

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
2 COMMISSION

3	WASHINGTON UTILITIES AND)	
	TRANSPORTATION COMMISSION,)	DOCKET NO. UT-950200
4)	
	Complainant,)	VOLUME 3
5)	
	vs.)	Pages 139 - 171
6)	
	U S WEST COMMUNICATIONS, INC.,)	
7)	
	Respondent.)	
8	-----)	

9 A hearing in the above matter was held
10 at 6:36 p.m. on September 26, 1995, at 3628 South 35th
11 Street, Tacoma, Washington before Chairman SHARON L.
12 NELSON, Commissioners RICHARD HEMSTAD, WILLIAM R.
13 GILLIS, and Administrative Law Judge TERRENCE
14 STAPLETON.

15
16 The parties were present as follows:

17 U S WEST COMMUNICATIONS, by EDWARD SHAW,
18 Attorney at Law, 1600 Bell Plaza, Room 3206,
Seattle, Washington 98191.

19 WASHINGTON UTILITIES AND TRANSPORTATION
20 COMMISSION STAFF, by STEVEN W. SMITH, Assistant
Attorney General, 1400 South Evergreen Park Drive
Southwest, Olympia, Washington 98504.

21 FOR THE PUBLIC, DONALD TROTTER, Assistant
22 Attorney General, 900 Fourth Avenue, Suite 2000,
Seattle, Washington 98164.

23
24 Cheryl A. Macdonald, CSR
25 Court Reporter

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1

I N D E X

2	WITNESSES:	D	C	EXAM
	ENGFER	150		
3	WOODWARD	154		155
	WOLFROM	157		
4	HAYES	161	163	165
	HESS	165		
5	WEAVER	168		

EXHIBITS:
6 (No exhibits marked.)

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

2 JUDGE STAPLETON: Let's be on the record.
3 This hearing will please come to order. This is a
4 hearing before the Washington Utilities and
5 Transportation Commission for the purpose of taking
6 public testimony in docket No. UT-950200 which is a
7 general rate increase filing by U S WEST
8 Communications, Incorporated. My name is Terrence
9 Stapleton. I'm the administrative law judge assigned
10 to conduct this proceeding. Presiding are
11 commissioners Chairman Sharon Nelson and Commissioner
12 William Gillis. Today's date is September 26, 1995
13 and we are convened in Tacoma, Washington. I will
14 take formal appearances of the parties beginning with
15 public counsel.

16 MR. TROTTER: My name is Donald T. Trotter.
17 I'm an assistant attorney general for the public
18 counsel section of the attorney general's office and
19 my address is 900 Fourth Avenue, Suite 2000, Seattle,
20 98164.

21 MR. SMITH: My name is Steven W. Smith,
22 also an assistant attorney general, representing the
23 Commission staff. My business address is 1400 South
24 Evergreen Park Drive Southwest, Olympia, 98504.

25 JUDGE STAPLETON: For the company.

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1 MR. SHAW: My name is Theresa Jensen. I'm
2 the director of regulatory affairs for Washington. My
3 business address is 1600 7th Avenue, Room 3011,
4 Seattle, 98191.

5 JUDGE STAPLETON: Are there any other formal
6 intervenor parties to this proceeding in the audience
7 tonight?

8 Mr. Trotter, will you give an opening
9 statement, please.

10 MR. TROTTER: Sure. Good evening, and
11 welcome. Can everyone hear me back there? Okay.
12 Thank you.

13 As Mr. Stapleton said, this is a hearing
14 for members of the public to testify on U S WEST's
15 pending rate increase proposal that's before the
16 Commission at this time. As he indicated, there are
17 two commissioners here tonight. The third hopefully
18 will be here. They are the decision makers. They are
19 the head decision making body of the Utility
20 Commission. They're appointed by the governor and
21 serve -- are in various stages of serving six-year
22 terms. The case is proceeding sort of like a trial.
23 There are different parties represented. The
24 Commission has its own staff of accountants and
25 economists, and they are represented in this case by

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1 Mr. Smith, and the staff is -- for purposes of this
2 case they don't talk to the commissioners about the
3 case except when they're under oath testifying like
4 everybody else.

