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1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION

2 COMMISSION

3 TCG SEATTLE,)

4 Complainant,)

5 vs.)

6 GTE NORTHWEST INCORPORATED,)

7 Respondent.)

-----) DOCKET NO. UT-950146

8 GTE NORTHWEST INCORPORATED,)

9 Third Party Complainant,)

10 vs.)

11 U S WEST COMMUNICATIONS, INC.,)

12 Third Party Respondent.)

-----)

13 ELECTRIC LIGHTWAVE, INC.,)

14 Complainant,) DOCKET NO. UT-950265

15 vs.)

16 GTE NORTHWEST INCORPORATED,)

17 Respondent.)

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00269

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INDEX

2	WITNESSES:	D	C	RD	RC	EXAM
3	OWENS		270	480	499	468
	WILCOX	521				

4

5

6

	EXHIBITS:	MARKED	ADMITTED
7	C-42	359	385
	T-43, C-44, 45	520	
8	T-1		523
	2 through 9		523
9	T-46, C-47, 48	520	523
	C-49, 50, 51,	520	523
10	52, C-53, 54	520	523
	RECORD REQU.	PAGE	
11	2	296	
	3	298	
12	4	299	
	5	299	
13	6	313	
	7	339	
14	8	363	
	9	381	
15	10	392	

16

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00270

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

2 JUDGE ANDERL: Let's be back on the record.

3 Today is June 20, 1995 and we're reconvened in
4 consolidated dockets U T-941464 et al. Ms. Weiske, are
5 we going to pick up with you on cross of Mr. Owens?

6 MS. WEISKE: Yes, that's my understanding.
7 I need a microphone, however.

8 MR. MUTSCHELKNAUS: Judge Anderl, I do have
9 one preliminary matter, if you would like to take that
10 up between witnesses we can do it.

11 JUDGE ANDERL: What is it?

12 MR. MUTSCHELKNAUS: I have been served only
13 in the last 24 hours with new cost studies, and I
14 would like to talk about our opportunity to respond to
15 this to our witness.

16 JUDGE ANDERL: Let's talk about that
17 between witnesses or on a break.

18 MR. MUTSCHELKNAUS: Thank you very much.

19 JUDGE ANDERL: Go ahead.

20 Whereupon,

21 JEFFREY D. OWENS,
22 having been previously sworn, was recalled as a
23 witness herein and testified further as follows:

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00271

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2

CROSS-EXAMINATION

3 BY MS. WEISKE:

4 Q. Morning, Mr. Owens.

5 A. Morning.

6 Q. Would you please turn to page 5, line 216
7 of your direct testimony. You say for competition
8 policy to work well pricing should be market driven
9 with only limited targeted exceptions. Do you believe
10 that a monopoly is a market?

11 A. I believe the services that a monopoly
12 might provide would be a market.

13 Q. In a monopoly market is a market driven
14 price the same as a competitive price?

15 A. It can be depending on the regulatory
16 policies that are adopted.

17 Q. What do you have in mind in terms of
18 regulatory policies?

19 A. Regulatory policies that attempt to
20 simulate the kind of prices that would exist in a
21 competitive environment.

22 Q. Would you look at page 8, lines 16 through
23 18 of your testimony, please. Still in the direct.

24 A. I'm sorry, that was?

25 Q. Page 8, lines 16 through 18?

00272

1 A. Got it.

2 Q. Who pays carrier common line charges to U S
3 WEST?

4 A. Our feature group D., customers, generally
5 interexchange customers.

6 Q. Generally interexchange carriers; isn't that
7 correct?

8 A. That's correct.

9 Q. And the -- and aren't those revenues the
10 revenues that go into the NECA pool?

11 A. The carrier common line revenues do not go
12 into the carrier common line pool. A portion of them
13 do.

14 Q. Which portion?

15 A. The long-term support portion.

16 Q. And those are paid by the interexchange
17 carriers?

18 A. Yes.

19 Q. Page 12 you begin to discuss your ratios
20 that would need to be sustained by an entrant so that
21 they would avoid paying an interim universal service
22 charge. I would like to give you a hypothetical. If
23 an entrant serves a higher ratio of residential to
24 business customers, does U S WEST intend to pay that
25 entrant a universal service charge until a universal

00273

1 service fund has been reformed?

2 A. No.

3 Q. But you expect the entrant to pay you if
4 those ratios aren't met?

5 A. Yes, we do.

6 Q. Could you turn to page 23 of your direct
7 testimony, please. If U S WEST has more than the
8 economically efficient end offices wouldn't the entrant
9 incur higher costs when an entrant has to go through a
10 tandem?

11 A. Of course under our proposal an entrant
12 does not have to go through U S WEST tandem.

13 Q. I appreciate that but that wasn't my
14 question, Mr. Owens. Would you like me to repeat my
15 question?

16 A. Please do.

17 Q. If U S WEST has more than the economically
18 efficient end offices, then wouldn't the entrant incur
19 higher costs if the entrant has to go through the
20 tandem?

21 MR. OWENS: Higher than what?

22 MS. WEISKE: Higher than if they didn't
23 have to go through the tandem.

24 A. No, I don't believe so. The entrant does
25 have the option to go directly to end offices. The

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1 entrant does have the option of direct trunk
2 transport, and for some cases the entrant may find
3 that tandem switch transport is less expensive than
4 those other options.

5 Q. Would you look at page 39 of your
6 testimony, please. Lines 10 through 12?

7 A. Yes.

8 Q. It appears that you're giving a number of
9 choices to an entrant in terms of point of
10 interconnection. Am I correct on that?

11 A. That's both the new entrant and to U S
12 WEST, yes.

13 Q. So the point of interconnection could be
14 inside the originating provider's central office; is
15 that correct?

16 A. Correct.

17 Q. And the point of interconnection could be
18 outside the originating provider's central office; is
19 that correct?

20 A. Correct.

21 Q. And it could also be -- the point of
22 interconnection could also be outside the terminating
23 provider's central office; is that correct?

24 A. At the choice of the terminating provider,
25 yes.

00275

1 Q. I don't see on here any choice for a meet
2 point; is that correct?

3 A. One could call the point of interconnection
4 meet points. The point of interconnection is a point
5 at which our facilities and the AEC facilities meet.

6 Q. Is that meet point how the entrants have
7 described the meet point the way you just used it?
8 Are you familiar with what the entrants want in terms
9 of a meet point?

10 A. I believe you may be referring to another
11 possibility which would be a point of interconnection
12 somewhere between the two central offices.

13 Q. Do meet points always require colocation?

14 A. No, they do not.

15 Q. Don't the three choices we just went
16 through all require colocation?

17 A. No. One does. Two don't.

18 Q. Which two don't?

19 A. If the originating provider has U S WEST --
20 if the originating provider is an AEC and the AEC
21 chooses to use U S WEST transport from a point of
22 interface inside the originating provider's central
23 office U S WEST would provide a finished service
24 to that point just as we do for AT&T, MCI, Sprint,
25 other interexchange carriers today. They would be

00276

1 buying an entrance facility, a finished electrical
2 entrance facility from U S WEST. That does not
3 require colocation. A second point of interface just
4 outside an AEC central office would have U S WEST
5 stopping its service just outside the CO. In that
6 case the AEC would be buying an optical entrance
7 facility from U S WEST.

8 Q. Can you repeat the last answer again for
9 me, please, the last example you just gave?

10 A. In an example of an AEC who chooses to have
11 a point of interface just outside the AEC central
12 office, in that case U S WEST would meet the AEC in a
13 manhole outside the AEC central office. The AEC would
14 deliver its originating traffic to U S WEST at that
15 point of interconnection. U S WEST would transport
16 that AEC's traffic from that point of interface to our
17 tandem or central office, whichever the AEC chose to
18 use, tandem or direct transport, and would pay an
19 entrance facility which would recover the cost of
20 transport from the point of interface to the tandem or
21 to the end office.

22 Q. So if U S WEST provides transport but no
23 colocation -- but there is no colocation and if the
24 entrant provides transport, the entrant has to pay
25 colocation?

00277

1 A. Could you repeat that question again.

2 Q. What I asked is if U S WEST provides the
3 transport and they don't have to pay colocation but if
4 the entrant provides the transport there are
5 colocation charges applied to the entrant?

6 A. No. The U S WEST proposal is completely
7 symmetrical with regard to transport. What I just
8 described to you with regard to the transport,
9 the transport options will provide an AEC for the
10 traffic the AEC originates we would hope AEC would
11 make available to U S WEST for the traffic we
12 originate.

