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BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION

2

3 In the Matter of the Joint )  
 Application of ) DOCKET NO. UT-090842  
 4 )  
 VERIZON COMMUNICATIONS INC. ) Volume VI  
 5 AND FRONTIER COMMUNICATIONS ) Pages 583 to 684  
 CORPORATION. )  
 6 )  
 For an Order Declining to )  
 7 Assert Jurisdiction Over, or, )  
 in the Alternative, Approving )  
 8 the Indirect Transfer of )  
 Control of Verizon Northwest )  
 9 Inc. )  
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PORTIONS DESIGNATED CONFIDENTIAL - REMOVED  
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12 A hearing in the above matter was held on  
 13 February 4, 2010 from 9:40 a.m to 12:15 p.m., at 1300  
 14 South Evergreen Park Drive Southwest, Room 206, Olympia,  
 15 Washington, before Administrative Law Judge PATRICIA  
 16 CLARK and Chairman JEFFREY D. GOLTZ and Commissioner  
 17 PATRICK J. OSHIE and Commissioner PHILIP B. JONES.

17

The parties were present as follows:

18

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21

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24

Joan E. Kinn, CCR, RPR

25

Court Reporter

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22 TRR-19 W/D

23 TRR-23HC W/D

24 TRR-24HC W/D

25 TRR-25 W/D

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

2 JUDGE CLARK: Good morning it's approximately  
3 9:40 a.m., February 4th, 2010, in the Commission's  
4 hearing room in Olympia, Washington. This is the time  
5 and the place set for continuation of the hearing in  
6 Docket UT-090842. The record should reflect that  
7 Commissioner Philip Jones, Commissioner Patrick Oshie,  
8 and chairman Jeffrey Goltz are present for this  
9 morning's proceeding.

10 Immediately before going on the record, I was  
11 advised by Verizon's counsel that his inquiry of two  
12 witnesses this morning, Mr. Stephen Hill and Dr. Trevor  
13 Roycroft on behalf of Public Counsel, will involve  
14 highly confidential information. Therefore the  
15 Commission will conduct this portion of the proceeding  
16 in camera. Any individuals who have not signed a  
17 confidential agreement will need to exit the hearing  
18 room. I'm going to make my own initial assessment of  
19 that, but Verizon is the producer of the highly  
20 confidential information, and so I will be asking  
21 Mr. Ruggiero and Mr. Romano to confirm that no one is  
22 present in the hearing room who has not signed that  
23 agreement.

24 A separate transcript will be made of this  
25 particular portion of the proceeding. Commissioners and

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1 all other parties who might have inquiry regarding the  
2 highly confidential information should conduct that  
3 inquiry during the in camera proceeding. In order to  
4 remain in compliance with Washington's open meetings law  
5 and public records acts, as soon as the inquiry  
6 regarding the highly confidential material has been  
7 concluded, we will conclude the in camera portion of the  
8 proceeding and reopen the hearing room to those  
9 individuals who have not signed those agreements.

10 So we're going to take a few moments off  
11 record to allow individuals who have not signed highly  
12 confidential agreements to exit the hearing room, and  
13 then when we go back on record in the in camera  
14 proceeding, I will be asking for verification from  
15 counsel.

16 All right, we're off record for a few  
17 minutes.

18 (Discussion off the record.)

19 (BEGIN CONFIDENTIAL SESSION)

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

2 JUDGE CLARK: Ms. Shifley, would you call  
3 your next witness, please.

4 MS. SHIFLEY: Yes, Your Honor, I would like  
5 to now call Ms. Barbara Alexander.

6 JUDGE CLARK: Thank you. Ms. Alexander is  
7 appearing telephonically, therefore it's important for  
8 everyone to speak perhaps a little more loudly and  
9 slowly than you would ordinarily speak, and make sure  
10 you don't overspeak Ms. Alexander.

11 Ms. Alexander, this is Patricia Clark, the  
12 Administrative Law Judge assigned to the case, and I  
13 just want to remind you you've previously submitted  
14 testimony in this proceeding and you remain under oath.

15 THE WITNESS: Yes.

16 JUDGE CLARK: Thank you.

17 Ms. Shifley.

18 MS. SHIFLEY: Thank you.

19

20 Whereupon,

21 BARBARA R. ALEXANDER,  
22 having been previously duly sworn, was called as a  
23 witness herein and was examined and testified as  
24 follows:

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

2   BY MS. SHIFLEY:

3           Q.    Ms. Alexander, did you previously file  
4   testimony in this case which has been marked Exhibit  
5   BRA-1CT?

6           A.    Yes.

7           Q.    And at this time do you have any additions,  
8   corrections, or deletions to that testimony?

9           A.    No, I don't, but I just want to make sure  
10   that the document you have in front of you and that I  
11   have in front of me is the one labeled revised December  
12   2nd, 2009.

13          Q.    Yes, I believe that that's been filed.

14                JUDGE CLARK: All right, I'm going to see if  
15   there's any cross-examination for this witness. I'll  
16   start with you, Mr. Ruggiero.

17                MR. RUGGIERO: Verizon has no questions for  
18   this witness.

19                JUDGE CLARK: Thank you.

20                Frontier.

21                MR. SAVILLE: Frontier has no questions, Your  
22   Honor.

23                JUDGE CLARK: Mr. Thompson.

24                MR. THOMPSON: No questions.

25                JUDGE CLARK: Thank you.

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1 Commissioner Jones.

2 COMMISSIONER JONES: No questions.

3 JUDGE CLARK: Commissioner Oshie.

4 COMMISSIONER OSHIE: No questions.

5 JUDGE CLARK: Chairman Goltz.

6 CHAIRMAN GOLTZ: I have one question to make  
7 your wait worthwhile at least, Ms. Alexander. Thank you  
8 for appearing.

9

10 E X A M I N A T I O N

11 BY CHAIRMAN GOLTZ:

12 Q. In your testimony, both written and what  
13 we've heard before, there's a -- I believe you're  
14 comparing the situation today with what you would  
15 envision the situation to be should the transaction be  
16 approved. My question really is to ask you to compare  
17 if we accept the recommendation of Public Counsel and  
18 not approve the transaction, compare the situation  
19 between the hypothetical approval of the transaction and  
20 a hypothetical disapproval. In other words, what I'm  
21 asking for is if Verizon continues to be the service  
22 provider, do you think there will be some deterioration  
23 of service quality due to the fact in part that they  
24 would be an unwilling service provider?

25 A. I understand your question. I'm not sure

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1 that I have an answer for you since I haven't evaluated  
2 this transaction from that perspective. I will say that  
3 the Staff at your Commission has been quite vigilant in  
4 monitoring Verizon's service quality, and at least on  
5 two occasions in the last four years has brought  
6 specific investigations and report requirements forward  
7 to address what they view correctly I believe to be less  
8 than appropriate or reasonable performance. So your  
9 current situation is one in which you have --

10 CHAIRMAN GOLTZ: Can you repeat that,  
11 Ms. Alexander?

12 JUDGE CLARK: Ms. Alexander, I'm sorry, you  
13 cut out, so if you could start at the beginning of your  
14 answer, I mean that last paragraph again.

15 Ms. Alexander.

16 THE WITNESS: I'm not sure where you want me  
17 to start.

18 A. The last point I was making is that while I  
19 might have some suggestions for improving the standards  
20 that you have, the fact remains you have standards that  
21 address most of all the key issues, and you have the  
22 reporting requirements in place to monitor that so that  
23 you are certainly in no worse situation as the  
24 regulatory agency. And if there was any significant  
25 deterioration, I think you have the tools to respond to

0621

1 that.

2 BY CHAIRMAN GOLTZ:

3 Q. Would you agree that, I guess for lack of a  
4 better term, that willingness of the service provider is  
5 a factor that we should consider?

6 A. I would hesitate to say yes to your question  
7 because it almost makes it appear as if the regulatory  
8 process and the obligations that flow from Verizon's  
9 obligations under its certificate of convenience and  
10 necessity to network as a public utility is somehow  
11 solely up to their discretion, and I guess I'm not sure  
12 I would agree with the implications of that question.

13 CHAIRMAN GOLTZ: Okay, that's all I have,  
14 thank you.

15 JUDGE CLARK: Is there redirect, Ms. Shifley?

16 MS. SHIFLEY: Not at this time, Your Honor.

17 JUDGE CLARK: All right, thank you,  
18 Ms. Alexander, that concludes the examination we have  
19 for you in this proceeding. While you're certainly  
20 welcome to stay on the line, you're not obligated to do  
21 so.

22 THE WITNESS: Thank you very much. Just so  
23 you know, I think I will hang up. My client there can  
24 give me a ring if they think I need to get back on for  
25 any purpose.

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1 JUDGE CLARK: Thank you.

2 THE WITNESS: Okay.

3 JUDGE CLARK: Ms. Shifley, would you call  
4 your next witness, please.

5 MS. SHIFLEY: I'd like to now call  
6 Mr. Stephen Hill.

7 JUDGE CLARK: Thank you.

8 And of course, Mr. Hill, we've seen you  
9 before, and we know that you're going to continue to  
10 testify under oath.

11 THE WITNESS: Yes, ma'am.

12 JUDGE CLARK: Ms. Shifley.

13 MS. SHIFLEY: Thank you.

14

15 Whereupon,

16 STEPHEN G. HILL,

17 having been previously duly sworn, was called as a  
18 witness herein and was examined and testified as  
19 follows:

20

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

22 BY MS. SHIFLEY:

23 Q. Good morning, Mr. Hill.

24 A. Good morning.

25 Q. Have you previously filed direct testimony in



0623

1 this case?

