 record?

7 A. (Weinman) Yes.

8 Q. So what is this dividend amount, this really  
9 isn't a dividend amount that is declared to shareholders  
10 from the operating company, Frontier Northwest, to  
11 Frontier the parent, is it?

12 A. (Weinman) That's correct.

13 Q. It's just a cash flow?

14 A. (Weinman) It's a dividend up to the parent.

15 Q. It's a dividend up to the parent?

16 A. (Weinman) Not out to the stockholders  
17 itself.

18 Q. Correct, okay. And again, that is subject to  
19 intercompany discussion and debate, negotiation, but  
20 ultimately that is probably more controlled by the  
21 parent than the operating company, correct?

22 A. (Weinman) I would agree with that.

23 Q. And just my final question is this last  
24 question that I posed to Mr. Williamson on merger  
25 commitment number 29, what's the -- I mean what do you

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1 do with these reports? Let's say the report comes to  
2 you on a quarterly basis, and is your answer the same as  
3 Mr. Williamson's that you will consult with counsel if  
4 you are concerned about something in the report or want  
5 to involve the Commission, and if you're concerned you  
6 will find a way to brief the Commission on any concerns  
7 with merger commitment number 1 and how it actually  
8 functions?

9 A. (Weinman) I mean I'm sure since it will be  
10 part of a compliance issue we will be looking at it, and  
11 we will be having discussion with the company if the  
12 cash flows look like they are not flowing back and forth  
13 appropriately. I mean we have to use judgment with  
14 that, but we have analysts that can do that. And then  
15 if we ultimately have disagreement with the company, at  
16 least you guys are pretty much the referees as far as  
17 I'm concerned.

18 COMMISSIONER JONES: Yeah, referee with a  
19 capital R. Thank you, Mr. Weinman.

20 JUDGE CLARK: Commissioner Oshie.

21 COMMISSIONER OSHIE: Yes, thank you, Judge.

22 E X A M I N A T I O N

23 BY COMMISSIONER OSHIE:

24 Q. Mr. Weinman, a few questions, let's start  
25 with the merger condition number 2. I would like to --

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1 for Staff to respond or you on behalf of Staff, what's  
2 the Staff's affinity, if you will, in this circumstance  
3 for an AFOR?

4 A. (Weinman) I personally believe that we need  
5 to infuse more flexibility into the telecommunications  
6 process because prices are changing, they're losing  
7 access lines. And while they don't have perfect market  
8 conditions, to the extent that there are areas where we  
9 can allow flexibility so they can react quicker to the  
10 market, it's appropriate to do that. It benefits the  
11 customers, and it benefits the company in allowing them  
12 to compete.

13 Q. And under what conditions do you think that  
14 the Staff would require of a company should the --  
15 should -- well, it's going to be required to file an  
16 AFOR, how do we determine, if you will, in an AFOR if,  
17 assuming that it would come up, what the proper rate  
18 should be for, let's just take an easy one, residential  
19 customers?

20 A. (Weinman) Well, at that time we may have to  
21 look at pricing issues somewhat like we do with cost of  
22 service on the energy side. I think traditionally  
23 residential service has been underpriced in this  
24 business, and so at some point if there's market forces  
25 that are driving business away from the company and it's

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1 purely price, we need to consider that. It's -- I mean  
2 we have some obligation, at least Staff does or I do, to  
3 want to be able to give the company flexibility to react  
4 to the market.

5 Q. Well, in that flexibility I'm assuming from  
6 at least your answer that that kind of flexibility  
7 usually results in higher rates for at least residential  
8 customers?

9 A. (Weinman) It could, and certainly we've seen  
10 that happen in other areas where this has happened. But  
11 again, I think most people believe that residential has  
12 been underpriced and subsidized for quite some time.

13 Q. And what about the business customers,  
14 Mr. Weinman, is that in your opinion the class of  
15 customer that usually subsidized or subsidizes  
16 residential customers?

17 A. (Weinman) Well, certainly part of it in  
18 terms of the difference between the local rate piece,  
19 but there are other access subsidies that happen along  
20 the way.

21 Q. In your experience with other companies that  
22 have pricing flexibility for the business class of  
23 customer, as a general rule have rates to the business  
24 class gone down in reaction to the competitive  
25 environment in which the companies are faced?



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1           A.     (Weinman) The companies that I've personally  
2 worked with, the answer is no. I can't tell you at the  
3 general overall market level. I mean certainly there's  
4 data that shows that residential rates have gone up, but  
5 how it's interacting with the business customer I don't  
6 know.

7           Q.     And with -- are you familiar with Qwest's  
8 pricing under its AFOR in which it currently operates?

9           A.     (Weinman) Somewhat, yes.

10          Q.     Although it doesn't come up before us, I mean  
11 my general sense of that is that the business customers  
12 are paying at least the same, if not more, than they had  
13 under regulation?

14          A.     (Weinman) I believe their rates are capped,  
15 right, and --

16          Q.     They're capped for residential, but I'm not  
17 sure for business.

18          A.     (Weinman) Oh. I don't know.

19          Q.     All right. There's just, this is a technical  
20 issue with number 2, and that we have a three year stay  
21 out for residential customers, and you have an AFOR  
22 within five years, is there any, you know, small window  
23 there where the company could raise rates after the  
24 three year cap?

25          A.     (Weinman) Not in my opinion, because if they

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1 want to raise rates, I believe they have to file results  
2 of operation, costs of capital, in order to do it.