13 Q. So how would they pay location?

14 A. How would an AEC pay location?

15 Q. No, U S WEST.

16 A. Let's take the example where the AEC and
17 U S WEST meet at a point outside the AEC's central
18 office. And we are delivering traffic to you at that
19 point of interface. In that case we would complete
20 the transport from the point of interconnection to
21 your switch by obtaining virtual colocation from you.

22 Q. Could you look at page 45 of your
23 testimony, please. Actually, I apologize. It's
24 the bottom of page 47?

25 A. 47.

00278

1 Q. Bottom starting at line 23. If U S WEST was
2 able to negotiate switched access charges that were
3 less than toll charges, would U S WEST then be
4 interested in entering into new designated toll carrier
5 arrangements?

6 A. We might consider it, I suppose.

7 Q. Page 52, lines 11 through 13 you reference a
8 substantial discount rate from the current listing
9 service. What substantial discount rate do you have in
10 mind there?

11 A. Well, we've proposed a rate of 75 cents for
12 business listings, 60 cents for residence listings.

13 Q. And what kind of substantial discount is
14 that?

15 A. Our secretarial listing is \$2.50 in a
16 retail tariff. There's additional listing rate of a
17 dollar.

18 Q. Do you know what your total service
19 long-run incremental cost for that service is?

20 A. No, I don't.

21 Q. Who might know that?

22 A. Our cost witness may know that.

23 Q. So I should ask Mr. Farrow that question?

24 A. Yes.

25 Q. Can you calculate what that substantial

00279

1 discount would be in terms of percentage?

2 A. Well, if we're talking about the one dollar
3 rate, 75 cents represents a 25 percent discount off of
4 that, 40 percent for residence.

5 Q. Why is U S WEST at page 52 not willing to
6 offer operator services?

7 A. They're available from a wide variety of
8 providers. It's a service that we don't feel that is
9 in any way considered essential to the new entrant and
10 it's just not a business that we're interested in
11 expanding at this time.

12 Q. Are you still planning to provide operator
13 services to your customers, to your end users?

14 A. Yes.

15 Q. Retail customers?

16 A. Yes.

17 Q. Would you look at your number portability
18 discussion in your direct testimony beginning around
19 page 59, line 12, please. You begin to talk in that
20 testimony about some of the deficiencies related to
21 call forwarding variable, and I'm curious if you've
22 had an opportunity to review Mr. Woody Traylor's
23 testimony for MCI?

24 A. Yes.

25 Q. I thought you said in your testimony that

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1 you generally agreed that some of those deficiencies
2 that he pointed out were in existence for call
3 forwarding variable?

4 A. That's correct.

5 Q. Which of the deficiencies that he pointed
6 out are you not agreeing exist for that service?

7 A. He indicates some limitations or implies
8 there are limitations on the number of calls that may
9 be forwarded simultaneously to a given number. I
10 believe he suggests that that limit may be 32 when in
11 fact it is somewhat higher than that in some switches.

12 Q. Let's just say for the sake of this
13 discussion the limit is 100. Isn't it possible that
14 if you got into a looping switch the switch would
15 still crash? If you put those calls on call forward
16 and they continued to roll on call forward again and
17 again and again couldn't you even with a maximum of
18 100 still have the same problem that he pointed out
19 with 32?

20 A. You could.

21 Q. Are there any other deficiencies that Mr.
22 Traylor pointed out in his testimony that you did not
23 agree with as to call forwarding variable?

24 A. I can't recall at this point.

25 Q. Let's talk about route indexing for a

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1 moment. You say it's not currently available on an
2 unbundled basis. Is it available somewhere on a
3 bundled basis?

4 A. In effect it's available as a part of a DID
5 service.

6 Q. How does it differ from the DID service?

7 A. DID service includes a trunk, a dedicated
8 trunk from the switch to the customer premise whereas
9 with route indexing we would route index the call
10 to the AEC not over a dedicated number portability
11 trunk but over the same trunks that we use to deliver
12 all the other local traffic to the AEC so it's a more
13 efficient arrangement.

14 Q. Route indexing is more efficient from your
15 perspective than DID?

16 A. Right. With DID you would end up having
17 two separate trunk groups. One trunk group would be
18 dedicated to number portability traffic. A second
19 trunk group would contain all the other local traffic
20 to the AEC through the use of route indexing, all the
21 traffic to the AEC can be routed over the same trunk
22 group.

23 Q. How would you distinguish between the
24 traffic on that trunk group if you're routing it all
25 over the same trunk for route indexing?

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1 A. We wouldn't. We would treat it all as
2 local traffic from U S WEST to the AEC.

3 Q. How would that then be billed and audited?
4 You would make the assumption it's all local traffic
5 even if it's not all local traffic?

6 A. From the perspective -- we would treat it
7 as though it were a call from the U S WEST switch to
8 the AEC switch.

9 Q. What if it were a toll call? What
10 would happen to the switched access revenues that
11 would normally be associated with a toll call?

12 A. U S WEST would receive those revenues from
13 the interexchange carrier.

14 Q. How do you receive those revenues if you
15 just told me you can't distinguish the traffic from
16 the trunk?

17 A. We're talking about two different points on
18 the switch network. The trunk that is used to deliver
19 the traffic to the AEC would have combined number
20 portability and regular local traffic on it that the
21 trunk from the interexchange carrier to the U S WEST
22 switch would record that traffic like we would any
23 other traffic from an interexchange carrier.

24 Q. What would U S WEST pay the entrant for
25 that toll call?

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1 A. We would pay the entrant for the
2 terminating local switching charge under our proposal.

3 Q. Do you have a tariffed rate that you put
4 forth for route indexing?

5 A. No. We have suggested that we believe we
6 can make the service available for \$4 per month but we
7 have not completed our cost studies.

8 Q. And that suggestion is the same rate that
9 you're proposing for call forwarding variable?

10 A. Yes.

11 Q. What are you proposing for DID? The
12 tariffed rate?

13 A. We have no DID proposal.

14 Q. So you have no specific rate associated
15 with DID?

16 A. Well, we have existing DID service
17 available.

18 Q. What's that rate?

19 A. I don't recall.

20 Q. When will the cost studies that you just
21 referred to related to route indexing be completed?

22 A. I would think in the next 30 days we will
23 be filing these route indexing and remote call
24 forwarding tariffs in Iowa no later than August 22nd.

25 Q. What would U S WEST pay the entrant for a

00284

1 terminating local call that goes to the entrant by
2 route indexing?

3 A. The entrant's tariffed local switching
4 charge.

5 Q. Call forwarding variable and route indexing
6 require two numbers to complete the call in terms of
7 porting; is that correct?

8 A. Generally that's true, yes.

9 Q. When is it not true?

10 A. Well, from U S WEST's perspective the two
11 services differ in a fundamental respect. With remote
12 call forwarding the original telephone number is
13 retained by the U S WEST switch and when incoming
14 calls come to that number we translate that number
15 into a number that's been assigned by the AEC and
16 forward the translated number to the AEC, again over
17 the same trunks we deliver other local traffic to the
18 AEC. So we do a translation function for remote call
19 forwarding, the original number into a number that has
20 been assigned by the AEC. With route indexing, the
21 same port number is delivered to the U S WEST switch
22 but we simply translate that call or index that call to
23 an outgoing trunk and we forward to the AEC the
24 telephone number that was originally dialed. The AEC
25 would, in my view, probably translate that number into

00285

1 a number that it has assigned to the end user customer.

2 Q. Isn't that two numbers in both cases?

3 A. Yes.

4 Q. Thank you.

5 A. There are --

6 Q. Yes is a good answer. Thank you, Mr.

7 Owens.

8 A. I think I answered the earlier question by
9 saying generally that's true. In Iowa an AEC, McCloud,
10 has indicated that they do not believe that they need
11 to assign a second number to their customer under
12 route indexing. My own view is that even if that is
13 true a second number probably would be required for
14 outgoing calls.

15 Q. Has McCloud said that on the record in some
16 sort of testimony that you can refer me to?

17 A. Yes.

18 Q. Would you be more specific?

19 A. It was their testimony in a proceeding in
20 Iowa. The hearings were December of last year.

21 Q. Do you remember which witness for McCloud
22 said that?

23 A. I can't recall his name.

24 JUDGE ANDERL: Perhaps you can check and
25 get her the information later?

00286

1 THE WITNESS: Sure.

2 Q. Thank you. Would you look at your
3 surrebuttal testimony page 59, lines 25 through 27,
4 please. Actually you call it surrebuttal. I think of
5 it as rebuttal.

6 JUDGE ANDERL: The page number again?

7 MS. WEISKE: 59, lines 25 through 27.

8 Q. Can you point me to a specific place in Mr.
9 Traylor's testimony where he recommends that interim
10 portability be deferred until a database solution can
11 be deployed?