5 Also the company is a party to this case,
6 obviously. They filed for the rate changes that we're
7 going to talk about in a minute. I am also employed
8 by the attorney general's office like Mr. Smith except
9 I'm assigned to the public counsel section. We're
10 independent from the Commission and we retain expert
11 witnesses who are presenting testimony in this
12 proceeding.

13 There are several other parties to this
14 case, AT&T, MCI, a large group of business customers,
15 and many other parties. They just aren't here this
16 evening but there are many other parties and witnesses
17 who have submitted testimony so far. This is the
18 second hearing day for members of the public to
19 testify. Last night we were in Port Angeles and
20 tomorrow we'll be in Vancouver, Washington and then
21 other places throughout the state over the next coming
22 weeks. Hearings for the parties are going to be held
23 October 30 through November 10 and then the Commission
24 is expected to issue a decision sometime after the
25 first of the year. There were some handouts up front

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1 and hopefully you got them. We supplied a six-page
2 letter which identifies a lot of the issues, but by no
3 means all of them but hopefully some of the major
4 issues that would be of interest to you.

5 On the back sheet we've attempted to
6 compare proposals of the company, public counsel and
7 Commission staff and, again, it's not all the issues
8 and there's many other parties that have proposals
9 before the Commission at this time, but I tried to
10 pick the main issues that I thought would interest
11 most people.

12 In this proceeding U S WEST is asking
13 permission to increase its total revenues per year by
14 about 205 million dollars over a four-year period.
15 Their most significant proposal is to change the
16 current way residential and business rates are priced
17 by creating two zones, zone one and zone two. We've
18 called zone one and zone two urban and rural
19 respectively, but as you will see in a moment the
20 distinction isn't that exact. The current zone rates
21 in areas that the company calls zone one is around \$10
22 a month and the company is proposing an increase to
23 \$21.85 over four years. In zone two, which are
24 generally less populated areas, the current rates are
25 in the \$8.75 range and the company is proposing to

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1 increase those rates to \$26.35 a month, again,
2 increasing over the four-year period.

3 Now, let me just read off to you the list
4 of exchanges that are in zone one which is proposed to
5 go to the \$21.85 rate, and in the Tacoma area those
6 would be Tacoma, Sumner, Roy, Puyallup and Graham, and
7 to the extent some of you may be from the south
8 Seattle area, zone one in the Seattle area is Auburn,
9 Bainbridge, Bellevue, Des Moines, Issaquah, Kent,
10 Maple Valley, Renton and Seattle. So if you're a
11 subscriber in any of those exchanges you would be
12 termed zone one customer by the company. If you're
13 not in any of those and you live in this general area
14 you would be in zone two and your rate would go to
15 \$26.35 if the company's proposal is accepted. That's
16 the residence rates.

17 The business rates, they're proposing \$29 a
18 month in zone one and \$31 a month in zone two. That's
19 a very sizable increase for residential customers, but
20 if you look on the back sheet of the six-page handout
21 that we supplied there are proposals that are
22 contesting the company's. The Commission staff is
23 proposing a \$10 statewide rate and we are proposing an
24 \$8.41 statewide rate for residence customers.

25 There are some other issues that you may

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1 find interest you. The company is proposing for
2 directory assistance charges -- you currently get four
3 free or four allowance calls per month to directory
4 assistance from your home phone and each additional
5 one is a quarter. Company is proposing to give you
6 one call per month for no charge and then each
7 additional would be 60 cents. Both the staff and the
8 public counsel section are proposing a two call
9 allowance per month and a 35 cent charge. The
10 Commission issued an order on that subject to that
11 effect last fall. It has not been implemented yet.

12 The company is also proposing a late payment
13 charge of 1.2 percent on your bill if it's unpaid
14 over \$45 or \$45 or more they will impose a late
15 payment charge. And that's on any charges you incur
16 that they bill for when charge is due and owing to
17 AT&T or MCI or anyone else on the bill.

18 There are some reductions promised for
19 residential customers via toll rates. The company is
20 proposing some toll rate reductions. The average
21 residential customer in more urban areas would realize
22 about a dollar a month decrease; in the zone two or
23 more rural areas, about a \$1.80 a month decrease.
24 Question identified on page 2 of our letter some
25 issues that you may or may not want to address

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1 tonight. You are not limited to this list and you
2 need not comment on any of these but they are there to
3 pique your interest and perhaps generate for a lot of
4 you, focus your opinions in these areas, but feel free
5 to address any other issues that you think are
6 relevant to this proceeding.