2 A. I have.

3 Q. And at this time do you have any additions,  
4 corrections, or deletions to the non-confidential or  
5 non-highly confidential portions of that testimony?

6 A. I do. There's about 5 or 6 typographical  
7 errors.

8 On page 12, line 11, first initials should be  
9 HSI, not HIS.

10 Page 17, line 10, after the word debt insert  
11 the two words, the transaction, so that it reads, the  
12 transaction still involves.

13 CHAIRMAN GOLTZ: I'm sorry.

14 A. Page 17, line 10, after the word debt in the  
15 middle of the line, insert the words, the transaction.

16 Page 26, line 19, strike the word revenues.

17 And I've just realized after I told you that  
18 I wasn't going to change anything highly confidential  
19 that my last change may be exactly that, but I think we  
20 can do that without divulging anything secret.

21 JUDGE CLARK: We will do that without  
22 divulging anything secret.

23 A. It will be pretty easy. On page 36 on line  
24 6, there are 2 numbers on that line, and I'm just  
25 talking about the second number, and the last digit in

0624

1 that second number should be an 8, not what it is.

2 JUDGE CLARK: Good job.

3 A. I think that was a result of dirty reading  
4 glasses or something, I don't know.

5 Anyway that's all I have.

6 MS. SHIFLEY: Thank you, Mr. Hill.

7 JUDGE CLARK: All right, Ms. Shifley has  
8 tendered the witness for cross-examination.

9 Mr. Ruggiero.

10 MR. RUGGIERO: Verizon has no questions for  
11 this witness.

12 JUDGE CLARK: And Mr. Saville.

13 MR. SAVILLE: Nothing from Frontier.

14 JUDGE CLARK: Thank you.

15 Mr. Thompson.

16 MR. THOMPSON: Nothing from Staff.

17 JUDGE CLARK: Commissioner Jones.

18 I'm sorry, Chairman Goltz.

19 CHAIRMAN GOLTZ: Commissioner Jones wants to  
20 bat cleanup on this one.

21

22 E X A M I N A T I O N

23 BY CHAIRMAN GOLTZ:

24 Q. Mr. Hill, I have a few questions, and let me  
25 refer you first to your testimony, so that's SGH-1 at

0625

1 page 3, which is basically just a summary of your -- of  
2 your position. And that's -- I'm looking at this at a  
3 rather high level, so the summary should be sufficient.  
4 Starting on line 20, you basically list some reasons  
5 why, in summary fashion, why you believe we should deny  
6 the application.

7 A. Yes.

8 Q. And basically saying that it's grounded on  
9 optimistic forecasts with untested revenue and expense  
10 allocations. And so I -- just sort of the same question  
11 or type of approach that I took with Ms. Alexander, if  
12 we accept your recommendation and deny this application  
13 so Verizon remains the service provider, aren't some of  
14 those same issues going to be present in 2011, 2012 with  
15 Verizon as they would be with Frontier?

16 A. I don't, well, if you mean line losses and  
17 dwindling revenues for the ILEC operations, I would say  
18 yes. But the fundamental difference is that Verizon is  
19 a company, and I have one of my schedules, I think it's  
20 probably Schedule 6, shows what Verizon's financial  
21 metrics are, and they're very positive. They're going  
22 in the opposite direction of Frontier's, they're going  
23 up. And simply put, Verizon's making a ton of dough on  
24 their wireless business, and they have the financial  
25 capacity to support this business in Washington, the

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1 local exchange business in Washington. Yes, they say  
2 they want to get out of it, but they have the financial  
3 capability to do that, and we don't know that's the case  
4 with Frontier. So what you have, the difference is a  
5 company that's willing to do the work they say but I  
6 believe hasn't really supported their projections so  
7 that we can analyze them and see if they are real and  
8 you're looking at a potential financial problem in the  
9 future or a company that says they don't want the  
10 operations but has the money to do it. I think you're  
11 better off with the latter situation.

12 Q. So but is the implication then that the --  
13 that Verizon to make good on -- for Verizon to actually  
14 undertake the efforts you think are necessary, they  
15 would have to in effect subsidize the regulated  
16 operations with their unregulated revenues?

17 A. Well, no. The regulated operations are --  
18 they're, you know, just as Frontier says, they're  
19 throwing off a lot of cash. I think that that money can  
20 be directed instead of going, as it has for many years,  
21 instead of going upstairs and actually supporting the  
22 unregulated operations, they could be, you know, with  
23 some oversight by the Commission can be used to fund  
24 construction projects in this jurisdiction. So I think  
25 just the other way around, I think that these operations

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1 over the years have gone to fund Verizon's unregulated  
2 operations. And I don't think we'd be asking  
3 unregulated operations to subsidize the regulated, just  
4 use the regulated cash flows to do the job of building  
5 the network that needs to be there.

6 Q. So you're not saying that the fact -- I  
7 thought what you were saying earlier at the outset of  
8 this was that the fact that Verizon has this broader  
9 revenue source was the reason for keeping them in the  
10 position of provider.

11 A. I'm sorry if I gave that impression. What  
12 I'm saying is their broader revenue source gives them a  
13 financial basis, a strong financial basis. It's an A  
14 rated company, and there are not many out there, we've  
15 heard that already from Frontier. So it has the  
16 financial wherewithal to do what's necessary to build  
17 the network that needs to be built in Washington, and  
18 we're not frankly sure that Frontier can do that.  
19 We've, you know, I've expressed my concerns about their  
20 presentation to you, and I don't believe they've  
21 responded to those detailed concerns.

22 Q. So the up side of Verizon remaining the  
23 service provider is that they have this broader company  
24 that includes wireless. The down side is that they have  
25 this broader company that includes wireless, and that

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1 diverts their attention?

2 A. I can't disagree with that characterization.

3 Q. Yeah.

4 A. I think you're right.

5 Q. It cuts both ways?

6 A. It cuts both ways.

7 Q. And the flip of that is that the down side  
8 for Frontier is that they don't have this broader  
9 company that helps them access capital, but the up side  
10 is they've got a focus on what they do?

11 A. Right, but I think the question, I don't  
12 disagree with that either, but I think the question is,  
13 is this business model going to be sustainable? I mean  
14 as I said yesterday, their line losses are increasing,  
15 and I mean according to their theory they push DSL out  
16 into the boonies, and everybody signs up, and we keep  
17 people on land lines, and that's how we -- that's our  
18 business model. Well, if that were working, then they  
19 wouldn't be -- their line losses wouldn't be increasing,  
20 they would be stabilizing, and they're not. So unless  
21 they're able to keep making deals like this, I'm not  
22 sure how Frontier makes this a stable situation over the  
23 long haul. Maybe they, you know, with all the  
24 additional cash flow from Verizon if you allow this to  
25 go through, maybe they can be sufficient to 2014, like

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1 their projections only go to 2014, but I'm not convinced  
2 that it's a stable model.

3 Q. But the stability of that model is not  
4 something that's unique to Frontier, it's just something  
5 unique to the land line business as a whole, isn't it?

6 A. I think so, and that's one reason that  
7 Verizon having the financial wherewithal to deal with  
8 that would be I think a better option.

9 Q. In either case, the land line business is  
10 going to be subject to increasing competition from new  
11 technology?

12 A. That's correct. And it may not be cell  
13 phones. Who knows what it could be in five years. I  
14 think -- you would think that at some point there would  
15 be a core of land line users that, you know, would not  
16 go below that. I mean I prefer that to a cell phone, I  
17 can hear better on a land line. But everybody I've  
18 talked to in doing my own personal research on this  
19 issue is my age. You know, everybody's 60 years old  
20 that likes land lines. If you're 30 years old, you  
21 don't have one, and maybe probably never did. So maybe  
22 it's a thing that's going to go the way of the buffalo,  
23 you know. I don't know that, but it would seem  
24 logically that there's a core of people that would not  
25 switch away from land lines. I think it's a better

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1 product, but conveniencewise it doesn't work as well as  
2 cell phones.

3 Q. Let me ask you a little bit about your  
4 suggestion that you think that a condition of the  
5 approval we would -- and I believe the Washington number  
6 would be a \$72.4 Million investment by Verizon into the  
7 network; is that correct?

8 A. Correct.

9 Q. And now you heard yesterday I believe  
10 Mr. McCarthy state that although they didn't have a  
11 precise budget, they had a plan to spend \$55 Million to  
12 \$60 Million in the first full year on capital  
13 expenditures; do you recall that?

14 A. That's what he said. I have some concerns  
15 about that, but yes.

16 Q. Okay. So is this \$72.4 Million intended to  
17 be what is necessary to upgrade or maintain the network,  
18 or is it meant to be kind of a payment because Verizon  
19 got the better deal on this transaction?

20 A. It's the latter.

21 Q. It's the latter?

22 A. Yes.

23 Q. So the \$55 Million to \$60 Million that  
24 Mr. McCarthy talked about, that's not analogous to the  
25 72.4?



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1           A.     No, sir, it's -- Mr. McCarthy's figure was  
2 based on 12% times his projected nationwide revenues and  
3 then allocated to Washington, so it's simply a  
4 projection based on the financial model that we already  
5 have, and there's no real plans backing it up. He's  
6 just saying that, you know, we're spending money and  
7 this is the amount that would be, you know, rationed to  
8 Washington. The \$72 Million is, as you describe it, as  
9 I believe that Verizon has the upper hand here, it's  
10 likely that the price is too high simply, and I think  
11 that it would help Frontier financially if they had some  
12 help from Verizon in paying for their construction that  
13 they need to do.

14          Q.     So let's assume again that we accept your  
15 recommendation and not approve the transaction. How  
16 would you suggest the Commission then ensure that  
17 Verizon makes sufficient capital expenditures to keep  
18 its land line network up to speed?