12 A. I don't have his testimony in front of me,
13 but it was very near the close of his testimony he
14 indicated that deploying an interim form of
15 portability would serve no function other than to
16 delay the database, something to that effect.

17 Q. Isn't it true, Mr. Owens, that what he said
18 was that he was concerned that resources would be used
19 to develop an interim solution when he hoped that
20 those resources would instead be applied to a
21 permanent solution? You don't know?

22 A. I don't have his testimony in front of me.

23 MR. OWENS: Would counsel provide the
24 witness with a copy of Mr. Traylor's testimony if
25 she's going to cross-examine him.

00287

1 MS. WEISKE: If I had it in front of me I
2 would be happy to but I don't.

3 Q. Let's talk about the INC process. Doesn't
4 the INC process work by consensus?

5 A. Yes, it does.

6 Q. What happens if somebody opposes that
7 process?

8 JUDGE ANDERL: The what process?

9 MS. WEISKE: INC, I N C.

10 JUDGE ANDERL: And that is?

11 THE WITNESS: The Industry Numbering
12 Committee.

13 Q. Isn't it true that if one of those
14 participants doesn't approve examining a certain
15 approach that approach doesn't get pursued?

16 A. No, that is false.

17 Q. What does happen?

18 A. Consensus does not mean 100 percent
19 agreement. Consensus means a preponderance of
20 agreement. So several parties could disagree with a
21 recommendation of the group and yet it would still be
22 considered consensus.

23 Q. Has that group put forth a specific
24 recommendation in terms of a number portability
25 solution?

00288

1 A. Not at this time.

2 Q. How long has the group been examining that
3 issue?

4 A. I believe it's been in existence for about
5 a year.

6 Q. Page 62, line 5. Are the three competing
7 versions of the number portability database that you
8 refer to there Intelco's and what are the other two?

9 A. MCI and AT&T.

10 Q. Are you generally familiar with the MCI
11 Metro solution?

12 A. Not entirely.

13 Q. But you are at least aware of the fact it's
14 a database solution?

15 A. Yes.

16 Q. Do you know whether it requires one or two
17 numbers for its solution?

18 A. I believe one number.

19 Q. And then what was the third?

20 A. AT&T.

21 Q. And are you generally familiar with their
22 solution?

23 A. Both the MCI and the AT&T solutions I have
24 not seen very complete description of them but I
25 believe they would require a single number.

00289

1 Q. Is it fair to call the MCI Metro solution a
2 service provider number portability solution?

3 A. Yes.

4 Q. Is it fair to call the AT&T solution
5 service provider number portability solution?

6 A. Yes.

7 Q. Payment 63 you begin to discuss geographic
8 portability and I want to talk to you a little bit
9 about that, lines 4 through 10. Are you aware of the
10 fact that in Washington as well as some other states
11 there have been NPA exhaust problems?

12 A. Yes.

13 Q. If a family were to take their NPA out of
14 the region, out of Washington state to move to another
15 state, doesn't that increase the exhaust problems for
16 the region remaining?

17 A. That could.

18 Q. It could or it would?

19 A. It could.

20 Q. If you're in a state like Washington where
21 there's already an exhaust situation and a number of
22 families in a particular community all move to
23 California, couldn't that increase the possibility or
24 the problem with an exhaust situation?

25 A. You would have to balance that detriment

00290

1 with the benefit of higher utilization of the numbers
2 that remain within Washington. If we had a geographic
3 portability within 206 and 360 and if we deployed a
4 robust version of a geographic portability, it's
5 possible that we could have a higher utilization of the
6 NXXs that are here in the state so it could
7 effectively, while losing some numbers to other states,
8 could more efficiently use the numbers that remain here
9 so it could still be a postponement in the exhaust.

10 Q. Or it could be an acceleration in the
11 exhaust?

12 A. Could be.

13 Q. What if you move from one LATA to another?
14 How would you handle the rating of that call?

15 A. I think that's a good question.

16 Q. Do you have an answer for the question?

17 A. No, I don't.

18 Q. How does a customer know when they're
19 making that call if it's a toll call or a local call?

20 A. I think that's an important issue that
21 needs to be looked at: One approach would be if we
22 want to deploy a geographic form of portability would
23 be whether we need to provide end users with
24 indication of whether a particular call is local or
25 toll.

00291

1 Q. Are you familiar generally with the trial
2 that's going on in New York?

3 A. I understand that a trial is going to begin
4 in February of next year, complete in about August of
5 next year and that there are two separate trials being
6 considered.

7 Q. And do you know the details of either of
8 those trials?

9 A. I believe that one of those trials will be
10 managed by MCI and the other through the same solution
11 that we're trialing in Seattle.

12 Q. So one would be what we think of in
13 shorthand as the Intelco approach and one would be
14 the MCI Metro approach?

15 A. That's my understanding.

16 Q. Is it also your understanding that the
17 results of those trials would be available in August
18 of next year?

19 A. I don't know that the results will be
20 available in August of next year. I understand the
21 trials were scheduled to begin in February, last six
22 months. I don't know when the results would be
23 published.

24 Q. Are you aware of the time frame for the
25 Intelco trial here in Washington?

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1 A. Generally, yes.

2 Q. Which phase of the trial is that?

3 A. There are four phases. Unfortunately we
4 have some confusing numbering. The first phase is
5 zero. Second phase is phase 1. We've completed phase
6 zero and phase 1. We're now in phase 2 with one more
7 phase, phase 3, to complete.

8 Q. When will phase 3 complete?

9 A. I think that depends. There's a lot of
10 work that has to be done. I know the objective is to
11 get it completed in the September time frame. I'm not
12 optimistic we can accomplish all the things that need
13 to be accomplished by September.

14 Q. If the trial stays on track, though, the
15 phase, the final phase would be completed in September
16 of this year?

17 A. Potentially, yes.

18 Q. And thus you could potentially have results
19 from that trial in September of this year as well or
20 October?

21 A. We could have results from the activity
22 that have been completed available in that time frame,
23 yes.

24 Q. Are you familiar generally with any kind of
25 database solution being tested in Illinois?

00293

1 A. I understand that Ameritech released a
2 request for proposal I believe in the February time
3 frame. I believe they've received responses to that
4 proposal in the March/April time frame but I don't
5 know what the current status is beyond that.

6 Q. Are you familiar at all with workshops that
7 have just begun with the industry in California
8 related to number portability?

9 A. I'm not familiar with that.

10 Q. Would you turn back to page 10 of your
11 rebuttal testimony, please. Were you in the room
12 yesterday when Dr. Harris testified?

13 A. For most of the testimony, yes.

14 Q. Do you generally recall some testimony
15 related to entrants targeting high volume customers?

16 A. Yes.

17 Q. Is that also your position that entrants
18 will always target high volume customers?

19 A. Generally speaking I think they will, yes.

20 Q. Isn't it also possible that they would
21 target small business users?

22 A. Yes.

23 Q. Are small business users always in your
24 mind high-volume users?

25 A. Relative to residence customers they are.

00294

1 Q. And you don't believe it's possible despite
2 authorizations from both ELI and Teleport
3 Communications Group to offer service to residential
4 consumers that those consumers would be targeted?

5 A. I think there are some very high volume
6 residence customers, and I would think that there
7 would be some targeting of those kinds of customers,
8 yes.

9 Q. Do you have any idea how many customers
10 would cancel service first with U S WEST before going
11 to an entrant, either a business or a residential
12 user?

13 A. I think that's what competition is going to
14 help us find out. No, I don't know.

15 Q. So you don't have any idea of the
16 percentages or the quantifications?

17 A. No.

18 Q. And if you do lose a certain number of
19 customers to an entrant are you really going to destroy
20 the physical plant that remains that was left to
21 support that entrant -- or support that customer's
22 service?

23 A. Are we going to destroy the plant?

24 Q. The plant still exists, right?

25 A. Yes.

00295

1 Q. How would there be a held order problem if
2 that customer returns from the entrant back to U S
3 WEST?

4 A. There could be if U S WEST reused the
5 facility in some way.

6 Q. So you're saying that once a group of
7 customers leave to go to an entrant even though the
8 plant still exists that you would reuse that plant
9 prior to those customers returning?

10 A. Well, the other choice would be for us to
11 leave the plant dedicated for that customer's use they
12 could return to us. That would be a true carrier last
13 resource obligation, however.

14 Q. But if you're reusing the plant for those
15 customers then you don't have any stranded plant, do
16 you?

17 A. If we're able to.

18 Q. Do you know the total amount of support
19 that U S WEST needs to provide residential service?

20 A. No. I don't believe I've run that number.

21 Q. Has it been provided in any sort of data
22 request?

23 A. I reviewed about six binders of -- or
24 twelve binders of data requests this weekend. I don't
25 recall seeing that figure.