3 Q. What if they filed -- if they wanted to,  
4 could they file a general rate case before they would  
5 file an AFOR?

6 A. (Weinman) I believe they could.

7 Q. In your opinion, rates would go up for  
8 residential customers under that kind of general rate  
9 case kind of analysis?

10 A. (Weinman) It's conceivable that that could  
11 happen, but when we get to the end of the three year  
12 period and you get into this process of them filing a  
13 rate case, if they -- if the stay out provision's three  
14 years and they filed a rate case, now we're starting to  
15 get into four years because we really want the  
16 integrations, whatever they're going to be, so it looks  
17 like a unit that is not being forced to use estimates of  
18 what their ultimate cost would be filing it, that's why  
19 this is historical, but at that point if they were to  
20 file in that fourth year, I would think they would bring  
21 AFOR in it, because I don't think they would want to  
22 turn around, it's costly to come back within the next  
23 year to make that piece of the filing.

24 Q. Well, I think it seemed rather far fetched,  
25 but it seemed like there was a small window there, so I

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1 wanted to explore whether, you know, the Staff had  
2 considered, you know, at least the possibility?

3 A. (Weinman) We had considered it, but  
4 regardless if they decide to stay out, we still believe  
5 that they're going to be coming in with a full blown  
6 rate case.

7 Q. I would like to turn now to this maybe in  
8 some kind of chronological order here I think, and that  
9 would be your -- the DSL broadband deployment provisions  
10 in the settlement agreement.

11 A. (Weinman) Starting at item 13 in the  
12 settlement agreement?

13 Q. Yes.

14 A. (Weinman) Okay.

15 Q. Now what I'm trying to get my arms around  
16 here is the -- is this \$40 Million payment into escrow  
17 and the -- whether or not that would be protected from  
18 any kind of financial difficulties that the company may  
19 be in, the conditions of the escrow, if we would be  
20 deciding if the provisions at least stayed there, if I  
21 can find it here, will use its best efforts to approve  
22 the release of the funds, we're not acting as the escrow  
23 agent in this circumstance, are we?

24 A. (Weinman) No.

25 Q. And why would -- why did this, at least

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1 Staff, look at this -- require that these funds be put  
2 into escrow?

3 A. (Weinman) I'm sorry, one more time?

4 Q. Why did Staff believe it was necessary for  
5 the company to place this \$40 Million fund into escrow?

6 A. (Weinman) Oh. I think that from the filing  
7 itself with the combination of the company's pretty much  
8 a total company overall before Frontier and then after  
9 Frontier with SpinCo that in order for the Commission  
10 and Staff to be assured that the DSL broadband  
11 deployment was going to happen, we wanted a substantial  
12 commitment from the company to escrow the money so that  
13 it was there to provide the broadband services it's  
14 stated that they're going to provide.

15 Q. But I thought from the testimony that -- I  
16 mean I read that and I thought perhaps that the escrow  
17 would be held by a third party with conditions that,  
18 when met, the money would be released?

19 A. (Weinman) I believe --

20 Q. But just --

21 A. (Weinman) Oh, okay.

22 Q. Excuse me.

23 But then from the testimony, it seemed as if  
24 the money is going to be held by the company.

25 A. (Weinman) No.

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1 Q. And would be -- okay.

2 A. (Weinman) It's a third party escrow.

3 Q. All right.

4 A. (Weinman) And they're paying the costs for  
5 the escrow maintenance, whatever the account is, and it  
6 doesn't get disbursed unless this Commission releases  
7 it. So we have, at least in my opinion, the Commission  
8 has pretty much absolute control over the disbursement  
9 of the funds, and it builds into the process a reason  
10 for the company to accelerate DSL in Washington so that  
11 it can get that escrow money out and quicker back to the  
12 -- through the deployment of the DSL.

13 Q. Is the funds placed in escrow in any way  
14 revocable?

15 A. (Weinman) I don't know.

16 Q. Okay. It would seem -- is Staff concerned  
17 about whether the funds could be revoked by the company  
18 under whatever condition it chooses to do so?

19 A. (Weinman) No.

20 Q. Staff's not concerned, and that's because you  
21 believe it to be irrevocable?

22 A. (Weinman) Well, maybe I'm getting mixed up  
23 on my revs, but --

24 Q. Maybe I'm mixing you up, I don't intend to.

25 A. (Weinman) I think Staff believes that the

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1 company will be financially solvent, and so that, you  
2 know, could bankruptcy affect that escrow? I don't  
3 know. It may. I don't believe that that's a option  
4 that is going to play out in this transaction. All I do  
5 know is that we want to be able to assure the Commission  
6 that the company has financial wherewithal that they can  
7 make this kind of commitment to put out their DSL  
8 product up front and give us some assurance that along  
9 -- that they have the funds and are willing and able to  
10 go forth and deploy the product.

11 Q. But it sounds as if Staff really doesn't --  
12 Staff doesn't have a preference for escrow, it was  
13 looking for a vehicle in which to place the money so  
14 that it would be available for rate payers or available  
15 to the company after -- in meeting certain conditions?