7 Let me say one thing. Cellular phone rates
8 are not the subject of this proceeding nor is the area
9 code switch from 206 to 360 in some parts of the
10 state. I will go through each of these in detail, but
11 impact of the residential rate proposal is an issue.
12 Service quality is always an issue. Is your service
13 satisfactory, could it be better, are there any
14 problems or could you be satisfied. The zone pricing
15 issue is obviously one we talked about. The privacy
16 issue, people who would want their number unlisted or
17 nonpublished pay a certain rate today. That rate
18 covers its costs but the company is proposing to
19 charge more for that, so is that reasonable. Some
20 people want privacy if they're subject to harassment
21 or just want to keep their listing out of the phone
22 book. The company sees that as a possible way of
23 meeting their revenue need. And then directory
24 assistance we talked about.

25 Let me finish and turn this over to you by

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1 noting that the company has asked for a 205 million
2 dollar increase. The Commission staff's proposal
3 currently calls for \$100 million decrease and public
4 counsel, subject to the note on that page, is showing
5 about a \$50 million decrease. So there's quite a
6 difference of opinion on a lot of the issues. Next
7 Wednesday all parties file rebuttal cases to each
8 other so there may be some refinement of those
9 numbers, but as of now they're as accurate as we know
10 how to make them.

11 A little bit about the process. I think
12 there's a sheet that kind of explains it, but I will
13 call your name off the list, the sign-in sheet, and
14 you will be coming up to the podium. The presiding
15 officer, Mr. Stapleton, will ask you to raise your
16 hand and swear or affirm that your testimony is
17 correct. Then we'll ask you to state your name and
18 your address and if you're speaking on behalf of
19 yourself or a group and if you're a ratepayer or what
20 other interests you may have in this proceeding. And
21 then feel free to make your statement. You may be
22 asked some follow-up questions based on what you say.
23 And as Mr. Stapleton said, we please ask that you be
24 respectful of all witnesses. People have different
25 opinions and they should be free to express them here.

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1 So I think we have the swing of it as we proceed.
2 Also note Mr. Shaw from -- attorney for U S WEST just
3 entered the room and we welcome him this evening.

4 MR. SHAW: Thank you, Don.

5 MR. TROTTER: But I want to thank you all
6 again for coming. We appreciate your interest
7 in this case, and if you've already been on our
8 mailing list and getting mailings, and we will put
9 your name on the list after tonight, you will continue
10 to get mailings to keep you updated on the case as
11 time goes by.

12 So with that, Your Honor, proceed to call
13 our first witness if there's nothing else.

14 JUDGE STAPLETON: Thank you, Mr. Trotter. I
15 may ask Mr. Shaw to make a formal appearance on the
16 record.

17 MR. SHAW: I apologize for being late. The
18 Kingdome parking was a problem. Ed Shaw representing
19 U S WEST Communications.

20 JUDGE STAPLETON: Thank you, Mr. Shaw, and
21 I will also note that Commissioner Richard Hemstad has
22 joined the other two commissioners at the proceeding
23 tonight. Mr. Trotter, if you would, please, call your
24 first witness.

25 MR. TROTTER: Thank you. I'm just going to

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1 go down the list for people who answered yes if they
2 wish to comment. If you change your mind later we'll
3 give you an opportunity to testify. Carl J. Engfer.
4 Whereupon,

5 CARL J. ENGFER,
6 having been first duly sworn, was called as a witness
7 herein and was examined and testified as follows:

8

9 DIRECT EXAMINATION

10

11 THE WITNESS: My name is Carl Engfer, E N G
12 F E R. I live at 5407 - 77th Avenue Court West,
13 University Place, newly incorporated city, 98466. I
14 represent myself only. I do have with my wife a few
15 shares of U S WEST and I fully support the position of
16 U S WEST in asking for a raise. The reason I'm here
17 is because I fully support our capitalistic free
18 enterprise system. Anyone that puts their money and
19 capital at risk has to meet the marketplace. If the
20 marketplace is not met by a corporation or a company
21 they can fail. Government does not fail, and I'm
22 going to bring up something that isn't quite related
23 here, but my property taxes have gone up 48 percent in
24 five years. Now, that beats inflation, and if the
25 cost of government can go up, why does the cost of

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1 private enterprise need to be regulated to the extent
2 where it has to go down.