19          A.     I think you have to look at service quality  
20 issues, and I think you have to work with Verizon about  
21 the condition of their financial -- I mean their  
22 switching network. And, you know, I'm not an engineer,  
23 telephone engineer, so I can't give a detailed answer  
24 about that, but I think you have to look at the  
25 facilities that are out there, where you would like to

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1 be, and my understanding is Washington is at (number  
2 stricken) of availability. That's where I mentioned,  
3 you know, when they say (number stricken) availability,  
4 you realize that (number stricken) of the people don't  
5 subscribe. A much smaller percent actually subscribe.  
6 But they're now at (number stricken) availability, you  
7 know, which compared to the rest of the nation is not  
8 too shabby.

9 Q. Yesterday, and I forget which witness I asked  
10 this of, but I asked about the provision whereby if  
11 there's a regulatory condition that imposes costs on  
12 Verizon that there would be that risk of that cost gets  
13 transferred through a mechanism to Frontier.

14 A. Right.

15 Q. And I was -- you referred that to a  
16 regulatory clawback provision.

17 A. That's what I called it, yes.

18 Q. And I don't know if that's the right word for  
19 that or not. If in the briefs the companies have a  
20 better description, that would be a good one to learn  
21 about. But have you seen that provision in other sale  
22 agreements in your experience?

23 A. I haven't seen it personally. My  
24 understanding, and this is secondhand understanding of  
25 the FairPoint deal, there was some regulatory clawback

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1 in FairPoint, and Verizon had to pony up some money in  
2 that transaction. Again, it's not -- that's not based  
3 on my personal inspection of the agreement.

4 Q. So when I asked the witness yesterday if this  
5 concern about that provision was raised in either  
6 proceeding, they mentioned West Virginia, so, and can I  
7 assume that you raised the issue there?

8 A. Yes, I did.

9 Q. And what was the nature of the concern there,  
10 was it just basically similar, Verizon didn't -- or got  
11 too much money?

12 A. Yes, sir, it's the same, it's the same  
13 rationale in West Virginia.

14 Q. Okay. And so if we were to accept your  
15 recommendation and require as a condition a payment by  
16 Verizon in some way at the \$72.4 Million or some other  
17 figure, that would trigger the regulatory clawback  
18 provision as you termed it, and then under the agreement  
19 as it stands that in effect would transfer the burden of  
20 that to Frontier?

21 A. That's correct.

22 Q. So in order to get around that, you would  
23 also have to, as a condition of the agreement, have that  
24 provision deleted?

25 A. Well, I don't know, I'm not an attorney, I

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1 can't advise you about what would work and wouldn't  
2 work. But it would seem to me that a codicil could be  
3 arranged so that this particular amount of money could  
4 be treated as something other than, I forget what the  
5 magic language is, it has a definition which I have in  
6 my testimony, but it has to be called not that. Just a  
7 second, I'll find out what it is. It has to be declared  
8 to be required payment amount. It can't -- that \$72  
9 Million if you ordered it, they would also have to agree  
10 to declare that that amount of money is not a required  
11 payment amount under the terms of the merger. In other  
12 words, it's out from under that definition. And to me,  
13 that seems doable. Maybe the companies would say that  
14 it was not doable, but.

15 Q. So you're suggesting -- where in your  
16 testimony do you suggest this, if you recall?

17 A. Well, the required payment amount, the  
18 definitions are on page 5. My suggestion about the  
19 Verizon payment is toward the back of my testimony.  
20 It's probably in the highly confidential section.

21 Q. Okay. Well, I will look at that, but you're  
22 suggesting that it may be possible to require a payment  
23 without triggering the required payment amount  
24 provision?

25 A. These lawyers are pretty smart, I think they

0635

1 can probably figure that out.

2 Q. I'm worried about me here, so.

3 So I also asked Mr. Weinman yesterday about  
4 this provision and asked him if there was -- if that  
5 provision had not been in this agreement, if there had  
6 been any other conditions that Commission Staff may have  
7 suggested, and he said no as I recall. And the reason  
8 for that was with all the concern that you have  
9 expressed about the ultimate financial ability of  
10 Frontier post transaction, that if we were to impose, if  
11 any commission were to impose conditions on the  
12 transaction that would lead to more costs by Verizon  
13 with the provisions shifting then to Frontier, that  
14 would just contribute potentially to any fragility there  
15 is in Frontier's ability to perform.

16 A. Exactly.

17 Q. So I guess my question is if in your -- my  
18 question to Mr. Weinman was if this provision sort of  
19 effectively infringed upon the Commission's or Staff's  
20 ability to appropriately evaluate this sort of  
21 transaction, and I wondered if you had any opinion on  
22 that?

23 A. When you say this provision, you mean this --

24 Q. The clawback provision.

25 A. Yes, I think it's structured in order to

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1 prevent regulators from having Verizon contribute to the  
2 financial wellbeing, if you will, of Frontier or lower  
3 the price or however you want to put it, but I think  
4 they did that in order to, you know, put a stop on  
5 regulators doing that very thing. I think that's why  
6 the codicil was in there.

7 CHAIRMAN GOLTZ: I have no further questions,  
8 thank you.

9 THE WITNESS: Yes, sir.

10 JUDGE CLARK: Commissioner Oshie.

11 MR. RUGGIERO: Your Honor, if I might  
12 interrupt briefly.

13 JUDGE CLARK: Yes, you may, Mr. Ruggiero.

14 MR. RUGGIERO: A few minutes ago, I'm sure  
15 inadvertently, Mr. Hill referenced a highly confidential  
16 broadband availability number, so we would just ask that  
17 that portion be marked in the transcript.

18 JUDGE CLARK: All right, I'm going to ask  
19 that that portion of the transcript be marked and  
20 stricken, and I will personally work with the court  
21 reporter to ensure that the appropriate portion of the  
22 transcript is excised since I'm sure she has no idea  
23 where it is.

24 And, Mr. Hill, I just do want to remind you  
25 that page 4 of the settlement agreement, which is where

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1 this number came from, is a highly confidential  
2 document.

3 THE WITNESS: Yes, ma'am, my apologies.

4 JUDGE CLARK: And now, Commissioner Oshie.

5 COMMISSIONER OSHIE: Thank you. It's good to  
6 be reminded, because I was going to ask Mr. Hill about  
7 that subject matter.

8

9 E X A M I N A T I O N

10 BY COMMISSIONER OSHIE:

11 Q. Well, I want to make sure that I understood  
12 your testimony correctly, because it -- I believe you  
13 stated that Verizon's, not their take rate but the  
14 availability of broadband, was probably greater than  
15 what was available to customers as a general rule  
16 throughout the United States. Did I understand that  
17 correctly?

18 A. Yes, sir.

19 Q. Yeah.

20 A. In Washington you mean?

21 Q. In Washington, correct.

22 A. Yes, sir.

23 Q. And as someone with your expertise in  
24 economics and financial matters, you can answer yes or  
25 no to this, but, you know, it's always been my

0638

1 understanding that the availability issue is greater in  
2 rural areas or it is -- availability is probably  
3 significantly less in rural areas than it is in more  
4 densely populated areas.

5 A. Yes.

6 Q. Yes or no?

7 A. Yes, the cost to serve sparsely populated  
8 areas is higher per customer.

9 Q. And I've always assumed that, you know, when  
10 private capital looks at the return, in other words it  
11 looks at the cost of investing in building out broadband  
12 and then looks at the take rate, the projected take rate  
13 in rural areas, there is a decision made that could go  
14 one of a couple of ways, but in other words if I have a  
15 dollar to invest, I'm going to invest it where I have  
16 the possibility of the greatest return; is that correct?

17 A. That's correct.

18 Q. And I think that's just a fundamental, you  
19 know, premise of capitalism entirely consistent with  
20 your opinion as well that, you know, the company's going  
21 to try to get as much money as they can out of a sale.

22 A. Right.

23 Q. I think that's exactly right.

24 A. Right.

25 Q. And so the issue with broadband then is to



0639

1 invest in rural areas is expensive, more expensive I  
2 would venture than investing in the more densely  
3 populated areas, and the return is not sufficient for  
4 private capital to go in on its own.

5 A. And your question is what?

6 Q. Is that true, do you believe that to be true?

7 A. Well, it's -- I would say yes and no. I mean  
8 we have a same situation with electric utilities. I  
9 mean it's much more expensive to get electricity out  
10 where I live in the country than it is downtown, but we  
11 require electric utilities to serve those people. Now  
12 the problem with telephones is that we have elected to  
13 deregulate those services.

14 Q. I would agree.

15 A. That's a problem.

16 Q. And the difference between electric service  
17 and particularly with broadband is that as a general  
18 rule commissions, unless it's a municipal or other  
19 publicly owned electric utility, that their broadband is  
20 not regulated by public service or public utility  
21 commissions.

22 A. That's correct in this country. In other  
23 countries it is, and you'll find that they have very  
24 high penetration of high speed Internet and very fast  
25 rates as well.

0640

1 Q. Well, let's -- so let's get to one of the  
2 provisions here in this settlement, and that is to  
3 require, at least the settlement Staff requires that the  
4 company invest \$40 Million in broadband development over  
5 a period of time in the areas that are now underserved.  
6 And I know that you really -- maybe you can opine, at  
7 least you can offer your opinion, would the company do  
8 this if it wouldn't be required by some regulatory fiat  
9 in your opinion?

10 A. I don't think I can answer that. I don't  
11 know what the parameters of the Washington network are  
12 like. And until you -- someone looks at that, I'm not  
13 sure how you can put a dollar value on that. But your  
14 question is more rhetorical, would they do it.