16 A. (Weinman) Correct.

17 Q. And to reimburse it for its expenditures?

18 A. (Weinman) That's correct.

19 Q. For providing this particular service. And  
20 so escrow is just -- it could be any other vehicle?

21 A. (Weinman) Yeah, I used that in the generic  
22 term.

23 Q. And I assume then from our back and forth  
24 that in Staff's opinion that vehicle, the funds should  
25 be irrevocable, in other words that they are installed

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1     there in whatever mechanism for the purpose of  
2     delivering these services and that they would not be --  
3     they can not be reached by the company. I accept your  
4     testimony that bankruptcy might be another event, but  
5     under any other condition perhaps those funds would not  
6     be available to the company other than through the  
7     operation of the mechanism?

8             A.     (Weinman) That's true. I mean they would  
9     have to show that they've bought the equipment, placed  
10    it, it's in service, before the funds would be reversed  
11    back to them.

12            Q.     And that's done on a quarterly --

13            A.     (Weinman) We put it on a quarterly basis  
14    just to I guess incent the company to do Washington  
15    before some of these other states.

16            Q.     Are there any carrying charges envisioned for  
17    the funds that have been expended but not reimbursed?

18            A.     (Weinman) No, not that I'm aware of.

19            Q.     Okay. Now let's get to the role of the  
20    Commission, because it's really -- it's not clear to me  
21    under what conditions other than, you know, very I would  
22    call them generic, in other words the expenditures have  
23    been made, I believe that somehow that would be  
24    demonstrated, that the equipment installed has been  
25    tested, that that would be demonstrated. Perhaps that's

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1 just done in the usual course of business, that the  
2 engineers aren't going to install equipment and then not  
3 have it work. I'm looking at Mr. Williamson there, he's  
4 shaking his head let the record show. I just want, you  
5 know, is there anything that the Commission, were we to  
6 accept this, are there other conditions, are there  
7 conditions that Staff recommends that be placed upon the  
8 withdrawal of funds from this particular, you know,  
9 fund, and I just wanted -- so that's the first question.

10 A. (Weinman) Well, I -- my -- what I envision  
11 is that we will work out a process with the company so  
12 that we can validate the cost and the fact that it is in  
13 service before we make a recommendation to go forward  
14 and disburse the funds to them.

15 Q. So there -- this would -- there would be a  
16 process post order where really the terms and conditions  
17 of the construction and the disbursement of funds from  
18 the escrow account would be made?

19 A. (Weinman) Yes.

20 Q. And who do you envision would sit at the  
21 table in developing, and I will just call this a plan,  
22 the DSL plan?

23 A. (Weinman) I mean for the DSL plan, I  
24 consider it to be Staff and the company, but obviously  
25 we would want to put it before the Commissioners to make



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1 sure that they agree that it's appropriate since they're  
2 the ones saying yes to disburse it.

3 Q. Well, and I guess we would have to understand  
4 what the -- we would have to decide perhaps first what  
5 -- whether the conditions of disbursement and  
6 development are appropriate?

7 A. (Weinman) Yes.

8 Q. Okay. And Public Counsel would be present at  
9 the table as well, or is this just between Staff and the  
10 company?

11 A. (Weinman) Well, it's written I guess with  
12 Staff and the company in mind since Public Counsel  
13 didn't enter the settlement, but I don't see any reason  
14 Public Counsel, we won't seek their opinion also in the  
15 process. We just haven't discussed this, so I'm kind of  
16 flying by the seat of my pants at the moment.

17 Q. Well, I suppose we are too looking at the  
18 Staff for some direction here. I mean there are  
19 different ways to do it, and I just, you know, if Staff  
20 really doesn't have a process in mind other than what's  
21 on paper, that's a fair answer. And, you know, the --  
22 what we do with this, I'm sure that will figure in to  
23 certainly our discussion.

24 I want to turn to an area that Ms. Shifley  
25 spent some time with, and that is the service quality

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1 credits. And I believe the point of her  
2 cross-examination was, if nothing else, that \$600,000 in  
3 potential bill credits was not only significantly  
4 smaller than what Staff had originally recommended, but  
5 certainly as a matter of percentage much, much smaller  
6 than what was imposed, if you will, upon Qwest when  
7 those same bill credits were in place with that company.  
8 And my question to you is, when I do the math, and  
9 that's always suspect for an attorney to do the math,  
10 especially in their head, that the 12% of the potential  
11 I believe it's \$20 Million in potential, you know, bill  
12 credits that Qwest was on the hook for, and we're  
13 talking about, you know, \$2.4 Million, that's using the  
14 12% figure which was taken from the different, you know,  
15 the ratio between the \$600,000 and the \$5 Million in  
16 Staff's testimony, and having, you know, been on the  
17 Commission during that -- during the years in which the  
18 bill credits were in place, I frankly don't remember  
19 Staff ever taking the position before us, if it ever  
20 came up, that we should reduce the bill credits to  
21 customers even by 50%. And my recall is that those  
22 issues did come up, and Staff's position was they  
23 thought that the bill credits were appropriate. And  
24 they're appropriate for the reason of, whether you call  
25 it an incentive or disincentive, that the amount of

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1 money at stake for the company was enough to influence  
2 its behavior. And so while you may have responded  
3 before to Ms. Shifley's testimony, you tell me the  
4 difference between this company and its operations, at  
5 least in Staff's mind, and that of Qwest, and why should  
6 we treat the two companies differently with regard to  
7 this one identical issue?

8 A. (Weinman) I can not tell you why it should.  
9 I can only reiterate that we believed that it was enough  
10 of a disincentive or incentive, whichever way you want  
11 to look at it, for the company to do its absolute very  
12 best. It's a transitional period mostly because of  
13 integration issues for us and that our team and during  
14 the settlement conference we believe \$600,000 was  
15 adequate.