00296

1 Q. So you haven't provided the total amount of
2 support that U S WEST claims is required for
3 residential service.

4 MR. OWENS: I would object. That's not his
5 testimony. He said he hasn't seen it.

6 MS. WEISKE: I'm trying to get whether it
7 exists because if it does I would like to make a
8 record request for it.

9 JUDGE ANDERL: I think she was just
10 clarifying whether he believed it had been provided or
11 not, Mr. Owens.

12 A. I reviewed the binders. I didn't see it.
13 I don't believe we provided it.

14 Q. And I also reviewed the binders and don't
15 recall seeing it. May we get that as a request.

16 JUDGE ANDERL: May the company provide
17 that?

18 MR. OWENS: If it exists we'll provide it.

19 JUDGE ANDERL: That would be record
20 requisition No. 2.

21 (Record Requisition 2.)

22 MS. WEISKE: What I'm asking for is a cost
23 study for residential service times the number of
24 lines. I would find it surprising if that doesn't
25 exist, but if counsel could let us know this week, that

00297

1 would be helpful.

2 Is that clear, Mr. Owens, or do we need to
3 write it up?

4 MR. OWENS: Yes, that's fine.

5 Q. Do you know, Mr. Owens, if you have figures
6 that show the level of business support to residential
7 services?

8 A. The total amount of business support to
9 residential service?

10 Q. Yes.

11 A. I think that falls in the same category as
12 the previous request.

13 Q. Meaning you're not sure if it exists or --

14 A. I don't recall seeing it in the binders and
15 I don't know if it exists.

16 MS. WEISKE: Again, we would make a record
17 request for that using ASIC which is average service
18 incremental cost.

19 JUDGE ANDERL: And specifically what you
20 want is?

21 MS. WEISKE: The difference between ASIC
22 and price times the number of lines.

23 JUDGE ANDERL: For business service?

24 MS. WEISKE: For business services.

25 JUDGE ANDERL: Is that clear to the

00298

1 company?

2 MS. WEISKE: And that's the same request
3 for residential services that we just made as well.

4 JUDGE ANDERL: That's record requisition
5 No. 3.

6 (Record requisition 3.)

7 MS. WEISKE: Thank you.

8 Q. Mr. Owens, it's your belief that business
9 services currently provide contribution support to
10 residential services, true?

11 A. That's correct.

12 Q. And interexchange carriers also have to pay
13 a carrier common line charge. Is that also true?

14 A. Yes.

15 Q. Is it also your belief that the carrier
16 common line charge provides contribution support to
17 residential services?

18 A. Yes.

19 Q. And do you believe that you need both those
20 contribution mechanisms?

21 A. Yes.

22 Q. Do you know the total amount received by
23 U S WEST intrastate from the carrier common line
24 charges?

25 A. No, I don't.

00299

1 Q. Who would know that?

2 A. I'm not sure. I'm sure we can get the
3 number for you.

4 MS. WEISKE: Again we would make a request
5 for that number, please, Your Honor.

6 Total amount received by U S WEST intrastate
7 from carrier common line charges.

8 MR. OWENS: What period?

9 MS. WEISKE: The last year would be
10 sufficient. If you have more than the last year that
11 would be helpful but the last year would be
12 sufficient.

13 JUDGE ANDERL: That would be record
14 requisition No. 4.

15 (Record Requisition 4.)

16 Q. Do you know the total amount of
17 contribution received from switched access charges
18 intrastate?

19 A. No, I don't.

20 MS. WEISKE: We would like to make the same
21 request, Your Honor.

22 JUDGE ANDERL: That would be No. 5.

23 (Record Requisition 5.)

24 MR. OWENS: It's possible that the
25 company's access charge witness might know the answer

00300

1 to that question, so perhaps that question can be
2 renewed of her.

3 MS. WEISKE: All of them or just the last
4 one?

5 MR. OWENS: The last two.

6 MS. WEISKE: To be clear, the time periods
7 that I've asked for are the same for all the requests
8 which was the last year.

9 JUDGE ANDERL: The most recent 12 months
10 available?

11 MS. WEISKE: Right, correct.

12 Q. Do you know if U S WEST imputes the CCL
13 charge into toll calls into the rate?

14 A. I think that would be a good question for
15 Mr. Purkey.

16 JUDGE ANDERL: Mr.?

17 THE WITNESS: Dan Purkey, our imputation
18 witness.

19 JUDGE ANDERL: I'm sorry, I didn't hear
20 you.

21 Q. If you would look at page 11, lines 13
22 through 18 of your testimony. I want to ask you again
23 a question about the ratio that you refer to.

24 MR. OWENS: Which testimony?

25 MS. WEISKE: We're in his rebuttal and

00301

1 we'll stay in his rebuttal unless I indicate
2 otherwise.

3 Q. So if a cable entrant has a ratio of
4 residential to business service that's higher than U S
5 WEST's ratio, will U S WEST pay an interim universal
6 service --

7 MR. OWENS: Asked and answered.

8 Q. -- to that cable entrant?

9 MR. OWENS: Objection.

10 JUDGE ANDERL: Sustained.

11 Q. If a residential user has the same density
12 category and is the same distance from the central
13 office as a business user, aren't those costs the
14 same?

15 A. Not if they have different traffic
16 characteristics.

17 Q. Would that request be true for the loop?

18 A. Could you repeat your question.

19 Q. Sure. If a residential user has the same
20 density category and is the same distance from the
21 central office as a business user, wouldn't the costs
22 for the loop be the same?

23 A. Generally, yes.

24 Q. What do you mean by generally? Why? When
25 would it not be the case? Talking about a network

00302

1 access channel. It's the same density category and
2 same distance from the central office. How would that
3 cost vary whether it was being used by a business user
4 or residential user?

5 MR. SHAW: Objection. There are two
6 questions there.

7 JUDGE ANDERL: Perhaps I just heard one.

8 MR. OWENS: First asked under what
9 conditions would it not be the same and then she
10 followed up with a second question without waiting for
11 him to answer the first question.

12 JUDGE ANDERL: I understood the second
13 question to be clarifying or narrow the first. Maybe
14 if you can just answer the second question?

15 A. Could you ask the question again.

16 Q. We're talking about the network access
17 channel. If the distance from the central office is
18 the same, whether it's being used by a residential or
19 business user and the density category is the same,
20 explain the situation where the costs would be
21 different.

22 A. If it's the same loop that one day is used
23 for residence service and three weeks later has been
24 used for business service the cost would be the same.
25 I could envision a situation where one central office

00303

1 with roughly the same density and distance
2 characteristics as a second central office might
3 actually use different technologies to deliver the
4 service, one to business, one to residence, and I can
5 imagine situations where the costs of those two
6 services might be different.

7 Q. Are you assuming that both users are using
8 forward looking technology?

9 A. If we use forward looking technology I
10 would think the costs would be the same.

11 Q. You would think or your answer is yes, the
12 costs would be the same?

13 A. If we're talking about the loop they would
14 be the same.

15 Q. Thank you. Would you please look at the
16 quote from Mr. Roberts of MCI on page 16 starting at
17 line 14 of your testimony?

18 A. Yes.

19 Q. Do you always believe everything you read
20 in the newspapers, Mr. Owens?

21 A. Not always.

22 Q. Does everything you read in the newspaper
23 always come to fruition?

24 A. Not always.

25 Q. Do you recall reading in the last year

00304

1 about a potential merger between TCI and Bell
2 Atlantic?

3 A. Yes, I do.

4 Q. Did that merger come to closure?

5 A. No, it did not.

6 Q. Does Mr. Roberts say in that quote you will
7 see a different -- you will see different ways of
8 getting into the home?

9 MR. OWENS: I'm going to object. The quote
10 speaks for itself.

11 JUDGE ANDERL: If you just want to refer
12 him to that portion and ask him about it.

13 Q. Would you look at lines 14 through 22 of
14 your testimony on page 16?

15 A. It does say you will see different ways of
16 getting into the home.

17 Q. Unless you have an office in the home,
18 are an office and the home the same thing?

19 A. Could you repeat that again.

20 Q. If you're serving a residential user at his
21 home, is that the same as serving a business in
22 downtown?

23 MR. OWENS: I'm going to object, that
24 question is vague.

25 Q. Does a home equate to a business, Mr.

00305

1 Owens, maybe if I ask it that way.

2 JUDGE ANDERL: Ms. Weiske, I think I know
3 what you're getting at, but I do think you need to
4 restate and clarify a little bit.