15 Q. Would they do it?

16 A. Without your say so. I have to go back to  
17 your capitalism answer. If they can make money on it,  
18 they will.

19 Q. Well, and I guess if we looked at history, I  
20 mean the fact is it hasn't been done yet; is that  
21 correct?

22 A. That's correct.

23 Q. So obviously the company either had a better  
24 place to invest its money or decided that it wasn't  
25 going to invest there?

0641

1           A.     Well, that's -- you may be correct.  I think  
2     the question then becomes is this a utility that you  
3     want delivered to the public, and then you're looking at  
4     re-regulation, and that's a different kettle of fish.

5           Q.     Well, and I think let's bring it around to  
6     what is really pertinent or germane to this matter.  
7     Your testimony is really focused on the financial  
8     strength of the merged companies of Verizon and  
9     Frontier, is it not?

10          A.     That's certainly part of it.  The rest is  
11     looking at their financial projections and the  
12     allocation process that went into this deal.

13          Q.     And so although the amount of money in  
14     question with broadband development is, in terms of the  
15     actual sale price, is not large, but the \$40 Million  
16     that's in the settlement, I mean wouldn't that in fact  
17     at least from your opinion based on your testimony erode  
18     the company's financial already, in your projections,  
19     already weak financial condition?

20          A.     No, I don't think so.  I think that building  
21     out broadband is part of their story.  That's what they  
22     say that they're going to do.  The \$72 Million is an  
23     estimate of what Verizon thinks it would need to build  
24     out broadband, what its engineers think.  And that's --  
25     and ratioed down to the access lines in Washington,

0642

1 that's what we come up with. The \$40 Million that's in  
2 the settlement is, frankly I'm not sure what the basis  
3 of that is, but that is an amount of money that in order  
4 for this deal to go through the Staff requires them to  
5 spend on broadband, you know, which is not a bad thing.  
6 There's nothing wrong with that.

7 Q. Well, there isn't anything wrong with it  
8 other than the fact that if left up to private capital,  
9 it probably wouldn't invest there because the return  
10 wouldn't be sufficient to attract that investment?

11 A. Well, but that's not Frontier's story.  
12 Frontier's story is if we get DSL out into the  
13 hinterlands, these people who formerly weren't on line  
14 and didn't have access to that, their model is to push  
15 it out there so they can give them, you know, the keys  
16 to the city sort of.

17 Q. Well --

18 A. And then they will be -- they will sign on,  
19 and that will be profitable for them. That's their  
20 story.

21 Q. And I understand that, Mr. Hill. I'm asking  
22 you for your story, I mean whether you think that --  
23 because if you -- I haven't done any calculations, but I  
24 would venture in a number of states there's been a  
25 required contribution to the development for broadband

0643

1 investment, and I don't know what the total number is,  
2 but let's just say that it's, you know, well, I don't  
3 know. Do you know?

4 A. No, I don't.

5 Q. And is there a point in which the amount of  
6 money that's required to invest in broadband at least in  
7 your opinion further financially weakens the company?

8 A. Well, at some point if they were required to  
9 spend moneys such that they would push broadband out to  
10 100% of telephone customers, I think that would probably  
11 -- the answer would be yes. At some point, yes, it's  
12 going to affect their financials. There's no question  
13 about it. The difficulty for me is the financials are  
14 locked down and you can't get at them to see what, you  
15 know, this sort of thing would make a difference.

16 COMMISSIONER OSHIE: I don't have any other  
17 questions, Mr. Hill, but thank you.

18 THE WITNESS: Yes, sir.

19 JUDGE CLARK: Commissioner Jones.

20 COMMISSIONER JONES: Thank you, Judge.

21

22 E X A M I N A T I O N

23 BY COMMISSIONER JONES:

24 Q. I'm tempted to jump into this discussion that  
25 Commissioner Oshie started, because it's a very

0644

1 important discussion.

2 A. Yes, sir.

3 Q. Involving a lot of policy related issues, but  
4 I think I'm going to defer from that for the time being  
5 and just ask you a few questions largely related to what  
6 you heard yesterday in response to some of my questions  
7 from the Bench.

8 A. Yes, sir.

9 Q. Some of the witnesses. I think you were  
10 here, were you not?

11 A. Yes, I was.

12 Q. So let's start with maybe you can refer to  
13 page 20 of your testimony. I'm going to start on the  
14 earnings per share issue and free cash flow.

15 A. I'm there.

16 Q. You heard Mr. Whitehouse yesterday and read  
17 his testimony on why he disagrees with you. Your  
18 analysis focuses on earnings, does it not?

19 A. Yes, sir.

20 Q. Instead of free cash flow. So why is  
21 earnings per share more important in your view than  
22 looking at the free cash flow number that Mr. Whitehouse  
23 provided in his rebuttal?

24 A. I think that earnings per share is a  
25 universally accepted indication of how profitable a

0645

1 company is. It's more widely used than free cash flow  
2 measures. And in this situation where the company is  
3 paying out a dollar dividend and is earning 40 cents,  
4 you're going to, over time, you're going to eat away  
5 your equity capital. They're down to in 2009, in June  
6 2009, they were down to 8%, 8%, single digits. And at  
7 this rate if they don't get the deal done, if you reject  
8 the transaction, Frontier is going to be I think in  
9 trouble. They're going to be in a situation where they  
10 have negative equity capital, and that's going to  
11 continue as long as they continue to pay out a dollar  
12 dividend and earn less than that. They right now have  
13 the highest dividend in the Fortune 1,000 companies,  
14 13.7%. And that indicates to me it's a risky company if  
15 people need to be incented to invest in this company by  
16 a 13% dividend.

17 Q. Right.

18 A. So I'm going beyond your question, I  
19 apologize.

20 Q. Mr. Hill, just to clarify for the record,  
21 that dividend yield is based on a share price today of  
22 about \$7.70 and the \$1 per share dividend?

23 A. Correct.

24 Q. But the structure of this transaction is to  
25 reduce the dividend.

0646

1 A. Right.

2 Q. As you know.

3 A. Right, but they will also --

4 Q. To 75 cents.

5 A. Right.

6 Q. And based on Mr. Whitehouse's testimony and  
7 what he said yesterday is he is -- he calls it  
8 delevering the company even though they're increasing  
9 debt in the aggregate sense by \$3 Billion, because of  
10 the equity of \$5.2 Billion, the post transaction company  
11 is going to have a different capital structure, correct?

12 A. Well, sir, that's what he said. His  
13 definition of capital structure is different than the  
14 one that I have. His definition of capital structure is  
15 debt to EBITDA or EBITDA to debt, whichever one you want  
16 to use. It's a cash flow measure of capital structure.  
17 My measure of capital structure is looking at the  
18 liability side of the balance sheet, it's the capital  
19 that actually finances the business, and I have a  
20 problem with the capital structure that falls out of the  
21 allocation process. I discuss this in my testimony.

22 Q. Right.

23 A. All right.

24 Q. And I was going to get to that, but let's  
25 stay on this, I just want to wrap up this earnings per



0647

1 share versus cash flow analysis.

2 A. Yes, sir.

3 Q. So as I understand your concern, it is even  
4 with the reduction in the dividend and the  
5 recapitalization of this company, your concern is that  
6 the company will not be able to meet its obligations on  
7 operating expenses and capital expenditures, or is it  
8 more that you fear share, you know, after transaction  
9 closes, more shares are sold, equity, and the company is  
10 forced to issue more shares, and therefore by  
11 mathematical definition earnings per share, obviously if  
12 you keep earnings constant, increase the number of  
13 shares, EPS goes down further?

14 A. Right, that is a concern that even when they  
15 drop the dividend to 75 cents, they are going to add 750  
16 million more shares, so that's another 75 times 750 is  
17 what, 500 something million dollars.

18 Q. Right.

19 A. In additional dividends they've got to pay.  
20 And another thing that I think has not been  
21 talked about in Frontier's finances is they have to buy  
22 back stock every year. Because as their revenues  
23 dwindle, then they have to trim their dividend  
24 requirements in order for them to have cash flow, enough  
25 cash to be able to invest in, you know, operating

0648

1 equipment.

2 Q. All right.

3 A. So that's another factor that's not talked  
4 about very much, but that's a requirement that their  
5 cash flow has to meet as well. So when they talk about  
6 free cash flow, they're not really considering having to  
7 buy back common equity to reduce their dividends as they  
8 go into the future.

9 Q. I understand.

10 Next line of questioning is on this special,  
11 what you -- I think it's on page -- the part of your  
12 testimony where you take issue with the, quote, carving  
13 out of Verizon's various operations.

14 A. Yes, sir.

15 Q. I think it's on page 24, 25, actually 25.  
16 The point you make there is SpinCo really doesn't exist,  
17 and therefore the assumptions that Verizon used to carve  
18 out, quote, carve out these assets are either  
19 unrealistic, optimistic, or they haven't been checked by  
20 an independent third party. Now do you have any  
21 responses to Mr. Smith's testimony yesterday where he  
22 somewhat zealously I think and perhaps appropriately  
23 defended the use of I think he referred to GAAP, to  
24 Sarbanes-Oxley, to, you know, presentations to the  
25 board.

0649

1           A.     Yes.

2           Q.     Use of an accountant.  Do you -- what's your  
3 response to that?

4           A.     Well, sir, this is all information that we've  
5 had before.  The accountants as I -- in the quote I have  
6 on page 26 indicate that they haven't vetted the  
7 allocation process.  He said that's the business of  
8 management.  We even have the data request or data  
9 response in the record said it's not the business of  
10 auditors to sign off on allocation methodologies.  The  
11 financial advisors say, we didn't look at this, this is  
12 the management's responsibility.  And Frontier didn't  
13 look at it.  And my position is Frontier needs this  
14 deal, you know, we've reached a horse trade, okay, let's  
15 go ahead.  You know, all they have to, you know, I'm not  
16 wedded to this position, all I want them to show me is  
17 somebody says, Dear Verizon, I looked at your allocation  
18 and I think it's okay, signed Arthur Andersen or  
19 something.  That's all I want.  That we haven't seen.