16 COMMISSIONER OSHIE: All right.

17 I don't have any other questions, Judge,  
18 thank you.

19 JUDGE CLARK: Thank you, Commissioner Oshie.  
20 Chairman Goltz.

21 CHAIRMAN GOLTZ: Thank you.

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1                                    E X A M I N A T I O N

2    BY CHAIRMAN GOLTZ:

3            Q.    I will have some questions for all the  
4    panelists, although they all relate basically to the  
5    settlement, or they are sort of precursors to questions  
6    I want to direct to Mr. Weinman.

7                    So first, Mr. McCallion, are you familiar  
8    with the proceedings in the other jurisdictions where  
9    this transaction is pending?

10          A.    (McCallion) Yes.

11          Q.    And same with you, Mr. McCarthy?

12          A.    (McCarthy) Yes, I am.

13          Q.    Okay. Can you tell us how many proceedings  
14    or in how many -- in which jurisdictions there are still  
15    decisions pending?

16          A.    (McCallion) Well --

17          Q.    Mr. McCallion, I will ask you.

18          A.    (McCallion) I'll start, then Mr. McCarthy  
19    can add to that or correct me. This is the last state  
20    in which we have a hearing, an evidentiary hearing.  
21    They've been concluded in the other states. We have  
22    received approval from the California and South Carolina  
23    Commissions as well as from the Nevada Commission.  
24    There is a administrative law judge's proposed decision  
25    that is out in Arizona that is on that commission's

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1 agenda for February 18th. And then we expect a decision  
2 based upon the statutory rules in Ohio actually on  
3 February 11th I believe, at some time, some time within  
4 the next couple weeks in Ohio. So we recently concluded  
5 hearings in West Virginia and Illinois, and those are  
6 still open. Now there were some petitions that were  
7 filed in a number of states that don't have ILEC  
8 operations in them asking the commissions to assert  
9 jurisdiction over the transaction, I believe that was  
10 New York, Minnesota, and Pennsylvania, and all of those  
11 commissions have determined that they were not going to  
12 exert jurisdiction over the transaction.

13 Q. So you still have a pending proceeding in  
14 Oregon as well?

15 A. (McCallion) Yes.

16 A. (McCarthy) Yes.

17 Q. And at the FCC?

18 A. (McCallion) Yes.

19 A. (McCarthy) yes.

20 Q. So what I'm going to get at is so when do you  
21 view is the window for closing the transaction?

22 A. (McCallion) We hope to close the transaction  
23 by late in the second quarter of this year.

24 Q. So June ish, in there?

25 A. (McCallion) Yes.

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1 Q. And that is later than the original hope, is  
2 that not correct?

3 A. (McCallion) The merger agreement indicates  
4 that it could close no sooner than April 30th, but we're  
5 looking later in the quarter than April 30th.

6 Q. And what were some, I believe even in this  
7 proceeding in some of the settlement provisions there  
8 was some testing that's going to go on that's going to  
9 in effect ensure that the closing is going to be toward  
10 the end of the second quarter?

11 A. (McCallion) Yes.

12 Q. And what are those provisions?

13 A. (McCallion) Well, there's a provision in  
14 this agreement and actually in the CLEC agreements that  
15 say that Verizon will actually use, for the states that  
16 are being spun off to Frontier, they will use the  
17 replicated systems in those states that are operating  
18 under those systems for a minimum of 60 days. So  
19 therefore we have to have the replication completed, and  
20 we have to be up and operating for a minimum of 60 days.  
21 Right now we anticipate that period to begin April 1st,  
22 but, you know, that's our best estimate at this time.

23 Q. Mr. McCarthy wants to add to that.

24 A. (McCarthy) I just wanted to add, Chairman,  
25 that during that time period we at Frontier are very

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1 busy actually verifying the replication that's happened,  
2 the realignment that's happened, so -- and we're  
3 committed not to close on the transaction until we're  
4 satisfied that the replication and the realignment has  
5 been fully completed.

6 Q. Right. And the replication and all the  
7 testing, that's going forward even without all the  
8 approvals being completed?

9 A. (McCarthy) That's correct.

10 Q. So different subject now, Mr. McCarthy, if  
11 you could turn to your rebuttal testimony at page 10, on  
12 line 10 you say, I'm sorry, starting at line 9 you said:

13 Furthermore, the Commission should  
14 understand that diversified carriers  
15 such as Verizon have made strategic  
16 business decisions to direct their  
17 capital resources toward growth  
18 objectives like wireless.

19 And I gather that you're using this as an  
20 example of why we should approve this transaction,  
21 because you would not direct your capital resources to  
22 anything other than the regulated company?

23 A. (McCarthy) I think that's fair, Chairman. I  
24 think the -- what I was trying to really say is that  
25 there's no conflict, we are very strategically aligned

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1 on being in the ILEC business. We've made commitments  
2 expanding broadband because that's in alignment with  
3 where we want to take the business in the long term.  
4 And Verizon has been conflicted, they've had other  
5 strategic imperatives, whether it was wireless or FiOS  
6 in certain urban areas. We on the other hand are  
7 focused on investing in infrastructure to serve the  
8 traditional ILEC as well as broadband.

9 Q. But I also read that statement as maybe  
10 having the implication or your belief that Verizon in  
11 fact has directed resources away from the wire line  
12 company to wireless?