5 Q. If I am being served by MCI Metro in my
6 home, is that the same as being served by MCI Metro in
7 my office unless my office is in my home? Are they two
8 different locations, Mr. Owens?

9 A. They can be.

10 Q. Are they two potential different target
11 groups?

12 A. They can be.

13 Q. Thank you. Why at page 18, lines 14 through
14 15 and page 18, lines 22 through 23 is the second place
15 winner a winner with a greater amount than the first
16 place winner?

17 A. I don't think I implied that one was a
18 first place winner and the other was a second place
19 winner. I'm just saying there are two PCS licenses
20 that were awarded.

21 Q. Thank you for that clarification. You
22 start talking about cable companies again at page 19
23 starting at line 16. How many businesses, if you know,
24 are passed by TCI in the state of Washington?

25 A. I don't know.

00306

1 Q. Do you know how many situations TCI has
2 where they have cable running down the street but
3 can't get cable through a parking lot?

4 A. No, I don't.

5 Q. You talk at the bottom of page 19 and the
6 top of page 20 about an RFP that was sent to over 100
7 equipment vendors to provide software and hardware
8 proposals and how telephony over cable would work. Do
9 you have results of that RFP?

10 A. No, I don't.

11 Q. So there's no solution as to how that might
12 work that you're aware of related to that specific
13 RFP?

14 A. I only know that 95 companies responded.

15 Q. With 95 different solutions possibly?

16 A. Potentially.

17 Q. Do you know if Bellcor -- do you know if
18 Bellcor were to receive a similar proposal how long it
19 would take them to both respond and implement?

20 A. I have no idea.

21 Q. Do you have any experience with how long
22 it's generally taken Bellcor to implement a particular
23 solution?

24 A. A particular solution is a rather broad
25 categorization of the kinds of things that Bellcor

00307

1 does.

2 Q. Well, do you have any sense if they were
3 given the same request as I asked you about earlier as
4 to providing telephony over cable?

5 A. I have no --

6 MR. OWENS: I'm going to object. This is
7 very far afield on the issues in this case.

8 JUDGE ANDERL: I think your witness agreed
9 with you. He said he had no idea and I will allow the
10 answer to stand.

11 Q. You say at the bottom of page 216 of your
12 testimony that you believe that local exchange
13 carriers will begin to market their services outside
14 their traditional exchange boundaries. Is U S WEST
15 planning to market their services outside their
16 traditional exchange boundaries?

17 A. If the Commission were to adopt a bill and
18 keep approach for exchanging local traffic we would
19 have a very strong incentive to reach out into other
20 company's exchanges and serve business customers. We
21 could reach into GTE's Redmond exchange and attempt to
22 serve Microsoft. We could reach into Everett's area
23 and attempt to serve Boeing, and the way that would
24 work, we would simply extend facilities from our
25 switches in Seattle to those locations, serve those

00308

1 customers, receive traffic from those customers and
2 deliver it right back to the independent telephone
3 company free of charge under a bill and keep
4 arrangement so, yes, I think there would be very strong
5 incentives for U S WEST to begin serving customers
6 outside of our exchanges if a bill and keep were
7 adopted.

8 Q. Do the independent local exchange companies
9 have the same ratio of residential to business users
10 as U S WEST?

11 A. I don't know.

12 Q. Is U S WEST planning to serve their
13 customers, residential customers?

14 A. No.

15 Q. Even under a bill and keep arrangement?

16 A. No. Presumably their residential services
17 are also priced below cost. We would -- if we wanted
18 to reach into another independent telephone company's
19 territory we would go after the high margin customers,
20 business customers, high volume customers.

21 Q. I think you just said you didn't know about
22 the ratio. Would you assume for a moment that the
23 ratio of residential to business users for the
24 independent LEC would be the same as U S WEST. Are
25 you with me?

00309

1 A. We can assume that.

2 Q. In assuming that --

3 MR. OWENS: Does counsel intend to
4 introduce evidence on this point to establish the
5 foundation for the hypothetical?

6 MS. WEISKE: It's a hypothetical, by the
7 very nature of the hypothetical I can set the
8 foundation and I just did and I think it was clear.

9 MR. OWENS: But in order for the
10 hypothetical to be relevant there has to be some
11 foundation established at sometime during the case or
12 else we're just wasting time.

13 JUDGE ANDERL: I will let Ms. Weiske
14 establish the hypothetical.

15 MS. WEISKE: Thank you.

16 Q. You still have the hypothetical in mind,
17 Mr. Owens?

18 A. Yes.

19 Q. In that situation if U S WEST enters an
20 independent LEC's territory, would they intend to pay
21 an interim universal service charge?

22 A. Yes.

23 Q. You have a series of conclusions starting
24 on page 23, lines 7 of your testimony, and I would
25 like to go through some of that with you. You say at

00310

1 lines 7 U S WEST would lose approximately (stricken) in
2 exchange lines --

3 JUDGE ANDERL: Excuse me. Confidential.

4 MS. WEISKE: Sorry. I didn't realize it
5 was.

6 JUDGE ANDERL: Do we need to -- can you
7 continue your cross without revealing any confidential
8 arrangement?

9 MR. OWENS: Can we at least strike that.

10 JUDGE ANDERL: We can strike the number.

11 MS. WEISKE: I can try. Let me see if I
12 can do it without it.

13 JUDGE ANDERL: All of the footnoted
14 information is confidential. All the bracketed
15 numbers on that page.

16 Q. Would you go through the methodology for
17 the basis of that calculation?

18 A. Which calculation do you want me to go
19 through?

20 Q. I want to start at line 7, page 23. I want
21 you to start with what you used for actual numbers and
22 percentages for single business lines in that
23 calculation.

24 A. We used the business lines in Seattle, and
25 took 20 percent of them.

00311

1 MS. WEISKE: We're going to need these
2 numbers. I don't know how to do this without getting
3 the actual numbers. We could ask for a record
4 requisition of all of these numbers as I go through
5 what I need. If that would be helpful.

6 JUDGE ANDERL: If that's a way of doing it.

7 MR. OWENS: Not going to help her try her
8 case. She can make the record requisition.

9 JUDGE ANDERL: Go ahead and make the
10 requisitions. If that's a way you can do it without
11 -- without having to speak the numbers into the
12 record. As I said I would try to avoid a closed
13 session if we can.

14 MS. WEISKE: And I appreciate that. He's
15 just told me he has a number in mind. He just told me
16 they used a percentage of that base number. We can go
17 through these numbers and seal this portion of the
18 transcript. I either need a record requisition on all
19 of these numbers by the end of the day or I need to go
20 through it in a sealed form.

21 JUDGE ANDERL: If Ms. Weiske makes these as
22 record requisitions can the company respond in that
23 time frame?

24 MR. OWENS: I don't know what numbers she's
25 asking for. It seems to me that the witness has given

00312

1 her the formula to establish the base under which the
2 confidential number was established that she's first
3 asked about. I suppose we can go on from there.

4 MS. WEISKE: Well, we've got the
5 calculations. We've got the conclusion. I think it
6 would be appropriate and helpful to get not only the
7 method but the numbers he uses as input to his
8 conclusion. So if we can get it without going through
9 it now I'm happy to do it as long as we can get it in
10 a way that's helpful for us through this proceeding.

11 JUDGE ANDERL: I will identify the request
12 for that number as record requisition No. 6. I guess
13 I'm a little puzzled though because as I understand it
14 from the witness testimony if you took the number on
15 line 7 and multiplied by 5 you would have the number,
16 and if that's his testimony, I guess you want the
17 company to verify that in writing.

18 MS. WEISKE: I'm trying --

19 JUDGE ANDERL: You might be able to ask for
20 that.

21 MS. WEISKE: That's not where I'm going,
22 sorry. I'm trying to get at the basis for the number
23 on end of line 9, beginning of line 10 --

24 JUDGE ANDERL: Hold on a second.

25 MS. WEISKE: -- and line 11. And I can't do

00313

1 that without getting these inputs to understand the
2 conclusion, and I do need these responses to cross Mr.
3 Purkey.

4 JUDGE ANDERL: So what is the first record
5 requisition that you want? Does it have to do with
6 the revenues number or the number of business lines?

7 MS. WEISKE: We would be satisfied with
8 just all the work papers related to all of these
9 calculations to reach the conclusions stated at lines
10 7, 10 and 11. We could shorten this up.

11 JUDGE ANDERL: Can the company provide that
12 information?

13 MS. WEISKE: We would need it today given
14 Mr. Purkey will be on either today or tomorrow.

15 MR. OWENS: We can provide it. I guess I
16 would point out there was a discovery period available
17 after this testimony was filed but if we have the work
18 papers we will provide them.