20          Q.     Do you have any assurance that or any  
21 information in the record for example on the separations  
22 freeze, the, you know, you're familiar with the  
23 separations issue of unregulated to regulated operations  
24 per the FCC?

25          A.     I am familiar with it somewhat.  The issue

0650

1 here -- and I would note that Mr. Smith's discussion of  
2 allocation is a little irrational. He says that a lot  
3 of these costs are directly allocable, you know,  
4 revenues and plant, but the S-4 says very clearly that  
5 the allocation which is some, you know, less than half  
6 of the cost affects the income statement top to bottom.  
7 And that determines EBITDA, which is a factor that  
8 determines the value, but it also affects -- where it  
9 shows up to me most obviously is the liability side of  
10 the balance sheet. Because after this allocation  
11 process, what you have on the liability side of the  
12 balance sheet is debt, about \$6 Million, and something  
13 called parent capital, which they say in the S-4 is both  
14 equity and debt. That's the first time I've ever seen  
15 that. It appears to me that this allocation process has  
16 gathered some of the parent debt and put it in with the  
17 equity capital so it doesn't appear in the debt. And  
18 therefore when you put it all together, the leverage  
19 appears to be lower, but I think that's a process of the  
20 allocation. And one thing the company could have done  
21 to get me off of this is to say, okay, Mr. Hill, if we  
22 add up all the income statements of the telcos in 14  
23 states, it looks just like VSTO, it looks just like  
24 that. If that's the case, then, you know, I'll shut up  
25 about it.

0651

1 Q. Have you seen this term special purpose  
2 financial statements used before in other mergers or  
3 spinoffs?

4 A. I've seen it in other mergers, yes. It's not  
5 unusual when you have to -- you're spinning off a  
6 company, that kind of thing happens.

7 Q. But when I think of special purpose, I think  
8 of things like special purpose vehicles, you know, that  
9 became quite familiar during the era, I don't want to  
10 describe it as an era, but the era of let's say  
11 financial innovation.

12 A. Yes. You're talking about --

13 Q. And SPV's, the special purpose vehicles, are  
14 off balance sheet, correct?

15 A. Correct.

16 Q. But this appears to be -- I'm not an  
17 accountant; are you an accountant?

18 A. No, sir.

19 Q. Okay. So this is -- I mean I take the  
20 statement at its word that the special purpose financial  
21 statements have been prepared according to GAAP.

22 A. Yes, I don't doubt that at all. And the  
23 accountants say -- that's the accountant's job, to make  
24 sure that things balance and they add up correctly and  
25 according to GAAP and everything's in the right

0652

1 categories and all, but they don't vet the management  
2 allocation process.

3 Q. I'm just going to follow up briefly on the  
4 Chairman's questions. Could you turn to page 51. I  
5 think we have a new acronym here, Mr. Hill, it's RPA,  
6 required payment amount.

7 A. Yes, sir.

8 Q. So this is what you were -- you had a  
9 dialogue with the Chairman on this issue. So this is in  
10 the terms of the merger agreement, Paragraph 1.144,  
11 correct?

12 A. Correct.

13 Q. And what does that RPA, let's call it RPA,  
14 state? Does it just state what you say here in 1 and 2?

15 A. It's -- I have it -- the definition is  
16 actually on page --

17 CHAIRMAN GOLTZ: Page 5.

18 A. -- 5 of my testimony.

19 Q. Okay.

20 A. It was taken from the merger agreement.

21 Q. Okay. So my question to you is you admit,  
22 you say you're not a lawyer, but do you have any, based  
23 on what you've seen in this proceeding and a little bit  
24 of the back and forth, do you have any further  
25 recommendations on that issue?

0653

1 A. As to how we might work around it?

2 Q. Correct. You mentioned a codicil.

3 A. Not beyond what I discussed with the  
4 Chairman.

5 Q. Okay. Just so I understand your  
6 recommendation or Public Counsel's recommendation, and  
7 we may need to hear from Mr. Roycroft on this, but the  
8 settlement agreement as Commissioner Oshie said calls  
9 for a broadband deployment commitment of \$40 Million,  
10 correct?

11 A. Right.

12 Q. You are advocating here in your  
13 recommendation for an additional commitment of \$72  
14 Million, correct?

15 A. Yes, sir.

16 Q. And then Mr. Roycroft, I want to make sure I  
17 understand this, Mr. Roycroft calls for an additional  
18 commitment of \$40 Million?

19 A. That's correct.

20 Q. The \$72 Million and the \$40 Million are  
21 commitments for Verizon?

22 A. The \$72 Million is a commitment for Verizon  
23 to this process as sort of a fee of getting it done.  
24 You have to ask Dr. Roycroft about the other one.

25 Q. Okay. I think it is, but subject to check, I

0654

1 may ask him that.

2 My question to you was, is there any overlap  
3 in terms of what these funds are meant to be invested  
4 for in terms of either broadband, outside plant, your  
5 recommendation of \$72 Million, is it meant to be just --  
6 I think you state in your testimony you thought -- you  
7 think the valuation is too rich?

8 A. Yes, sir, and the \$72 Million is meant to be  
9 a modification for Washington of that amount.

10 Q. But it's not meant to be for any particular  
11 purpose post transaction, whether it be OSS, broadband,  
12 service quality indicia?

13 A. That's correct.

14 Q. So it really is, as I think through this,  
15 it's not a -- it's not a merger commitment in terms of  
16 the Staff settlement agreement which breaks into  
17 financial conditions, broadband, service quality, it is  
18 more an issue between the two companies on the purchase  
19 price and the valuation, correct?

20 A. Yes, sir.

21 Q. My last question is you talked about the  
22 liabilities and your concern about the liability side of  
23 the balance sheet, but if bankruptcy were to occur,  
24 Chapter 11 were to occur.

25 A. Yes, sir.



0655

1           Q.     Two or three years down the road or in the  
2 future, would there be any changes to your  
3 recommendation? And refer specifically to the  
4 settlement agreement. There's a broadband deployment  
5 fund, there's condition number 1, the reporting on  
6 intercompany receivables, payables.

7           A.     Oh.

8           Q.     Things like that, just maybe refer to both  
9 the broadband fund and the financial, the 11 financial  
10 conditions.

11          A.     Well, the financial conditions, I believe  
12 there are 12 of them, and they are basically reporting  
13 functions. They require the Commission through the  
14 company's reporting to keep an eye on the cash flows and  
15 what's going on at the company. And also I believe  
16 number 12 had to do with sort of a capital budget,  
17 what's necessary to get this percent of broadband done  
18 and how far are you along. In the case of bankruptcy,  
19 I'm afraid most of that -- you should certainly keep  
20 track of where the money is or what money's there, but  
21 any kind of requirement about pushing broadband out  
22 further is going to be very, very difficult. Because if  
23 you do go to bankruptcy court, then it's been my  
24 experience that the commission -- they certainly can  
25 have a say, but ultimately the bankruptcy court judge is

0656

1 the one that has the say about where the moneys go. And  
2 if you -- if Frontier has for example \$40 Million  
3 escrowed and it's designated for broadband, if they go  
4 bankrupt, then the judge can say no, no, that \$40  
5 Million over there, that's going to go to pay off your  
6 debtors or going to go to the pension fund or something.

7 Q. Right.

8 A. But you don't have control of that any more.

9 Q. I perhaps meant to rephrase the question  
10 another way. I know you're not an attorney.

11 A. That's correct.

12 Q. But my question was more directed as if this  
13 transaction were to occur and then the financial  
14 conditions, what specifically is, especially with the  
15 cash flows, with the payment of dividends, the earnings  
16 per share, what sorts of conditions, what sorts of  
17 information and analysis should we be looking at most  
18 closely to follow the integrity of this company?

19 A. Well, the financial statements of the  
20 companies are most definitely the first thing. We have  
21 to keep track of where the cash flows are and what's  
22 necessary -- how much cash flows are being thrown off by  
23 depreciation for the plant here in Washington? Is that  
24 much greater than the plant investment? If that's the  
25 case, then we have to -- maybe we need to dial that back

0657

1 a little bit. But just like in Hawaii in this  
2 bankruptcy there, the people are still -- they still  
3 have phone service. They're still paying monthly bills.  
4 It's everything's simply operating under protection. So  
5 I think phone service will continue, but the finances  
6 will become very, very important to both the Commission  
7 and the company and possibly the bankruptcy court judge  
8 as well. So there would be -- I'm not sure if I can  
9 name any sort of indicia that would be better than the  
10 financial statements, but that certainly would be  
11 primary. And cash flow, the number, the condition  
12 number 1, which is reporting intercorporate cash flows,  
13 would also be important.

14 Q. And as you stated, you thought that was a  
15 good condition?

16 A. Yes, I don't see anything wrong with it. I  
17 just don't think it does anything to protect really the  
18 financial health of the company. There's no triggers,  
19 there's no response.

20 COMMISSIONER JONES: Right, okay, that's all,  
21 thank you.

22 JUDGE CLARK: Commissioners, any other?

23 All right, you have an anticipatory look on  
24 your face, Mr. Ruggiero.

25 MR. RUGGIERO: Your Honor, just a couple

0658

1 brief questions on cross.