13 A. (McCarthy) Well, I think it's fair to say  
14 when you look at the VSTO across the entire company that  
15 we're acquiring, their investment has not been as great  
16 as say, you know, FiOS or their wireless.

17 Q. I don't recall, Mr. McCarthy, if you were at  
18 the public hearing in Everett some time ago?

19 A. (McCarthy) I apologize, I was not there.

20 Q. No, and there -- your counsel, or I think  
21 counsel was there, and I'm -- and the record there or  
22 the testimony there will speak for itself, and so I may  
23 -- it's possible I'll mischaracterize it, I don't mean  
24 to, but there was some citizen testimony of some,  
25 including some people who worked for Verizon, who worked



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1 or currently work for Verizon, that were somewhat  
2 skeptical about the quality of the facilities and the  
3 physical plant needing a great deal of maintenance, and  
4 I was wondering if you have done any evaluation of the  
5 quality of what you're buying?

6 A. (McCarthy) Well, during the process of  
7 diligence, we had spent -- we had whole teams looking at  
8 the information that was provided to us through both the  
9 data room as well as meeting telephonically with the  
10 subject matter experts from Verizon. We got very  
11 comfortable, especially in Washington, because the  
12 investment level has been higher as there's been FiOS,  
13 and the network statistics and the trouble instances  
14 have been very good in this area. Subsequent to signing  
15 the transaction and developing our broadband model on  
16 how we would deploy broadband in Washington, we actually  
17 sent individuals out to do physical verifications to  
18 verify that our assumptions around the broadband model  
19 was correct, and we found generally our conclusions were  
20 correct. Central offices were in pretty good shape.  
21 There were, as Staff said, latest revs in software on  
22 switching, and outside plant was in pretty good shape as  
23 well. We didn't see anything that would inhibit us from  
24 rolling out broadband.

25 Q. So I'll ask Mr. Weinman, or Mr. Williamson,

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1 if you want to defer to Mr. Williamson on this that's  
2 fine, in your review of this application, did you have  
3 reason to sort of make any assessment of the overall  
4 sort of maintenance quality of the physical plant?

5 A. (Weinman) I guess from my perspective is  
6 that we did several things. One, we did put out data  
7 requests to ensure that the CO's were up to the latest  
8 software release. We didn't know, I mean so we were  
9 searching for information. Was not quite so concerned  
10 about outside plant because Verizon's statistics are so  
11 good. I mean I think in the last 12 months there's only  
12 1 month where the trouble index was 1.1%, and it's been  
13 under 1, and that indicates to me that they're not  
14 having a lot of problems, which a lot of times is caused  
15 by plant, bad plant.

16 Q. Were you at the public hearing as well?

17 A. (Weinman) I was, yes.

18 Q. Is my memory correct that there were some  
19 people that testified about some maintenance issues?

20 A. (Weinman) There were. There was actually a  
21 couple of techs that testified that Verizon was not  
22 maintaining their plant and that they were just swapping  
23 pairs if a plant went in trouble and that their splicers  
24 weren't going in and doing maintenance. I think the  
25 company's witness really kind of put that into

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1 perspective. They still have good statistics, and they  
2 are losing lines, so that is freeing pairs so to speak  
3 within their existing cable. And as long as they're --  
4 whether or not it -- whatever get -- you know, so  
5 there's more capacity for them to work within their  
6 existing plant. They certainly still do have to routine  
7 their plant, but they have more flexibility because they  
8 have more cable pairs available.

9 Q. So do you have an opinion as to whether or  
10 not the physical plant facilities there are adequate and  
11 sufficient or antiquated or modern?

12 A. (Weinman) Certainly the switching is modern.  
13 They actually do have a couple soft switches within the  
14 territory. We didn't do physical inspections but relied  
15 more on generic data to see if there was trouble spots.  
16 In other words, if the trouble reports were jumping all  
17 over the place going up and down, then we would be a  
18 little more concerned than what we are with the trouble  
19 reports and the percentages that they're reporting to us  
20 monthly.

21 Q. Mr. Williamson, did you have any other -- did  
22 you do any evaluation on that aspect?

23 A. (Williamson) No, I didn't, I did the same.

24 Q. Okay.

25 A. (McCallion) Chairman Goltz.

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1 Q. Sure.

2 A. (McCallion) Would you like me to add? I was  
3 at those public participation hearings.

4 Q. Sure, Mr. McCallion, that's fine.

5 A. (McCallion) There were a couple specific  
6 concerns that were brought up, and I believe all of the  
7 witnesses were members of the IBEW and company employees  
8 who spoke with the exception of one customer and two  
9 people representing chamber of commerces, that's my  
10 general recollection. And there was some  
11 generalizations made by the company employees, but there  
12 were two specific issues that were brought up, and I  
13 directed that they be investigated right away. One had  
14 to do with a floor in a central office, and the witness  
15 testified that there was a slippage in the floor in one  
16 of our central offices.

17 Q. That's the kind of detail we get into with  
18 this Commission.

19 A. (McCallion) What we did, Chairman Goltz, is  
20 we actually sent someone out to look at it. Indeed  
21 there was slippage in the floor, and we contracted with  
22 a professional engineer to look at it, and it was in the  
23 part of the work area that we're not actually utilizing.  
24 We're not actually utilizing that particular section,  
25 and what we did is we got an assessment from the

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1 professional engineer that basically indicated that it  
2 probably was an issue related to the soil compaction  
3 during the construction and that it was unlikely that  
4 there would be additional slippage that was there. But  
5 it's a situation that we are monitoring, so we actually  
6 have that report of the professional engineer.