19 JUDGE ANDERL: I will make it record
20 requisition No. 6 just as one group of work papers.

21 (Record Requisition 6.)

22 MS. WEISKE: I would point out that this
23 page was revised on June 15, 1995.

24 Q. Ready to go on, Mr. Owens?

25 A. I think so.

00314

1 Q. How many customers did you assume in that
2 calculation?

3 A. Now, which calculation are we talking
4 about? Are we on line 7 again?

5 Q. Yes.

6 A. Well, again, if you have that number and
7 that number represents 20 percent of the base --

8 Q. -- of the lines or of the customers?

9 A. Those are lines.

10 Q. Would you turn to page 25, lines 15 through
11 18 of your testimony. Do you know generally the
12 position of the entrant in this case regarding
13 universal service?

14 A. At a very high level, yeah.

15 Q. Keeping it at a very high level, do you
16 know if MCI Metro for example supports universal
17 service funds?

18 A. I understand that MCI Metro supports a
19 universal service approach. Clearly it's different
20 than the approach we're laying out here for an interim
21 universal service charge.

22 Q. Would you know as to the same question for
23 Teleport communications group whether they generally
24 support universal service?

25 A. I believe they do, yes.

00315

1 Q. What about as to MFS?

2 A. I believe so, but again, their version of
3 universal service, as I understand it, would be
4 similar to ours, that after the rates have been
5 rebalanced, we, too, would support the establishment
6 of a universal service fund to address low income and
7 high cost customers. What we're talking about in the
8 interim is support that would allow U S WEST to
9 maintain the current disparity between our \$37 business
10 rate and our \$14 residential rate. And having
11 residential rates averaged across the state.

12 Q. Do you know if the ELI generally supports
13 universal service objectives?

14 A. I believe their approach is similar to the
15 other AECs.

16 Q. Going back to MCI Metro and your general
17 high level understanding of MCI Metro's position on
18 universal service, do you think it would be rational
19 for MCI Metro to assume support of universal service
20 and not factor that into any potential rates?

21 A. Well, it depends on what your definition of
22 universal service is. If you're excluding the
23 possibility that U S WEST supports residential service
24 rates through rates for its business services, the \$37
25 versus \$14 differential, if you're assuming that you

00316

1 have a responsibility to help maintain that \$14
2 residential rate, then we may have some agreement, but
3 your option to the interim universal service charge
4 suggests to me that you have a different understanding
5 of universal service than we do.

6 Q. But doesn't that understanding that MCI
7 Metro has, again, considering you only understand it
8 at a very high level, assumes some sort of implication
9 for rates?

10 A. Yes.

11 Q. That they would pay as an entrant?

12 A. For some customers, yes.

13 Q. Would you take a look at the quote from the
14 Illinois order at page 29, lines 23 through the end of
15 the page.

16 A. Yes.

17 Q. Would you also review specifically lines 23
18 and 24?

19 A. Yes.

20 Q. Isn't it true that if traffic were to be
21 found to be in balance that that would not have been
22 the resolution of the Illinois case?

23 MR. OWENS: I'm going to object. That
24 calls for the witness to speculate on what the
25 Illinois Commission might have done if the facts before

00317

1 it were different than they were.

2 JUDGE ANDERL: Kind of have to agree with
3 it. I think, Ms. Weiske, you can probably ask the
4 question without calling for having the witness engage
5 in that level of speculation.

6 Q. Doesn't that quote indicate that the
7 Illinois Commission based their decision on the fact
8 that they believed traffic would not be in balance?

9 MR. OWENS: Same objection. The order
10 speaks for itself.

11 JUDGE ANDERL: Well, if you agree that
12 that's what the order says, I will sustain it,
13 otherwise I'm going to let the witness answer. I
14 think that's what the order says.

15 MS. WEISKE: We would be happy with that
16 response in the record.

17 JUDGE ANDERL: I know, but that's my
18 response. I don't know that that counts.

19 MR. OWENS: I made my objection.

20 JUDGE ANDERL: Okay. Well, then, I guess
21 it's overruled and the witness can answer, Mr. Owens.

22 A. I believe this order does indicate that the
23 Illinois Bell -- or the Illinois Commission does
24 believe that the traffic will not be in balance.

25 Q. Are you generally familiar in Illinois with

00318

1 the rate that was ordered by the Illinois Commission?

2 A. Yes.

3 Q. What would that rate be?

4 A. I believe it's .75 cents per minute for
5 tandem switching and .5 cents per minute for direct
6 connections to the end office.

7 Q. You've talked generally and specifically in
8 your testimony about the New York order related to
9 mutual traffic exchange bill and keep, that issue?

10 A. Yes.

11 Q. Are you familiar generally with MFS's
12 testimony related to their traffic patterns in New
13 York?

14 A. No, I'm not.

15 MS. WEISKE: May I approach the witness?

16 JUDGE ANDERL: Yes.

17 MR. OWENS: I guess I'm going to object
18 because that isn't testimony yet.

19 MS. WEISKE: I'm getting ready to ask him
20 about it. I thought as a courtesy I should show it to
21 him first.

22 MR. OWENS: It hasn't been sworn. That
23 was the same objection in part that got testimony we
24 offered excluded.

25 JUDGE ANDERL: Are you showing him the

00319

1 testimony that's been prefiled in this case or in the
2 New York case.

3 MS. WEISKE: It was testimony that was
4 sworn to in Texas.

5 MR. OWENS: I'm sorry. I thought you were
6 talking about MFS testimony in this case.

7 MS. WEISKE: If you would like I can have
8 MFS counsel confirm that it is what it says it is.

9 Q. Do you have it in mind?

10 A. (Nodding head).

11 Okay. I have in mind that you showed me a
12 document that is testimony by an MFS witness in Texas.

13 Q. And in fact, Mr. Owens, it is testimony by
14 Susan DeFlorio on behalf of MFS in docket No. 18342
15 before the Public Utility Commission of Texas; is that
16 correct?

17 JUDGE ANDERL: We'll accept your
18 representation, Ms. Weiske.

19 Q. Would you please look at page 40 of that
20 testimony, particularly lines 15 through the end of
21 the page. Isn't it true that that testimony states
22 that "MFS Intelenet customers to NYNEX customers is
23 nearly equal to the minutes of use received by MFS
24 Intelenet customers from NYNEX customers?" Isn't
25 that at least MFS's representation of their traffic

00320

1 patterns for New York, Mr. Owens?

2 A. It says, "nearly equal." I don't know what
3 that means. I don't know if that means one percent,
4 five percent, ten percent, 20 percent. I have no
5 idea.

6 MS. WEISKE: May I again approach the
7 witness.

8 JUDGE ANDERL: Yes.

9 Q. I'm handing Mr. Owens a late-filed Exhibit
10 22 prepared by and on behalf of MFS Intelenet of
11 Connecticut dated June 8, 1995 that was entered into
12 that record as a late-filed exhibit which is docket
13 No. 94-10-02. Would you please read both of those
14 statements.

15 MR. OWENS: I'm going to object to this.
16 We were not able to introduce testimony from a case in
17 Oregon on the basis, among other things, that it was
18 hearsay. It seems to me that this is clearly hearsay
19 and if the Commission is going to apply the hearsay
20 rule the way it has I think it ought to apply to all
21 parties. So we would object.

22 JUDGE ANDERL: Ms. Weiske, your response?

23 MS. WEISKE: I don't think it's hearsay in
24 the sense that Mr. Owens has talked about traffic
25 patterns related to these various states and decisions

00321

1 that commissions issued relate to mutual traffic
2 exchange. I've handed him another exhibit that's
3 sworn as a late-filed exhibit in another docket that
4 addresses traffic patterns.

5 MR. OWENS: Excuse me. Hearsay is evidence
6 by an unavailable declarant, whether it was sworn in
7 another docket is irrelevant.

8 JUDGE ANDERL: And I guess the same
9 questions about whether the declarant can be
10 cross-examined are present. This is not a conclusion
11 or an order by that Connecticut Commission; is that
12 right?

13 MS. WEISKE: No. It's a late-filed
14 exhibit.

15 JUDGE ANDERL: I'm going to sustain the
16 objection to that.

17 Q. Would you look at page 30, lines 25 and 26
18 of your testimony.

19 A. What lines was that again?

20 Q. I think it begins on line 25. In a market
21 where lowering price doesn't increase market share,
22 wouldn't an entrant set its prices at the market rate.

23 MR. OWENS: I'm going to object to that
24 question. I don't understand the premise. I think
25 counsel needs to establish a foundation for that

00322

1 premise.