2 JUDGE CLARK: You want recross-examination?

3 MR. RUGGIERO: Yes, Your Honor.

4 JUDGE CLARK: All right, limited strictly to  
5 inquiry by the Commissioners.

6 MR. RUGGIERO: Very strictly limited.

7 JUDGE CLARK: And specifically telling me  
8 where those questions were, right?

9 MR. RUGGIERO: That is correct, Your Honor.

10 JUDGE CLARK: Thank you.

11

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

13 BY MR. RUGGIERO:

14 Q. Mr. Hill, please turn to page 51 of your  
15 testimony.

16 JUDGE CLARK: And is your microphone on?

17 MR. RUGGIERO: It is.

18 A. I have it.

19 BY MR. RUGGIERO:

20 Q. Mr. Hill, Commissioner Jones asked you  
21 directly whether the \$72.4 Million was meant for any  
22 particular purpose like capital spending or broadband  
23 deployment, and you told him it wasn't. And when I look  
24 at page 51, line 12, here was your testimony back then:

25 As a final part of this condition

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1           because it is designed to support  
2           capital spending for the surviving  
3           company, I recommend that the Commission  
4           require Frontier to monitor those funds  
5           and use them only for improving the  
6           telephone plant they are purchasing from  
7           Verizon. In other words, those moneys  
8           are designed to supplement the capital  
9           spending on the Verizon properties. And  
10          as a condition of approval, Frontier  
11          should ensure through quarterly  
12          reporting to the Commission that those  
13          additional funds contributed by Verizon  
14          are being used only to improve the newly  
15          acquired plant facilities and not to be  
16          spent on facilities located in  
17          Frontier's current service territory.

18          Now if I ask you to look back at page 50 of  
19 your testimony beginning at line 3, you state:

20                 It appears likely then that the capital  
21                 spending requirements necessary for a  
22                 combined Frontier SpinCo to undertake  
23                 the buildout promised in its testimony  
24                 will exceed the levels included in its  
25                 financial forecast due in part to the

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1           lack of historical capital spending by  
2           Verizon.

3           Now is the purpose of your proposed \$72.4  
4 Million to assist with capital spending due in part to  
5 the lack of historical capital spending by Verizon, or  
6 is it, as you now testify, because you believe that the  
7 transaction has been overvalued?

8           A.     My testimony is not different. I was  
9 responding to the Commissioner's question, and I thought  
10 he was asking me since this \$72 Million comes as a  
11 function of the Verizon engineer's assessment of DSL  
12 buildout if that was intended to be the only use for  
13 that. My answer was no, that it's a more general, as I  
14 say in my testimony in many places, I believe that the  
15 sale price, if you will, of the transaction is too high,  
16 and this is a way for Verizon to pitch in a little bit  
17 and help Frontier out financially. I would hope that  
18 that money is used for capital spending and not for  
19 something unregulated, to the buildout that Frontier  
20 promises to do. But my -- I believe my response to the  
21 Commissioner was in general it has more to do with the  
22 Verizon overpricing, which I believe is overpriced, the  
23 deal valuation is too high, than -- it's not really -- I  
24 used the metric of the \$600 Million offered by the  
25 Verizon engineer, but that's a way to get to that \$72

0661

1 Million number.

2 Q. And when Commissioner Jones asked you about  
3 the interplay or overlap between your proposal and  
4 Dr. Roycroft's proposal -- well, let me ask you to turn  
5 to SGH-21.

6 A. Okay.

7 Q. Verizon asked you if you had undertaken to  
8 analyze whether your condition and Dr. Roycroft's  
9 condition overlapped in any way, and you said that you  
10 had undertaken no such analysis; isn't that correct?

11 A. That's right.

12 MR. RUGGIERO: No further questions, thank  
13 you, Your Honor.

14 JUDGE CLARK: All right, Ms. Shifley,  
15 redirect.

16 MS. SHIFLEY: Thank you, Your Honor.

17

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

19 BY MS. SHIFLEY:

20 Q. I just have one quick question, and it's  
21 regarding some questions that Commissioner Oshie asked  
22 you. Mr. Hill, was it your understanding that you were  
23 retained in this case to look at broadband policy issues  
24 or broadband deployment issues, or did Public Counsel  
25 have a different expert witness on that issue?

0662

1 A. Dr. Roycroft is the expert on that.

2 Q. Okay. So would you say then that some of  
3 your -- the cross-exam, or excuse me, the Commissioner  
4 questions that were addressed to you might be better  
5 addressed to somebody else?

6 A. It's possible. I gave the best answer I  
7 could, but that's certainly possible.

8 MS. SHIFLEY: Thank you.

9 JUDGE CLARK: All right, thank you, Mr. Hill.

10 THE WITNESS: Yes, ma'am.

11 JUDGE CLARK: Why don't we take a moment off  
12 record.

13 (Discussion off the record.)

14 JUDGE CLARK: Ms. Shifley.

15 MS. SHIFLEY: Thank you, Your Honor.

16 Good morning, Dr. Roycroft.

17 THE WITNESS: Good morning.

18 JUDGE CLARK: Dr. Roycroft, I just want to  
19 remind you, you have previously testified several times  
20 in this proceeding and you remain under oath.

21 THE WITNESS: Thank you.

22 JUDGE CLARK: Thank you.

23 Ms. Shifley.

24 MS. SHIFLEY: I would now like to call  
25 Dr. Roycroft.



0663

1 JUDGE CLARK: I'm sorry, I thought you did  
2 that.

3 MS. SHIFLEY: I will just continue.

4

5 Whereupon,

6 TREVOR R. ROYCROFT,  
7 having been previously duly sworn, was called as a  
8 witness herein and was examined and testified as  
9 follows:

10

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

12 BY MS. SHIFLEY:

13 Q. Dr. Roycroft, did you previously file  
14 testimony in this proceeding?

15 A. Yes, I did.

16 Q. And at this time do you have any additions,  
17 corrections, or deletions to that testimony,  
18 specifically the non-confidential or non-highly  
19 confidential portions?

20 A. No, I do not.

21 MS. SHIFLEY: Thank you, Your Honor.

22 JUDGE CLARK: All right, Ms. Shifley has  
23 tendered the witness for cross-examination.

24 Mr. Ruggiero.

25 MR. RUGGIERO: Verizon has no questions.

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1 JUDGE CLARK: Mr. Saville.

2 MR. SAVILLE: Nothing from Frontier, Your  
3 Honor.

4 JUDGE CLARK: Mr. Thompson.

5 MR. THOMPSON: Nothing from Staff.

6 JUDGE CLARK: All right, I'll turn now to  
7 Commissioner inquiry.

8 Commissioner Jones or Commissioner Oshie.

9 Commissioner Oshie's going for his  
10 microphone, he has a question.

11 COMMISSIONER OSHIE: Commissioner Jones is  
12 cleanup here.

13 JUDGE CLARK: All right.

14 COMMISSIONER OSHIE: So I'm just trying to  
15 put somebody on base, that's all.

16 Excuse me, Dr. Roycroft, I just couldn't help  
17 it.

18

19 E X A M I N A T I O N

20 BY COMMISSIONER OSHIE:

21 Q. I want to go back to your testimony in, let's  
22 see, it would be in opposition to the settlement  
23 agreement, and there there was a discussion that was  
24 held, and I don't recall whether it was in cross or  
25 whether it was in the direct testimony of your attorney

0665

1 or the direct questioning, excuse me, I've done that  
2 before, but this regards the broadband stimulus fund.  
3 And I think I understood your testimony to say that if  
4 there were -- there's some contribution to develop  
5 broadband that the company shouldn't be allowed to use  
6 broadband stimulus funds to meet or to satisfy the  
7 condition if there would be one and if there would be,  
8 you know, an approval with that condition. Then as I  
9 see it, the company would not be allowed to use any  
10 proceeds, if you will, from its stimulus grant  
11 application if it were awarded to satisfy, you know,  
12 that particular condition. It's kind of a long way  
13 around the block, but did I get your testimony correct,  
14 or am I misunderstanding?

15 A. I'm not sure that you did. The point that I  
16 was hoping to make was with regard to the provision of  
17 the settlement agreement with regard to the \$40 Million,  
18 it's not clear whether those \$40 Million must be  
19 contributed by Frontier or whether they can also reflect  
20 a contribution from stimulus funds. I would prefer that  
21 the settlement be structured in a way that would push  
22 beyond what Frontier has committed to with that \$40  
23 Million so that any additional stimulus funding that  
24 became available would expand the level of broadband  
25 deployment or increase the quality of broadband

0666

1 deployment.

2 Q. All right, well, that -- I think that does  
3 help clarify, because I think I generally misunderstood  
4 the nuance there that it would be used in addition, that  
5 any broadband funds would be used in addition to  
6 continue to expand broadband development in this state,  
7 so thank you.

8 Just a couple questions about your position  
9 too on the condition to settlement with regard to the  
10 AFOR. You were here for, I believe you were here when  
11 we were discussing this issue with Mr. Weinman, is that  
12 true?

13 A. Yes, I was.

14 Q. Now I think your testimony, at least what I  
15 have in my notes, concerns synergies and whether that  
16 the AFOR would actually capture the synergies that may  
17 result from this transaction.

18 A. Whether the AFOR itself would be capable of  
19 capturing that, that's an uncertain element of the  
20 process at this point, yes.

21 Q. Did you hear Mr. Weinman, I guess what I want  
22 to question you on is whether, and maybe let's see if --  
23 let's lay some foundation. You were in the hearing room  
24 when I was questioning Mr. Weinman about the impact of  
25 the AFOR, why Staff wanted to do it?