7 Another issue that was brought up which we  
8 also took -- had great concern with was a issue of some  
9 facilities not being properly grounded. And we actually  
10 employ a couple technicians full time just to look at  
11 the grounding of our facilities. And indeed, the  
12 particular facility he referred to was not grounded. We  
13 got that corrected just within a couple days of the  
14 public participation hearing and then just redoubled our  
15 efforts to make sure that the grounding was taken care  
16 of. But we certainly have been maintaining our plant,  
17 and I think as Mr. Weinman had indicated, if you look at  
18 our service quality statistics, especially the trouble  
19 reports because I think that's very telling, it shows  
20 that the quality of service we're delivering to our  
21 customers is very high.

22 Q. Thank you.

23 Now for Mr. Weinman, do you recall the last  
24 or when Verizon Northwest's last rate case was finalized  
25 with the Commission?

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1 A. (Weinman) It was before my time.

2 Q. So it was before when?

3 A. (Weinman) It was early '90's I want to say.

4 Q. Well --

5 A. (Weinman) I don't know, it was in the '90's,  
6 it was before I came to the Commission, I don't know.

7 Q. Okay, that's fine, we can probably take  
8 notice of that in any event.

9 You responded to Commissioner Oshie's  
10 questions about rates and a potential AFOR or an AFOR,  
11 and as I understand it there's a rate cap for three  
12 years on residential rates, and in your view after that  
13 time the rates would remain as they are now until such  
14 time as the company came forward and filed for a rate  
15 increase?

16 A. (Weinman) Correct.

17 Q. And then also there's a requirement that they  
18 file for an AFOR within five years?

19 A. (Weinman) Correct.

20 Q. And accompanying that would be I gather  
21 information that would be sort of the functional  
22 equivalent of that which they would need to file for a  
23 rate case?

24 A. (Weinman) Correct.

25 Q. So that would enable the Staff to do an

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1 earnings review in conjunction with the AFOR?

2 A. (Weinman) Yes. I mean it provides that when  
3 they come that they will use investment quality debt and  
4 equity, which would put them in the cost of capital area  
5 of Verizon for this first one, and final complete  
6 results of operations, historical, using pro forma  
7 restating adjustments such as we see in our energy and  
8 gas.

9 Q. Now I wasn't at the Commission during the  
10 last rate proceeding with Verizon, but I understand that  
11 at that time there was either by -- it may have been by  
12 agreement that there was to be imputed to Verizon  
13 Northwest revenues from the Yellow Pages operation that  
14 had been sold to a different party.

15 A. (Weinman) Yes, the Yellow Page gain is being  
16 amortized 10 years I think, I'm not sure.

17 Q. Is it 2016, Mr. McCallion, can you answer  
18 that?

19 A. (McCallion) That's correct. That was  
20 actually a -- the rate case was in -- the decision on  
21 the rate case, and it was a settlement, was issued in  
22 2005. I actually mentioned that in my direct testimony.

23 Q. Okay.

24 A. (McCallion) And then the proceeding and the  
25 settlement and the Commission decision on the spinoff of

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1 the Yellow Page business was subsequent to that, and it  
2 did provide for a 10 year amortization.

3 Q. So that 10 year amortization would expire at  
4 the end of 2015 about?

5 A. (McCallion) That's consistent with my  
6 recollection.

7 Q. So any, am I correct, Mr. Weinman, that any  
8 rate case filed by Verizon, pardon me, by Frontier  
9 Northwest subsequent to the three year stay out would be  
10 subject to the same imputation?

11 A. (Weinman) Same kind of imputation  
12 requirement in the settlement.

13 Q. And --

14 A. (Weinman) And also it's still the same legal  
15 entity, so I think they're still bound to the Commission  
16 order, but it is in the settlement itself.

17 Q. Okay. So but if they file for an AFOR after  
18 that three year stay out, and I gather there's nothing  
19 in the settlement that would prohibit them from filing  
20 it, it just requires them to do it within five years?

21 A. (Weinman) Correct.

22 Q. They could do it at the end of three years?

23 A. (Weinman) They could.

24 Q. Okay. And how would the rate payers continue  
25 to derive the benefit of a imputed Yellow Pages revenue



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1 in an AFOR?

2 A. (Weinman) Well, the AFOR they have to file  
3 complete results of operations, and that will include  
4 the imputation of the Yellow Pages gain as long as it's  
5 until the year 2015.

6 Q. And, Mr. Weinman, do you know the amount of  
7 computed revenue each year on in the last rate case?

8 Mr. McCallion, do you know that?

9 A. (McCallion) I don't recall. I was very  
10 familiar with what the number was, but I don't recall  
11 sitting here on the stand.

12 Q. I bet a Public Counsel witness can answer  
13 that question down the road.

14 I just have some concern about how to make  
15 sure that rate payers continue to make the benefit of  
16 that amount as we go through this.

17 Let me ask Mr. McCarthy about so-called  
18 synergy savings. I gather the synergy savings that you  
19 anticipate would be because of economies of scale?