3 All right, now, here's what I have done.
4 I've written a letter to U S WEST, and I don't have a
5 copy of it. I sent the one copy that I had to them
6 after I sent the original. I made four phone calls to
7 your Commission to ask for a reply to my letter. They
8 could not find the letter. Let me repeat that. That
9 letter has been lost, they can't find it.

10 All right. Now, that I've said that I
11 support capitalism, free enterprise has to pay its
12 employees, promote its product and meet the
13 marketplace. Government doesn't do that, regulatory
14 bodies don't do that. Socialism and communism are a
15 failure, right? Okay. This is what I include in my
16 letter. I had an enclosure that I clipped out of the
17 Tribune. I don't have the date. I don't have a copy,
18 and if you can find that letter that I originally sent
19 you will find the copy of the agreement that U S WEST
20 had to enter into with their 33,000 employees. All
21 right. They were ready to go on strike and this is
22 the agreement that they had to make in order to avoid
23 a strike. They are giving their employees a 10
24 percent rate increase, according to my memory as it
25 goes. There are 33,000 employees to get a 10 percent

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1 increase over three years, and they are also to be
2 given a \$1,500 cash settlement plus other benefits.
3 Now, those weren't spelled out by the author who wrote
4 it for the Tribune newspaper. All right. What it
5 probably includes is health benefits, maybe insurance,
6 leave benefits, maternity leave or whatnot, and if
7 these employees, my question to the Commission was by
8 phone, I says, what consideration are you giving this
9 labor agreement in addition to their other cost
10 expenditures for staying in business. Can I address
11 the question to you now? Have you considered it in
12 going against their rate increase?

13 JUDGE STAPLETON: Mr. Engfer, the
14 Commission has yet to conduct its receipt of the
15 testimony of the witnesses in this case. That
16 testimony will be presented by the witnesses for the
17 company, the Commission staff, public counsel and all
18 other parties, as Mr. Trotter noted, beginning on
19 October 30 and running through November 10. All
20 testimony that's admitted into the record will become
21 part of the record upon which the Commission bases its
22 decision.

23 THE WITNESS: If you find my letter can I
24 get a reply to it that I sent you? And it's been
25 about two months ago.

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1 JUDGE STAPLETON: Mr. Engfer, I will ask
2 Ms. Winfield-Simmonds who's out front signing folks up
3 if she can contact the public affairs department of
4 the Commission tomorrow and we'll see if we can't
5 track down that letter that you mailed in.

6 THE WITNESS: Thank you, sir.

7 JUDGE STAPLETON: You're quite welcome.

8 THE WITNESS: May I approach the bench?

9 JUDGE STAPLETON: Yes, sir.

10 THE WITNESS: I do have something, a copy
11 of something that I would like to give to each you.
12 If we're talking about increased taxes in this state
13 we ought to also talk about free enterprise.

14 JUDGE STAPLETON: Does that conclude your
15 remarks, Mr. Engfer?

16 THE WITNESS: That concludes my remarks.

17 JUDGE STAPLETON: Does anyone have any
18 questions for Mr. Engfer?

19 CHAIRMAN NELSON: No.

20 JUDGE STAPLETON: Thank you, sir, for your
21 testimony.

22 MR. TROTTER: Norma E. Woodward.

23 Whereupon,

24 NORMA E. WOODWARD,

25 having been first duly sworn, was called as a witness

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1 herein and was examined and testified as follows:

2 THE WITNESS: I'm Norma Woodward and I live
3 at 7219 Stringtown Road, Eatonville, Washington.

4

5 DIRECT EXAMINATION

6 BY MR. TROTTER:

7 Q. Are you a customer of U S WEST?

8 A. Yes, I am.

9 Q. Are you speaking on your own behalf or on
10 behalf of others?

11 A. I am speaking on my own behalf and I also
12 want to speak for the Ohop Grange out in Eatonville.

13 Q. Please proceed.

14 A. First of all I wanted to thank you for the
15 two letters I received in questioning things. Thank
16 you very much. The grange itself tries to take care of
17 the local people in the rural areas and they had a
18 couple of meetings and the meetings did show that
19 people did not agree with this much of an increase. It
20 is very hard on the older people out there that are on
21 fixed incomes, and naturally we had long distance up
22 until just last year made many of the phone bills
23 very, very large. Now that we can call Tacoma it does
24 help and that has lowered the bills some.