2 JUDGE ANDERL: Let me ask the witness if he
3 understood it.

4 THE WITNESS: No, I don't. I'm sorry.

5 JUDGE ANDERL: Ms. Weiske, can you restate
6 that question with some additional foundation?

7 Q. If there's no possibility, Mr. Owens, that
8 a lower price could increase the quantity of service,
9 wouldn't an entrant set that price at market?

10 MR. OWENS: I'm going to object to that
11 question. Is counsel asking the witness to assume that
12 the law of downward sloping demand doesn't apply in
13 this exchange?

14 MS. WEISKE: For interconnection, yes.

15 A. Could you repeat the question? I'm still
16 having a hard time following it. What prices are we
17 talking about?

18 Q. Interconnection rates.

19 A. Okay.

20 Q. If you're in a market where lowering the
21 price doesn't increase market share, wouldn't the
22 entrant set its interconnection rates at the market
23 price?

24 A. At the market price for interconnection?

25 Q. Yes.

00323

1 MR. OWENS: Do you understand what the
2 market price is in that context?

3 THE WITNESS: No, I don't.

4 MS. WEISKE: The market price is what U S
5 WEST sets it at.

6 MR. OWENS: So this is no longer a
7 hypothetical case? This is a concrete case with U S
8 WEST being the definer of the case?

9 MS. WEISKE: No. You asked for
10 clarification, I said assume that U S WEST has set the
11 market rate.

12 Q. Assume company A has set the market rate.

13 A. For interconnection?

14 Q. For interconnection.

15 A. I wonder how it is that U S WEST sets the
16 interconnection rate or the market rate for
17 interconnection when U S WEST must use MCI Metro's
18 switch to terminate its traffic.

19 Q. Is that your answer to my question, another
20 question?

21 A. I think so. I don't understand the premise
22 of the question. We have as much of a -- you have as
23 much of a bottleneck with respect to terminating local
24 calls as we have.

25 Q. So you can't answer the question where in a

00324

1 market where lowering the price doesn't increase the
2 market share and company A sets the market rate,
3 whether an entrant would set that interconnection rate
4 at the market rate?

5 A. No, I can't.

6 Q. If you look at the quote from the Ohio
7 Public Utilities Commission that you cite on page 31
8 of your testimony.

9 A. That's a quote from the staff not from the
10 Commission.

11 MS. WEISKE: I would make a motion to
12 strike this testimony since staff isn't available here
13 to cross based on the arguments that I've heard
14 earlier from Mr. Owens.

15 JUDGE ANDERL: Does the company want to get
16 into this?

17 MR. OWENS: Well, I assume that if you
18 adhere to what is now the precedent of the case that
19 you would probably grant that. It certainly wasn't
20 our motion. We certainly thought that the evidence
21 was relevant and probative when we introduced it.

22 MS. WEISKE: Relative and probative doesn't
23 go to hearsay and I've just been pointed out that it's
24 the staff and the staff is not available to
25 cross-examine here so I would again renew my motion to

00325

1 strike this portion.

2 JUDGE ANDERL: Well, I don't know. It says
3 very clearly in the testimony that it was staff. This
4 testimony came in without objection. I'm going to
5 deny the motion.

6 Q. Mr. Owens, on the quote starting at line 19
7 through 22. Isn't it true that it states exchanging
8 percent local usage reports could be used to monitor
9 the traffic referred to there, referring specifically
10 to "shall measure the minutes of use for compensation
11 purposes"?

12 A. No, I don't believe it can.

13 Q. Why don't you believe that PLUs could be
14 used to measure whether traffic is in balance or not?

15 A. Percent local use --

16 MR. OWENS: I'm going to object to that
17 question because that isn't what this question states.
18 It's not about whether the traffic is in balance. If
19 she wants to modify her question, that's fine, but I
20 object to the form of the question.

21 JUDGE ANDERL: Ms. Weiske, do you want to
22 restate that?

23 MS. WEISKE: I will start over.

24 Q. It says there that "all LECs, new entrant
25 carriers or cellular carriers exchanging local traffic

00326

1 shall measure the minutes of use for compensation
2 purposes"; is that correct?

3 A. That's correct.

4 Q. And couldn't those carriers simply exchange
5 minutes of use?

6 A. If you're saying can the carriers generate
7 originating records, for example, U S WEST generate
8 originating traffic that it sends to MCI Metro and
9 provide that record to MCI Metro for the purposes of
10 MCI Metro billing U S WEST terminating minutes, that is
11 one arrangement that can be used, yes.

12 Q. Would you look at page 32 of your
13 testimony, rebuttal, your reference to the Maryland
14 Public Service Commission decision. Are you familiar
15 with what rate was ordered in that case?

16 A. I believe it was 6.1 cents per minute for
17 terminating -- or per call, excuse me. 6.1 cents per
18 call for traffic terminated on the Bell Atlantic
19 network.

20 Q. Do you know what the rate for MFS to file
21 and return in that case was?

22 A. I understood that the Commission required
23 that MFS file cost-based tariffs for the terminating
24 traffic that Bell Atlantic terminated on MFS's network.
25 Haven't seen that tariff.

00327

1 Q. Isn't it true that that tariff indicates
2 that terminating usage per call for MFS is also 6.1
3 cents per call?

4 A. That is MFS's proposal?

5 MR. OWENS: Excuse me. The witness
6 testified he hasn't seen it. Is counsel testifying?

7 MS. WEISKE: No. I'm prepared to hand him
8 the tariff to see if he recognized it.

9 Q. Isn't 6.1 cents per call also what MFS filed
10 in its tariff in Maryland?

11 A. Apparently. I have not seen this before.

12 Q. I see that, but are you questioning its
13 validity in terms of what I just handed you or are you
14 agreeing that that appears to be the tariff filing?

15 A. It appears to be a tariff filing. I don't
16 know if it's in effect. I don't know what the status
17 is.

18 Q. You state at page 36 of your rebuttal
19 testimony that "The Iowa, Illinois, Maryland, Michigan
20 and New York Commissions have rejected bill and keep
21 as an appropriate long-term compensation arrangement
22 for the local traffic exchange between competitors in
23 the local exchange." Are you generally familiar with
24 the Michigan order in the matter of the application of
25 City Signal, Incorporated?

00328

1 A. Yes. I've read the order.

2 Q. Isn't it true that that Commission ordered
3 -- orders that mutual traffic exchange will be
4 implemented unless the traffic is out of balance more
5 than five percent?

6 A. I wouldn't characterize it that way. I
7 would say that they require the application of a
8 penny and a half cent per minute of use charge for
9 terminating traffic by both parties, and unless the
10 traffic is out of balance by -- if the traffic is
11 within balance by five percent then the charges don't
12 apply.

13 Q. So if the traffic is in balance within five
14 percent, as you just explained it, that Commission
15 ordered a mutual traffic exchange solution; isn't
16 that correct?

17 A. For the month that the traffic is in
18 balance. The following month the traffic may not be
19 in balance. In that case the rates would apply.

20 Q. For a six-month period the traffic were in
21 balance, as we've been discussing, wouldn't that
22 solution then be a mutual traffic exchange solution?

23 A. For those months, but in the seventh month
24 if the traffic is not in balance then the one and a
25 half cent charge applies, so my understanding is that

00329

1 the two parties would need to measure their traffic
2 each month, determine whether the traffic satisfied the
3 five percent threshold for balance. If it does then
4 they would not render bills to one another. If it does
5 not satisfy the criteria then the bills would be
6 rendered.

7 Q. You still believe that's not a Commission
8 determination as to mutual traffic exchange?

9 A. Not as it's been discussed in this
10 proceeding.

11 Q. I thought we just agreed or concluded --
12 maybe I misunderstood -- that if for any given period
13 of time the traffic were found to be in balance within
14 or below five percent that a mutual traffic exchange
15 solution was going to be applied. Did I understand
16 your testimony correctly?

17 A. I just wouldn't characterize that as mutual
18 traffic exchange. Both parties are measuring their
19 traffic each month to determine whether the traffic is
20 in balance. If it's not in balance, no charges apply.

21 MR. OWENS: You said if it's not in
22 balance?

23 A. I'm sorry. If it is in balance within the
24 five percent threshold then the charges don't apply.

25 Q. So you would not want to change your

00330

1 testimony at page 36, line 23 where you say Michigan's
2 Commission has rejected bill and keep as an
3 appropriate long-term compensation arrangement?

4 A. Where are we again?

5 Q. Bottom of page 36 where you say the
6 Michigan Commission has rejected bill and keep as an
7 appropriate long-term compensation arrangement for the
8 local traffic exchange between competitors and the
9 local exchange?