20 A. (McCarthy) Generally speaking, yes. It  
21 would be taking advantage of the fact that corporate  
22 overhead, I want to use that in a lovingly term, it  
23 would be finance accounting, you know, the traditional  
24 corporate functions are duplicative, and those  
25 allocations from Verizon would disappear essentially,

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1 and we would be using our own infrastructure for that.  
2 There's also synergies associated with network  
3 operations that we see. There's synergies as we put the  
4 business together from a purchasing power perspective,  
5 not to mention we do see obviously some opportunity on  
6 the revenue side as we roll out broadband and implement  
7 the FiOS product.

8 Q. But just looking at benefits because of  
9 economies of scale for Washington state rate payers in  
10 Verizon's territory under Verizon and for Washington  
11 state rate payers under a Frontier Northwest, what's --  
12 why are your economies of scale better than Verizon's  
13 preexisting economies of scale?

14 A. (McCarthy) Well, I think it's when you look  
15 at us as a company, you would see when you look at our  
16 for instance EBITDA margins, you would see --

17 Q. I'm sorry, what?

18 A. (McCarthy) Our EBITDA margins are some of  
19 the highest in the industry because we operate in a very  
20 efficient and very effective manner.

21 Q. Better than Verizon you're saying?

22 A. (McCarthy) Yes. In a loving way.

23 So we actually think that with our focus on  
24 how we do things and we push decisionmaking as local as  
25 possible, we don't have probably as many people in

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1 corporate doing different functions as Verizon does,  
2 thus we think we actually can operate much more  
3 efficiently.

4 Q. So in the reports on settlement condition  
5 number 3 reporting your synergy savings, you expect  
6 there -- and as I understand this, there will be reports  
7 both on companywide and also those attributable to  
8 Verizon Northwest?

9 A. (McCarthy) That's correct.

10 Q. Okay. And you're saying that in your belief  
11 we will see synergy savings for both the whole and also  
12 just Verizon Northwest?

13 A. (McCarthy) We believe most of the synergies,  
14 if not all the synergies, are really more with the  
15 corporate functions, so. But we did agree that if there  
16 were synergies that were derived in the state  
17 specifically that were attributable in Washington, we  
18 would capture those and report them.

19 Q. So if the synergy savings show X savings  
20 corporate and zero for just Verizon Northwest, will the  
21 rate payers under Verizon Northwest, not Verizon  
22 Northwest, Frontier Northwest benefit from that?

23 A. (McCarthy) Well, our understanding as we  
24 went through the settlement discussions was that that  
25 was one of the reasons that Staff really wanted us to

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1 come in for the AFOR so that you would have a chance to  
2 do that review, see if there were synergies in a test  
3 year, make those necessary pro forma adjustments and  
4 take advantage of that benefit for customers. Of  
5 course, there's all sorts of other moving parts in any  
6 income statement associated with, you know, a  
7 communications company, so it would be up to you at that  
8 time to assess that, whether or not synergies translate  
9 into real savings or the business has changed and  
10 fundamentally just from customer losses or different  
11 revenue characteristics.

12 Q. Right. But are the synergies for the  
13 Frontier Northwest report simply an allocated amount of  
14 the total company, or is there some other methodology?

15 A. (McCarthy) I think there's really the total,  
16 which would be the allocated that you're talking about.  
17 And I think our commitment was if we found synergies in  
18 Washington, we would capture a report on those. But at  
19 this point, we really don't see that as a huge  
20 opportunity.

21 Q. So what you're saying is that rate payers in  
22 the Northwest should be able to take advantage of a  
23 portion of the overall synergies and maybe in addition  
24 some region specific synergies?

25 A. (McCarthy) If there was.

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1 Q. Is that your understanding as well,  
2 Mr. Weinman?

3 A. (Weinman) Yes.

4 Q. Mr. McCarthy, can you tell us, or maybe this  
5 is probably in the record, if it is, just say so, the  
6 approximate percentage of access lines in Washington to  
7 the total Frontier, this is after the transaction,  
8 percentage of access lines in Washington compared to the  
9 total access lines for the resulting Frontier companies?

10 A. (McCarthy) I don't have the percentage right  
11 off the top of my head, but I think that is in the  
12 record. It would be approximately 550,000, 560,000  
13 lines.

14 Q. In Washington?

15 A. (McCarthy) versus the total.

16 Q. And the total amount for Frontier is in the  
17 record as well?

18 A. (McCarthy) Yes.

19 Q. Maybe in closing brief your counsel can make  
20 that representation tomorrow.

21 And, Mr. McCallion, what about for the  
22 Washington access lines of Verizon Northwest compared to  
23 the overall Verizon land line business?

24 A. (McCallion) I haven't done that calculation  
25 recently. I believe it would be in the range of 5%, but

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1 I would rather do a precise calculation.

2 Q. Okay, well, maybe, I think you'll be back in  
3 sort of a non-settlement panel capacity, so we can ask  
4 that.

5 Mr. Weinman, a number of the, oh, I'm sorry,  
6 go back Mr. McCarthy, in your rebuttal testimony at  
7 pages 8 to 10, I believe you character -- you were  
8 critical of Mr. Weinman's at that point opposition to  
9 the agreement and criticizing him by saying that he  
10 raises a number of risks, but risks don't equal harms.  
11 I mean do you really mean that if we view this  
12 transaction as there's a number of risks post  
13 transaction to the company Frontier Northwest and its  
14 rate payers that wouldn't exist without the transaction  
15 that that's not harm?

16 A. (McCarthy) My point was merely that risk,  
17 you need to take into account probability of whether the  
18 risk actually would equate to a harm, and I think the  
19 conditions that we've agreed to with Staff were designed  
20 to mitigate some of those potential risks.