25 I would like to address the part where for

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1 directory assistance. We are feeling that if older
2 people, which we have a lot of in the community, need
3 to have directory assistance because of eyes or
4 whatever, they should be able to have at least three
5 or four of those without being penalized for it. The
6 other thing that they voiced was that their increases
7 do not come that much as this increase would represent
8 in comparison to their increases in their pay. A lot
9 of them are on fixed incomes, and I do think we have
10 to think about the people that are on fixed incomes.

11 Now, my own personal attack to this is that
12 I feel that the percentage is just too much. I think
13 that we have a lot of other increases, and I feel that
14 if a little increase is needed I don't think anyone
15 would complain but not that much, and that's all I
16 have to say.

17 JUDGE STAPLETON: Thank you. Does anyone
18 have any questions?

19

20 EXAMINATION

21 BY CHAIRMAN NELSON:

22 Q. Ms. Woodward, I thought Eatonville was
23 served by Micelle Telephone.

24 A. It is but then we get our bills from U S
25 WEST. It's Micelle charge and then U S WEST charge.

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1 So, you see, the people in the other rural areas do
2 have a little bit more to pay out than just a person
3 living in town.

4 Q. So that would be your toll charges I think
5 that you pay to U S WEST?

6 A. Yes.

7 MR. SHAW: Your Honor, I think she's
8 probably referring to a foreign exchange service that
9 would be jointly billed.

10 THE WITNESS: We have on our bill is U S
11 WEST and then Micelle Telephone Company.

12 CHAIRMAN NELSON: That clarifies that for
13 me. Thank you.

14 MR. TROTTER: Sue Cullison, did you wish to
15 testify?

16 FROM THE AUDIENCE: No.

17 MR. TROTTER: Patricia Weeks.

18 FROM THE AUDIENCE: I said no.

19 MR. TROTTER: Sorry, I misread it. I
20 apologize. Essey Wolfrom.

21 CHAIRMAN NELSON: Ma'am, if you prefer to
22 sit you surely can.

23 FROM THE AUDIENCE: I certainly would.

24 CHAIRMAN NELSON: Have a seat there next to
25 Mr. Smith.

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1 FROM THE AUDIENCE: I appreciate that.

2 Whereupon,

3 ESSEY WOLFROM,

4 having been first duly sworn, was called as a witness

5 herein and was examined and testified as follows:

6

7 DIRECT EXAMINATION

8 THE WITNESS: My name is Essey Wolfrom. I

9 live in Gig Harbor at 2907 White Cloud Northwest, and

10 I am here representing myself but I'm also

11 representing the American Association of Retired

12 Persons. I am currently the chair of the Washington

13 state legislative committee of AARP and as such have

14 been very interested in this case since we -- as you

15 know, we're an intervenor in the situation. I fully

16 support the intervention and because, as the lady

17 before me said, and I agree with her thoroughly, the

18 increase is just too much. If you take a look at the

19 incomes -- the fixed income of people who are living

20 solely on Social Security or some other kind of

21 pension plan, they certainly do not over a four-year

22 period have an increase of 188 percent which is what

23 it is for the rural zone. Nor do they have an

24 increase of 103 percent which is, as I understand it,

25 the increase for the urban area.

00158

1 I'm also a little puzzled as to what the
2 distinction is. Zone one and zone two I think makes a
3 little more sense than calling something rural and
4 urban because you have -- you have cities like Olympia
5 and Bellingham and Yakima that are all into that
6 so-called rural area, and I think are a little
7 insulted to consider themselves rural, so zone one and
8 zone two perhaps make a little more sense. However,
9 it does not make sense to have those kind of increases
10 either of the rural or the urban. We've been asked
11 how do we know that AARP as a whole, all our
12 membership of over 600,000, supports this decision
13 that was made to intervene in the case, and I am not
14 going to say we talked to every single one, but we do
15 have 61 charters throughout the state, and in addition
16 we have 31 units of the Retired Teachers Association,
17 which is affiliated with AARP, and through those
18 chapters and through constant surveys that we do, we
19 think we have a pretty good idea of what the majority
20 of AARP members feel.