0667

1           A.     Yes, I was.

2           Q.     And I believe in response Mr. Weinman at  
3 least in part said that residential rate payers are  
4 already paying too much or already -- they're not  
5 recovering their cost of service based on today's rate  
6 structure. Did you hear that, Mr. Weinman state that?  
7 It was a different way, but that was the gist of it.

8           A.     Right. My understanding of what he said is  
9 that the residential service was subsidized, that  
10 residential customers were essentially not paying their  
11 full share.

12          Q.     How did you interpret that in relation to,  
13 you know, should we have an AFOR, I don't know about  
14 you, but I interpreted that to mean that rates for  
15 residential customers would go up?

16          A.     That's the way that I interpreted his  
17 statement, and I will add that I strongly disagree with  
18 his premise that residential service is underpriced.  
19 Residential services rely on shared plant, and that  
20 shared plant is providing an expanding array of  
21 services, including broadband services. So absent some  
22 sort of an allocation of those very significant shared  
23 costs, making any statement with regard to residential  
24 voice grade services being subsidized is just completely  
25 unsupported.

0668

1 Q. And with regard then to the premise that we  
2 would conduct an AFOR, I don't know if you testified to  
3 this but I'm going to ask you, I mean I take it from  
4 your answer that the only way that we would truly  
5 understand that issue would be to have what I would  
6 refer to as a general rate case as part of that AFOR  
7 filing.

8 A. Yes, I think that would be a necessary  
9 condition.

10 Q. And that would certainly clarify whether or  
11 not there's been any subsidization of any customer  
12 class?

13 A. That is correct.

14 COMMISSIONER OSHIE: All right, thank you,  
15 Mr. Roycroft, or Dr. Roycroft, excuse me.

16 JUDGE CLARK: Commissioner Jones.

17 COMMISSIONER JONES: I will do the cleanup in  
18 15 minutes, Judge.

19 JUDGE CLARK: Wow.

20

21 E X A M I N A T I O N

22 BY COMMISSIONER JONES:

23 Q. Just two rounds of questions with you,  
24 Mr. Roycroft. You were present when you heard my  
25 question of Mr. Hill of your recommendation on the \$40

0669

1 Million condition, were you not?

2 A. Yes, I was.

3 Q. And I think counsel for Verizon followed up  
4 on this a bit. The way I read your condition is it is  
5 to be used to ensure that outside plant is in a, quote,  
6 well, reasonable condition?

7 A. That is correct.

8 Q. So can you be a little more specific on what  
9 types of activities you would see this fund being used  
10 for and if it does overlap at all with what Mr. Hill  
11 recommends. But maybe if you feel uncomfortable  
12 answering the second part, we may see that on brief I  
13 know, but just the first part of that question, what  
14 will it be used for?

15 A. Well, the fund is designed to be a short-term  
16 option for Frontier when Frontier takes over the  
17 operations in Washington, which it will then have the  
18 opportunity to gain a full understanding through  
19 inspecting those outside plant facilities, it may  
20 uncover conditions that require additional out-of-pocket  
21 expenses. Those expenses would be potentially targeted  
22 from that fund. With regard to Mr. Hill's number, as he  
23 has stated it's reflecting an adjustment to the purchase  
24 price designated for Frontier to expend in Washington an  
25 allocation of that fund to be spent in Washington over

0670

1 an extended period of time. So my fund is essentially  
2 show cause type fund from the standpoint demonstrate to  
3 the Commission that you have run into an issue that you  
4 did not expect and that that issue is costing you money  
5 and therefore eligible to be considered to be drawn from  
6 that fund.

7 Q. Could you turn to page 75 in your testimony,  
8 please.

9 A. I'm there.

10 Q. And this relates to this question of outside  
11 plant condition, and there you state some concerns about  
12 the condition of the Verizon outside plant including the  
13 loop plant and, you know, as Frontier goes out and  
14 extends DSL it won't have to do line conditioning, et  
15 cetera. So is this one of your concerns why you propose  
16 the \$40 Million fund, more specifically that Frontier  
17 did not do its due diligence, and they're going to find  
18 some surprises, and it may be more expensive than they  
19 estimate to build out broadband in these remote areas?

20 A. That is my concern. The information that we  
21 were able to obtain from Frontier indicated that they  
22 had not done outside plant inspections here in  
23 Washington state while they were negotiating this  
24 agreement. Very recently we've gained some additional  
25 information that they finally have come to Washington



0671

1 state to do some inspections. They did not provide me  
2 with very much information about what they saw, but  
3 that's my concern, that they did not look. And to avoid  
4 Washington rate payers being burdened by surprises, I  
5 think it's appropriate that the funds be available from  
6 Verizon to remedy those situations should they be there.

7 Q. Mr. McCarthy in his rebuttal and on the stand  
8 I think said that there had been field visits to some of  
9 these wire centers, correct?

10 A. That's right. We served discovery that we  
11 received last week as a follow up to a Staff discovery  
12 request that identified a number of wire centers that  
13 Frontier personnel had visited. Again, what they found  
14 was not described even though we asked for a report on  
15 what they had seen.

16 Q. So your concerns about the lack of due  
17 diligence, what you describe as the lack of due  
18 diligence in reviewing these assets of outside plant  
19 wire centers and such, you still stand by that opinion?

20 A. Yes, I do.

21 Q. Okay. Are you an engineer? You're an  
22 economist, aren't you?

23 A. I'm an economist. I have experience with  
24 telephone engineering.

25 Q. And you have been -- have you been involved

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1 in broadband deployment issues in other state  
2 proceedings? I imagine you have.

3 A. Yes, I have.

4 Q. Okay. The next round of questions go to page  
5 35 of your testimony, please. It regards the Fort Wayne  
6 data center.

7 A. Page 35, I'm there.

8 Q. And just describe for me again your concern.  
9 You quote Mr. McCallion here during an Ohio deposition,  
10 but Mr. McCarthy I think in his rebuttal testimony  
11 states that 230 IT personnel are going to be transferred  
12 from Verizon to Frontier upon closing, and Verizon has  
13 to be in production mode 60 days prior to close,  
14 correct?

15 A. That is correct.

16 Q. So you're talking about the element of risk  
17 here with personnel, correct?

18 A. Yes.

19 Q. So go through that again, and is there  
20 anything that you've heard in rebuttal and on the stand  
21 here these last few days that would cause you to, you  
22 know, reduce your concern about the risk of personnel,  
23 IT personnel operating the OSS?

24 A. No, the information that I've heard here does  
25 not supplement what I have gathered through the

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1 discovery process. My understanding of the personnel  
2 issues are that there are at least a portion of the  
3 personnel associated with the Fort Wayne data center  
4 that will be moved there who had previously not been  
5 running the VSTO OSS plant. They may be reassigned to  
6 different types of positions within their  
7 responsibilities, but in general it's not the -- the  
8 point that I was responding to was that the claim was  
9 made that these are just exactly the same folks who were  
10 previously running these systems, and what the evidence  
11 that I uncovered indicates is that some of those people  
12 are not the same folks from the legacy operations that  
13 are going to be doing their previous tasks.

14 Q. So your concern is not alleviated by  
15 Mr. McCarthy's statement on the record that the 230 IT  
16 personnel will be transferred and they have sufficient  
17 expertise in this area?

18 A. I think the level of risk associated with  
19 that transfer of personnel is reduced to the extent that  
20 those individuals have the experience with the previous  
21 systems. If somebody's been reassigned to a new task  
22 and has the operational experience of 60 days versus a  
23 longer period of time, then there's some risk associated  
24 with those operations.

25 Q. And just to be clear, these are legacy GTE

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1 OSS systems, correct?

2 A. That is correct.

3 Q. And these systems are being transferred in 13  
4 other states, correct?

5 A. That's right. The systems control the  
6 operations --

7 Q. Right.

8 A. -- for 13 other states, and that will be done  
9 through the Fort Wayne data center facility, which will  
10 be assigned to Frontier at the closing.

11 Q. Have you been involved in any other state  
12 proceedings regarding this issue and the transfer of a  
13 replicated system?

14 A. Yes, I've been involved in the Ohio  
15 proceeding and the West Virginia proceeding. Well, I'm  
16 sorry, the West Virginia proceeding is a separate --

17 Q. Yes, no, I understand the West Virginia  
18 situation quite well.

19 But just so I understand it, so all the data  
20 replications and all the testing will be done at the  
21 Fort Wayne, Indiana data center?

22 A. That's my understanding.

23 Q. For Washington state. So if there's any  
24 concern for a Washington state operating system, it's  
25 all there in Indiana? The problem has to be resolved by

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1 dealing with this newly created VSTO asset in Fort  
2 Wayne, Indiana, correct?

3 A. That's correct.

4 COMMISSIONER JONES: Thank you, that's all I  
5 have.

6 JUDGE CLARK: Does that conclude Commissioner  
7 inquiry?

8 All right, redirect.

9 MS. SHIFLEY: Just one question.

10

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

12 BY MS. SHIFLEY:

13 Q. Dr. Roycroft, Commissioner Jones asked you  
14 some questions about inspection of outside plant and due  
15 diligence, and I believe that you referred to some data  
16 request responses. Could you explain exactly what was  
17 asked in the data request responses that you were  
18 talking about and then what was ultimately provided, and  
19 just clarify for us a little bit where your concern is  
20 about lack of information?

21 A. If you could remind me, is this an exhibit to  
22 my testimony that I have in hand that I could refer to?

23 Q. Certainly, and I believe that I have -- I  
24 mean I have hard copies here, but they are specifically  
25 WHW-3, which is a Staff Data Request 107.

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1 JUDGE CLARK: And that's attached to  
2 Mr. Weinman's testimony, correct?