21 Q. But you would agree there's still some  
22 residual risks here, I mean you hear a lot of people  
23 concerned about them?

24 A. (McCarthy) I've certainly heard a lot of  
25 people have concern about risks, and there's risks

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1 associated with any, as Staff has said, with any  
2 transaction, but I think the conditions that we've  
3 agreed to go a long way toward solving a lot of risk  
4 issues that the Staff had raised at the time.

5 Q. And, Mr. Weinman, I gather that you would  
6 agree there's still risks?

7 A. (Weinman) Yes.

8 Q. And so are you saying though that -- and you  
9 would say that risks is a -- that risks is a form --  
10 risks are a form of harm?

11 A. (Weinman) They can be. I mean --

12 Q. And so are you saying that there -- that  
13 there are kind of benefits in this transaction that  
14 overcome the risks?

15 A. (Weinman) We believe the settlement does  
16 mitigate.

17 Q. That's not what I asked. I asked -- I meant  
18 not about just mitigating of risks, but are there -- I  
19 mean are there benefits to this transaction that  
20 overcome the whatever risks may still exist?

21 A. (Weinman) Yes.

22 Q. And those would be -- and what are the major  
23 benefits then?

24 A. (Weinman) DSL deployment to what, 30 some  
25 wire centers that don't have it or are underserved.

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1 Q. And does one benefit, as counsel to the -- I  
2 think it was counsel for the Federal Agencies said this  
3 morning was Verizon just doesn't want to be here any  
4 more, and we now have a company that wants to be here?

5 A. (Weinman) I mean certainly there's risk, and  
6 I believe Verizon has explained that they're not as  
7 anxious to deploy products as what Frontier has  
8 expressed, and that is a benefit to the Washington  
9 customers.

10 Q. One of the numbered here financial conditions  
11 are basically reporting conditions, and one thing you  
12 did not include was a requirement that Frontier submit  
13 budgets to the Commission for approval as is authorized  
14 in Title 80.04 and 80.04.300, did you consider that at  
15 all?

16 A. (Weinman) Actually I didn't personally.  
17 Working the energy side, they do submit budgets  
18 annually, and I honestly don't know if Verizon -- I  
19 don't know.

20 Q. No, my question was whether or not that is a  
21 form or financial condition that should be imposed?

22 A. (Weinman) It should be, yes.

23 Q. Because what we heard from Public Counsel,  
24 and I'm guessing we're going to hear more, is that, you  
25 know, there's no budget for 2010 or beyond for Frontier



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1 Northwest, and that's a concern, and couldn't we resolve  
2 that concern?

3 A. (Weinman) We certainly can.

4 Q. And then one of the other -- the -- my last  
5 question really is for Mr. McCallion or Mr. McCarthy  
6 that the -- there's a provision in the agreement that  
7 Frontier in fact will hold Verizon harmless for any  
8 costs that arise out of conditions that are placed on  
9 the transaction by any regulatory body. Am I correct on  
10 that?

11 A. (McCallion) There is a condition in the  
12 merger agreement that indicates that if there are costs  
13 that are imposed by a regulatory body, what that will do  
14 is that will impact the number of shares that Verizon  
15 shareholders would get in the transaction. So to the  
16 extent that Verizon was required to pay out additional  
17 dollars, then Verizon shareholders would get a  
18 equivalent value back in the terms of the number of  
19 shares.

20 Q. So is that just another way of saying yes?

21 A. (McCallion) I guess the answer -- I guess  
22 the answer would be yes, but I wanted to put it in the  
23 context that it's not a cash payment, but rather it's  
24 part of the risk allocation and the total merger  
25 agreement. There's certain things that Verizon took the

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1 risk on responsibility, certain things Frontier did as  
2 we came up with the total merger agreement.

3 Q. In your experience in other states, has that  
4 provision been a concern by any other regulatory body?

5 A. (McCallion) I haven't been asked any  
6 questions on it. I was the witness in every state  
7 except for West Virginia, and I just -- I wasn't the  
8 witness there, so I don't --

9 Q. Okay.

10 Mr. McCarthy, anything to add?

11 A. (McCarthy) I was the witness in every state,  
12 and the only state that I recall it coming up in was  
13 West Virginia.

14 Q. And they haven't resolved it yet?

15 A. (McCarthy) No, but the hearings are complete  
16 at this point.

17 Q. Okay. And so you haven't agreed to waive or  
18 limit that condition in any jurisdiction?

19 A. (McCarthy) No, we haven't.

20 CHAIRMAN GOLTZ: Okay, that's all I have,  
21 thank you.

22 JUDGE CLARK: All right, what I'm going to  
23 do, what I'm going to propose to the parties is this,  
24 because we have the outstanding oral records requisition  
25 and we do not yet have the response, to recess basically

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1 now, allow the parties to pursue that, get the response  
2 to the other parties and the Bench, and give you an  
3 adequate opportunity to confer, hold this panel over to  
4 tomorrow and see if there is inquiry regarding these  
5 topics before I turn to redirect. Does anyone have an  
6 objection with that process?

7 All right, hearing none, is there anything  
8 else we should consider on the record before we recess  
9 for the evening?

10 All right, then we will reconvene tomorrow  
11 morning at 9:30 a.m. We are at recess until then.

12 (Hearing adjourned at 4:50 p.m.)

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