21 Now, they feel strongly that this kind of
22 an increase is out of line. I think you have to
23 realize that today, and I think AARP believes this is
24 true. Telephone is not a luxury any more. It's a
25 necessity of life and with a population that is

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1 getting increasingly aged in terms of the percentage
2 of population, going to have more and more dependence
3 upon telephones for a couple of things. One is it's a
4 life saving measure for calling for help if you need
5 help. More people are staying in their own homes,
6 which is a good idea, but then they need to have a
7 telephone that they can afford.

8 The other thing that's important for
9 handicapped people, for elderly, is that the telephone
10 is in a way a social outlet. I know a lot of people
11 who are pretty well house ridden, bedridden, have to
12 stay at home, who use the telephone to keep in touch
13 with their children and their -- and to socialize with
14 their neighbors because they can't do it in person, so
15 I think the telephone has gone beyond being a luxury
16 and yet an increase of 188 percent just sounds to me
17 like it is a luxury.

18 The other thing, and I agree with the lady
19 that talked just before me, in terms of the necessity
20 of using the directory is a lot of us who can't read
21 the small print in the directory and therefore have to
22 call for help in getting a telephone number and to
23 increase to the point of the amount of money plus the
24 limitation on the numbers that you can have I think is
25 an unfair kind of proposal. People often ask about

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1 the Washington telephone assistance program and they
2 say the Washington assistance program will cover these
3 people who can't afford a phone. Well, I think this
4 is asking more of that fund than is in there, and I've
5 been told that if these increases are allowed that
6 that fund will be bankrupt within a couple of years,
7 and although the fund is a good idea, it does help
8 some, it would never help to the extent of these phone
9 bills that would go from, say, \$10 to possibly \$26.
10 So that we feel that the increases are going to harm
11 that telephone problem that we have. I'm not going to
12 go into details. I wanted to talk to you about
13 people, and this is why I've emphasized the effect
14 this is going to have on people who are low income,
15 not just elderly but low income who are handicapped,
16 and then also the elderly also, because it's these
17 people that are going to be harmed by this kind of a
18 rate increase, and so I hope that this can be taken
19 into consideration in your deliberations and that it
20 will be a different program that comes out.

21 JUDGE STAPLETON: Thank you, Ms. Wolf from.
22 Are there any questions?

23 MR. SHAW: No questions but I want to make
24 the same objection for the record that this testimony
25 come at the proper place and time on behalf of a full

00161

1 intervenor in the case so as not to deprive U S WEST
2 of its opportunity for discovery of prefiled
3 testimony.

4 JUDGE STAPLETON: So noted.

5 MR. TROTTER: We would oppose that
6 objection as well.

7 There are four people who signed up after
8 Ms. Wolfrom but didn't check the wish to comment one
9 way or the other. They were Doris Sahlberg, Lorraine
10 Robertson, Della Reed and Adeline Gwynne.

11 CHAIRMAN NELSON: Mr. Trotter, maybe you
12 should speak into the microphone.

13 MR. TROTTER: There were four people that
14 signed off after her but didn't check the box. Do any
15 of you wish to comment tonight?

16 Thank you. Garry C. Hayes.

17 Whereupon,

18 GARRY C. HAYES,
19 having been first duly sworn, was called as a witness
20 herein and was examined and testified as follows:

21

22 DIRECT EXAMINATION

23

24 THE WITNESS: My name is Garry Hayes.

25 Garry with two Rs and H A Y E S. I am from Telecom

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1 Management Concepts. Business address 34008 - 18th
2 Place South, Suite A, Federal Way, 98003, and I
3 represent today in particular the Tacoma Public School
4 District and maybe in a broader sense the Washington
5 State School Directors Association because the issue I
6 am about to bring to your attention is affecting most
7 of the school districts in the state.

8 It's not one of the issues that you've
9 highlighted as one of the key issues. However, it's
10 one that perplexes the district inasmuch as you're
11 trying to embed it in this rate case we understand is
12 a proposal to increase the cost of what the business
13 calls off premise extension costs rates. The line
14 charges that U S WEST levies on a particular customer
15 to extend a line from their private branch exchange
16 system out to a remote location is called OPX. In the
17 case of Tacoma, and I will use them as an example,
18 this impact is approximately \$200,000 per year to
19 their operational budget, and as you know, Tacoma
20 along with most other school districts in the state
21 are struggling to cut their budget to the extent that
22 they may even impact student programs and teachers and
23 the like. We hate to see this added increase expense
24 on the district have to be absorbed to the detriment
25 of what they're really there for and that's to take

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1 care of the kids.