3 MS. SHIFLEY: Yes, Your Honor.

4 THE WITNESS: Ms. Shifley, I do not have that  
5 document.

6 MS. SHIFLEY: With you at the stand?

7 THE WITNESS: No, I don't.

8 MS. SHIFLEY: I can bring a copy up to you.

9 JUDGE CLARK: Yeah, when we get everything  
10 accumulated, Dr. Roycroft, I'm going to ask that we take  
11 a brief moment off record to ensure that everybody's on  
12 the same sheet of music.

13 All right, so the first document that we need  
14 to line up is WHW-3. Are there others, Ms. Shifley?

15 MS. SHIFLEY: Yes, Your Honor. And then it  
16 is Joint Applicants' response to Public Counsel Data  
17 Request 538, which has been identified as an exhibit to  
18 Dr. Roycroft's testimony.

19 JUDGE CLARK: All right, and these are the  
20 TRR-28 and 29; is that correct?

21 MS. SHIFLEY: Yes, I believe that this is  
22 TRR-28.

23 JUDGE CLARK: All right, are there others?

24 MS. SHIFLEY: No.

25 Your Honor, may I approach the witness?

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1                   JUDGE CLARK:  Yes.  What we're going to do is  
2  take a moment off record, and I want you to distribute  
3  those documents, please, to Dr. Roycroft, and then I  
4  want to make sure he has an adequate opportunity to  
5  review them, and then we'll go back on record.

6                   MS. SHIFLEY:  Yes, Your Honor.

7                   JUDGE CLARK:  All right, we're at recess  
8  until further call.

9                   (Discussion off the record.)

10                  JUDGE CLARK:  Dr. Roycroft, have you had an  
11  adequate opportunity to review the documents provided to  
12  you by counsel?

13                  THE WITNESS:  Yes, I have.

14                  JUDGE CLARK:  Ms. Shifley.

15                  MS. SHIFLEY:  Thank you.

16  BY MS. SHIFLEY:

17                  Q.     I'll just briefly restate what I was asking.  
18  There were some questions to you previously from the  
19  Commissioners regarding the condition of outside plant,  
20  and you had made some statements referring to some what  
21  was provided during discovery.  Could you just clarify  
22  or elaborate on that?

23                  A.     Yes.  In order to understand whether  
24  additional evaluations of outside plant had been  
25  performed in the period after the due diligence should

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1 have been performed initially, Public Counsel issued  
2 this data request asking to follow up on Staff Data  
3 Request 107. Staff Data Request 107 had asked for some  
4 very specific information regarding the due diligence  
5 conducted by Frontier personnel in Washington,  
6 specifically wanting to know which exchanges and CLLI  
7 codes were examined, who did the examination, what type  
8 of outside plant was inspected, and, you know, including  
9 specifics about cable sizes and root miles and how much  
10 did they look. Frontier responded on January 29th, last  
11 Friday, that they had done site inspections at several  
12 wire centers, but in their response make no comment  
13 about who did the inspections, how long the inspections  
14 took, which was another aspect of the Data Request 538,  
15 asked to update 107 but also identify any dates on which  
16 the inspections took place. The response indicates that  
17 the equipment is similar to Frontier's current network  
18 but does not make any comments about the condition of  
19 that equipment.

20 Q. And just to clarify, what was the response to  
21 the initial Data Request 107?

22 A. The initial response was that Frontier did  
23 not conduct a field visit in Washington as part of the  
24 due diligence process.

25 MS. SHIFLEY: Thank you, no further



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1 questions, Your Honor.

2 JUDGE CLARK: Just for the clarification of  
3 the record, Dr. Roycroft, the second document you're  
4 referring to which is the 538 is marked for  
5 identification purposes as TRR-28; is that correct?

6 THE WITNESS: I believe so.

7 JUDGE CLARK: All right, thanks.

8 All right, anything further?

9 All right, thank you, Dr. Roycroft.

10 THE WITNESS: Thank you.

11 JUDGE CLARK: And I believe that concludes  
12 the presentation of the evidence in this case. Given my  
13 track record with Mr. Thompson yesterday, I'm going to  
14 inquire. All right, is there anything further to be  
15 considered on this record?

16 CHAIRMAN GOLTZ: I just wanted to thank  
17 everybody, all the parties, and I thought all the  
18 witnesses were very helpful and very forthcoming, and  
19 all counsel did a great job in moving this along and  
20 clarifying all the issues, so I thank you for that. I  
21 have one request for the -- there are post hearing  
22 briefs, correct?

23 JUDGE CLARK: Post hearing briefs are due  
24 February 26.

25 CHAIRMAN GOLTZ: I have one request for

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1 something to include, not to dominate the brief, but I  
2 would like to hear about the issue of whether or not in  
3 general the required payment amount provisions, or as  
4 Mr. Hill called them the clawback provisions, are  
5 acceptable as a matter of policy, and if not, what  
6 should the Commission do about the provision in this  
7 case or how the Commission should address the provision  
8 in this case, so in addition to whatever else is in the  
9 brief.

10 JUDGE CLARK: Are there any other  
11 Commissioner closing remarks?

12 All right, then thank you very much for your  
13 participation, and we are adjourned.

14 (Discussion off the record.)

15 JUDGE CLARK: It appears I guess for lack of  
16 a better term I'm going to call this a post hearing  
17 conference, because it doesn't involve any evidentiary  
18 matters but rather the wrapup of some procedural  
19 details, and I'm going to turn to you first, Mr. Romano.

20 MR. ROMANO: Thank you, Your Honor. Verizon  
21 would like to withdraw a number of exhibits that we had  
22 identified for cross-examination, and I'll start with --

23 JUDGE CLARK: And you're going to do that for  
24 me very, very slowly, aren't you?

25 MR. ROMANO: Yes, Your Honor.

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1 JUDGE CLARK: Thank you.

2 MR. ROMANO: The first would be what has been  
3 marked as a cross-examination Exhibit SGH-10.

4 JUDGE CLARK: Okay, so we're going to start  
5 with Mr. Hill, if you will give me a moment.

6 All right, I'm there, thank you.

7 MR. ROMANO: Okay, so SGH-10, SGH-11, SGH-13,

8 JUDGE CLARK: 10.

9 MR. ROMANO: 11.

10 JUDGE CLARK: 11. I'm sorry, I'm  
11 experiencing technical difficulty.

12 SGH-10, 11, and 13.

13 MR. ROMANO: As well as 16 and 17.

14 JUDGE CLARK: All right, 16 and 17, SGH-16  
15 and 17.

16 MR. ROMANO: Yes, Your Honor.

17 And then the other exhibits would have been  
18 marked for cross-examination of Dr. Roycroft, so they  
19 would start with TRR.

20 JUDGE CLARK: So if you'll give me a moment.

21 All right.

22 MR. ROMANO: Okay, TRR Number 6, 7, 9, 10,  
23 12, 13, 14, 15, 16, 17, 19, and then 23HC as well as  
24 24HC.

25 MS. SHIFLEY: Your Honor, I would just like

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1 to interject, I believe that Verizon referred to TRR-16  
2 during the highly confidential portion of the  
3 cross-examination.

4 JUDGE CLARK: Yes, and I think there may have  
5 also been, but I'm not sure if my notes reflect it, that  
6 there may have also been a discussion of either 23 or  
7 24HC.

8 MS. SHIFLEY: Trying to verify which ones  
9 were asked about.

10 MR. ROMANO: We believe it was TRR-22HC,  
11 which I had left in the record.

12 JUDGE CLARK: And I'm going to give a moment  
13 off record just to make sure that Ms. Shifley confirms  
14 with Dr. Roycroft. Is that all for the TRR  
15 designations?

16 MR. ROMANO: Yes.

17 JUDGE CLARK: Okay, let me start at the  
18 beginning then, let's go with the non-controversial ones  
19 and make sure I have them all, and I have marked TRR-6,  
20 TRR-7, TRR-9, TRR-10, TRR-12, 13, 14, 15, 16, 17, 19,  
21 and then we're going to get confirmation on 22, 23, or  
22 24 in just a second.

23 MR. ROMANO: Ms. Shifley, just to clarify, I  
24 think you had referred to TRR-16, and that happens to be  
25 a duplicate of TRR-22HC, which is one we used.

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1 MS. SHIFLEY: That's true, we're just  
2 confirming 23 and 24 now, but we do believe 16 and 22  
3 are identical.

4 JUDGE CLARK: They're not, are they?

5 MS. SHIFLEY: I think that there is actually  
6 a difference regarding the highly confidential portion,  
7 and we're just trying to clarify.

8 So, Your Honor, I believe it's 22 that  
9 contains the highly confidential information that was  
10 referred to, so that one should stay in the record, and  
11 16 could be withdrawn, it wasn't referred to.

12 MR. ROMANO: Right, which is what I did.

13 JUDGE CLARK: That's exactly what Mr. Romano  
14 did. And, Dr. Roycroft, if you can confirm my paranoia,  
15 and that is we were not dealing with TRR-23 or 24HC?

16 DR. ROYCROFT: That's my understanding, yes.

17 JUDGE CLARK: All right, then we're going to  
18 add TRR-16, 23HC, and 24HC as the documents withdrawn by  
19 Verizon.

20 MR. ROMANO: Thank you, Your Honor.

21 JUDGE CLARK: All right.

22 Mr. Saville.

23 MR. SAVILLE: Your Honor, we just have one  
24 document we would like to withdraw as an exhibit, it is  
25 TRR-25.

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1 JUDGE CLARK: All right, TRR-25 by Frontier.

2 All right, are there any other procedural

3 matters we should address?

4 MS. SHIFLEY: No, Your Honor.

5 JUDGE CLARK: Thank you very much.

6 (Hearing adjourned at 12:15 p.m.)

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