2 We understand that these charges may be too
3 low today and they should be raised but would propose
4 that they not be raised in one giant step as has been
5 indicated but maybe averaged into the rate base and
6 stepped up on an annual basis or semi-annual, however
7 it might be best decided by the Commission. Thank
8 you.

9 JUDGE STAPLETON: Thank you, Mr. Hayes.
10 Are there questions for Mr. Hayes?

11 CHAIRMAN NELSON: Yes.

12

13 CROSS-EXAMINATION

14 BY MR. SMITH:

15 Q. Mr. Hayes, I just wondered what your
16 relationship was with the Tacoma Public School
17 District.

18 A. We represent them as a consulting firm, as
19 their telecommunications consulting firm.

20 Q. And the school district association?

21 A. We have represented the Washington State
22 Directors Association in the previous rate case
23 involving off premise extension rate increases.

24 MR. SMITH: Thank you.

25 JUDGE STAPLETON: Chairman.

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1 Hemstad has a question for you.

2

3

EXAMINATION

4 BY COMMISSIONER HEMSTAD:

5 Q. Just as a matter of terminology, is OPX
6 also what is known as terminal loops?

7 A. Yes.

8 JUDGE STAPLETON: Any other questions?

9 Thank you, sir.

10 MR. TROTTER: George H. Hess.

11

12

DIRECT EXAMINATION

13

14 THE WITNESS: I'm Dr. George H. Hess, and I
15 live at 4437 Soundview Drive West. This is in the
16 new town of University Place, as you've heard. And I
17 wish to register an opposition to the U S WEST
18 proposed rate increase. A 79 percent rate increase
19 for the local calling area and a 121 percent to other
20 areas over a four-year period is exorbitant. When I
21 was a boy calls cost a nickel and one had to go down
22 the block to find a phone. Now, the universality of
23 the telephone has allowed businesses solicitations to
24 intrude upon our domestic privacy. Such incoming
25 calls constitute more than half the traffic on my

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1 domestic telephone. It seems unfair that the
2 residential consumers should bear this weight when
3 it's the business that's making the use of it.

4 Increasing the costs of directory
5 assistance and operator services seems especially
6 unwise, in particular from us older people from the
7 AARP. Assistance by a live operator is necessary when
8 faced with the many glitches of an automated system.
9 The customer shouldn't have to bear this cost. The
10 U S WEST Communications company claims that raising
11 the 13 year-old rates are necessary because, quote,
12 the company's prices have become obsolete in a
13 competitive telecommunications environment. Isn't
14 lower prices the expected consumer benefit from
15 competition? You get into all of this competition and
16 then they're out raising the price, of course, at the
17 telephone in your home, that's the end of the line.
18 As a long time owner of stock in the U S WEST and
19 other Baby Bells, I've got well over 100. I don't
20 know how many additional hundred because I haven't
21 gone back to look, but they split stock and all of
22 this kind of thing. They give you other ways to buy
23 it and you do it while it's making money and I've done
24 that over a period of time, so I own considerably over
25 a hundred shares. I know the company is doing very

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1 well financially without any rate increase. In 1994
2 annual report shows a net income of \$1,429,000,000
3 from revenue of \$10,953,000,000. Now, that's 10
4 percent on their investment, I suppose. On their
5 revenue, 10 percent on their revenue is profit. It
6 was the best of the last five years and accomplished
7 with significantly fewer employees. 34 million shares
8 of additional stock have been issued yet U S WEST
9 continues to pay a healthy dividend of \$2.14 per
10 share. The corporation is in the process now of
11 splitting off subsidiaries because of the corporate
12 takeovers. They've acquired other businesses and
13 then they decide to go into that field of work, and so
14 they're in the process now of splitting their shares
15 again and starting these other corporations so they
16 can take advantage of other aspects of the
17 communication industry. Increased revenues extracted
18 from consumers of telephone services is only needed to
19 augment the already bloated salaries and perks awarded
20 to U S WEST management and directors. Thank you very
21 much.

22 JUDGE STAPLETON: Thank you, Dr. Hess. Are
23 there any questions for Dr. Hess from attorneys?

24 Commissioners, any questions for Dr. Hess?

25 Thank you for your testimony, sir.

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1 MR. TROTTER: Leland Weaver.

2 Whereupon,

3 LELAND WEAVER,

4 having been first duly sworn, was called as a witness

5 herein and was examined and testified as follows:

6

7 DIRECT EXAMINATION

8

9 THE WITNESS: I'm Leland Weaver, L E L A N
10 D and last name is W E A V E R. I live at 315
11 South 133rd Street, Tacoma, Washington. I'm maybe
12 not capable at this point of expressing my concern
13 about this -- the rate increase. I grew up in a time
14 when a tin can on a string and another tin can was our
15 young people's local means of communication even at
16 some great distances if we were ingenuous and then of
17 course the carbon pile and the mouth piece and the ear
18 phone worked quite well and we were able to put a
19 battery in it and I could talk to my neighborhood
20 without any difficulty. We had a bell that would work
21 and we would activate it, and then of course we had
22 the hand cranked telephone that we would call and all
23 the lines were there. One ring for us and two rings
24 for the people down the street and so on.
25 And then of course the electronic age came

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1 and then we wanted phone wires and we got them and
2 those were put in. Some of those wires are still in
3 and they're still operating. They still carry the
4 signal, and then the telephone companies kept --
5 company kept growing and getting larger and larger and
6 they charged a rate and that was the only telephone
7 wire that you could put in and today that same kind of
8 telephone system where, as you know and I know and
9 everybody knows, it's a complete -- a complete hold.
10 I cannot go to another company. Even though you say
11 that I can, I cannot go to another company where there
12 is any competition whatsoever.

13 And so the U S WEST -- that's the line that
14 I use now. I can go to MCI but I still use the same
15 hard line is still into my place. I'm using somebody
16 else's line and I guess U S WEST shares it with MCI or
17 should I choose MCI for some long distance carrier,
18 and so with that kind of a system the rates that they
19 charged are fixed. The company knows that, they make
20 money and they increase their value as they add new
21 customers.

22 And a very large increase like this, I
23 think that the public -- I think of the low income. I
24 think of the senior citizens, and I think of myself
25 because I'm also on fixed income and to increase that

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1 rate -- I do not get any more money. I get the same
2 amount every month and I will probably for the rest of
3 my life unless I can figure out some way to get that,
4 and so an increase means a lot to me because it takes
5 the discernible money out of my pocket, and I become
6 much more dependent upon the little bit of
7 discretionary money that I have.

8 And so I wish to express my opposition to
9 this huge rate increase. I think that if it was an
10 economic growth then the general public would
11 understand, but a huge increase like this over a four-
12 year span seems excessive. Thank you very much.

13 JUDGE STAPLETON: Thank you, Mr. Weaver.
14 Are there any questions?

15 CHAIRMAN NELSON: No.

16 JUDGE STAPLETON: Thank you, sir, for your
17 testimony.

18 MR. TROTTER: I would just ask if there is
19 anyone else in the audience who hasn't signed up or
20 whom I missed or misread the list who wishes to
21 testify at this time. Just raise your hand and we'll
22 call you up.

23 That appears to complete the list we have.
24 If you want to just wait, I don't know, we have been
25 here an hour.

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1 CHAIRMAN NELSON: We do have traffic
2 problems outdoors and that's the only consideration,
3 but I would think that even with traffic problems
4 those who were intending to come might be here by now.

5 MR. TROTTER: I would assume they would be.
6 Maybe just suggest take a break for 10 or 15 minutes
7 and be back at 20 until 8:00 and see. That's just my
8 suggestion.

9 JUDGE STAPLETON: We'll recess the
10 proceeding for 10 minutes.

11 (Recess.)

12 JUDGE STAPLETON: Let's be back on the
13 record after our recess. Mr. Trotter, are there any
14 additional public witnesses to be called at this time?

15 MR. TROTTER: No.

16 JUDGE STAPLETON: Does anyone else have
17 anything to bring before the Commission at this time?
18 We'll stand adjourned. Thank you all very much for
19 coming tonight.

20 CHAIRMAN NELSON: Thank you for your
21 testimony.

22 (Hearing adjourned at 7:42 p.m.)

23

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