10 A. I would not change that. Again, if an AEC
11 were to enter the Michigan market and that particular
12 AEC and Michigan Bell had traffic out of balance by,
13 say, ten percent, they would be applying a penny and a
14 half cent per minute of use charge for the traffic they
15 exchanged between themselves, so I wouldn't say that is
16 acceptance of bill and keep.

17 Q. If that were the conclusion of this
18 Commission, do you have any problem with a mutual
19 traffic exchange solution that only existed if traffic
20 were in balance within or below five percent?

21 A. Yes, I do have a problem with that
22 approach.

23 Q. If the traffic were in balance within or
24 below five percent, doesn't that appear to be a good
25 indicator of whether traffic is in balance?

00331

1 A. For that month. I presume that the traffic
2 between our networks will not be stable and growing
3 slowly. There will be, I think, rapid exchanges in
4 traffic between our respective networks as you serve
5 different groups of customers, other AECs serve
6 different groups of customers. I don't expect that
7 traffic is going to be balanced and stable between our
8 respective networks.

9 Q. Isn't it true that the quote you rely on at
10 page 33 of your testimony related to the Iowa decision
11 states that the board recognizes bill and keep is a
12 very rough compensation mechanism. It is only
13 appropriate and fair when the traffic between the two
14 utilities is approximately equal?

15 A. Yes.

16 Q. On a month to month basis do you believe
17 traffic that is within or below five percent is
18 approximately equal?

19 A. Not necessarily, no.

20 Q. So you wouldn't agree that that would be
21 appropriate and fair to use that type of approach in
22 measuring traffic?

23 A. Well, I really fail to see what the benefit
24 of that approach is. Under that approach you still
25 need to measure your traffic every month. You need to

00332

1 determine what amount you would bill under that
2 approach would be. Then apparently the two companies
3 call each other up on the phone and say, I'm going to
4 bill you X, well, I'm going to bill you Y, compare the
5 two, determine whether it's within five percent and
6 only if it is they agree not to bill each other. So
7 what you're saving in that approach is the process of
8 rendering bills to one another and paying those bills.
9 The full cost of measurement, of having the billing
10 system is still required.

11 Q. So you don't agree with the quote you
12 relied on on page 33 that it is only appropriate and
13 fair when the traffic between the two utilities is
14 approximately equal?

15 MR. OWENS: I'm going to object to that
16 question because Mr. Owens relied on more quotes than
17 just the one on page 33 from the Iowa Commission,
18 specifically on page 34, so I think the question is
19 unfair to the extent it implies he only relied on one
20 quote.

21 JUDGE ANDERL: I don't think it implies
22 that. I think she's entitled to ask whether he agrees
23 with that one quote, whether there were others or not.

24 A. Could you re-ask your question, please.

25 Q. Do you agree or disagree now with the quote

00333

1 you relied on on page 33 that says it is only
2 appropriate and fair when the traffic between the two
3 utilities is approximately equal?

4 A. I think the board came to the conclusion
5 that there was a good chance that the traffic would
6 not be equal and that's why they said later on page 34
7 that a permanent bill and keep methodology would be
8 looking backward to the monopoly regulation of the
9 past rather than forward to the regulation of
10 competitive utilities in the future. They rejected
11 bill and keep.

12 Q. Thank you for that answer but that wasn't
13 the question I asked. I asked you whether you agreed
14 with the portion of the quote you cite on page 33
15 where the Commission in Iowa states, "It is only
16 appropriate and fair when the traffic between the two
17 utilities is approximately equal." Do you believe if
18 the traffic is approximately equal it is appropriate
19 and fair for a Commission like this one to order mutual
20 traffic exchange?

21 A. No.

22 Q. Thank you.

23 MS. WEISKE: Could we take a short break?

24 JUDGE ANDERL: I was just about to ask you
25 for your time estimate.

00334

1 MS. WEISKE: I've got quite a bit more.

2 JUDGE ANDERL: Well, then this is a good
3 time for a morning recess.

4 (Recess.)

5 JUDGE ANDERL: Let's be back on the record
6 after our morning recess. Ms. Weiske, are you ready
7 to go ahead then?

8 MS. WEISKE: Yes.

9 Q. Would you look at page 42 of your rebuttal
10 testimony, please. Isn't it true, Mr. Owens, that U S
11 WEST gets the switched access revenues for a resale
12 product?

13 A. Yes.

14 Q. And isn't it true that U S WEST gets the
15 toll revenues for a resale product?

16 A. Yes.

17 Q. And isn't it true that U S WEST gets
18 revenues from vertical services if it's resold?

19 A. If the vertical service are resold, yes.

20 Q. The bottom of page 42, do you mean that
21 resale bundled should not be permitted or resale at
22 all should not be permitted even if unbundled?

23 A. At all. If what we're talking about here
24 is whether an interexchange carrier should be
25 permitted to sell both its interLATA services,

00335

1 interLATA toll service and local exchange services
2 and U S WEST is prohibited from offering interLATA
3 services, I don't believe that's a fair competitive
4 field.

5 Q. So you believe that resale should not be
6 permitted at all?

7 A. I didn't say that resale should be
8 prohibited, just to the extent that if an
9 interexchange carrier is permitted to offer interLATA
10 services and basic exchange services I believe U S
11 WEST should be permitted to do the same.

12 Q. Do you think ELI should be permitted to
13 resell its services?

14 A. Yes.

15 Q. What if ELI were offering intraLATA toll,
16 do you think they should be permitted to provide
17 resale?

18 A. To sell both interLATA and intraLATA and
19 basic exchange services in a bundle package?

20 Q. Yes.

21 A. My preference would be that if that is the
22 approach that's being taken by AECs that U S WEST
23 should have the same ability.

24 Q. On 16 through 19 on page 46 of your
25 testimony, does the loop cease to have costs allocated

00336

1 to the interstate jurisdiction just because the loop
2 is resold?

3 A. Could you restate that.

4 Q. Does the loop cease to have costs allocated
5 to the interstate jurisdiction just because the loop is
6 being resold?

7 A. Private lines are allocated either to the
8 state or interstate jurisdiction based on an
9 assumption that the service is either exclusively
10 intrastate or exclusively interstate. The notion that
11 a service is allocated exclusively for one
12 jurisdiction or another is based on the fact that it's
13 difficult for regulators to determine the usage of
14 those services, so they're allocated exclusively to
15 one jurisdiction or another. When U S WEST provides a
16 NAC on one of its switches we're able to measure the
17 traffic and determine the extent to which the loop is
18 being used for interstate or intrastate use, and in
19 that case the costs are allocated between the two
20 jurisdictions.

21 Q. Isn't it a fixed allocator to the
22 interstate?

23 A. I'm not familiar with the precise mechanism
24 for the allocation.

25 Q. So you don't know if it's a fixed 25

00337

1 percent or not?

2 A. I'm not certain.

3 Q. Is that something I should be asking Barbara
4 Wilcox or Brian Farrow?

5 A. You can certainly ask them. I can't tell
6 you if they know the answer.

7 Q. The LTR tariff filing that you have added
8 to your testimony, would you turn to page 49,
9 actually, the testimony where you begin to talk about
10 the leaseback.

11 A. I need to clarify that I have not attached
12 an LTR tariff to my testimony. I have attached a
13 virtual colocation tariff but not a -- I have not
14 attached a local transport restructure tariff to my
15 testimony.

16 Q. You say at lines 20 through 22 on page 49
17 that the use of a leaseback approach to virtual
18 colocation will require the establishment of several
19 new rate elements to recover the costs of U S WEST's
20 labor and materials that would normally be recovered
21 through overhead charges applied to the cost of
22 equipment purchased by U S WEST. And yesterday I
23 thought you said in response to Mr. Smith that the
24 loadings that would be used are 1.2 percent?

25 A. Correct.

00338

1 Q. What's the basis that you're going to be
2 using for those various new charges? Are you using a
3 total service long-run incremental cost rate to
4 determine the base?

5 A. ADSRC.

6 Q. Are you using ADSRC?

7 A. That's correct.

8 Q. Rather than ASIC?

9 A. ADSRC.

10 Q. But you believe that ADSRC equals total
11 service long rung incremental cost?

12 A. Yes.

13 Q. So in all cases you have available an ADSRC
14 for each one of those rate elements that you could
15 provide to MCI Metro?

16 A. I believe so, yes.

17 MS. WEISKE: Can we make a record
18 requisition for that, please. Specifically I would
19 like the -- actually what I would like is the total
20 service long-run incremental costs but I believe
21 Mr. Owens just said he could get me the ADSRC. I'm
22 sorry.

23 JUDGE ANDERL: You can --

24 Q. What I would like is the ASIC and I am
25 wondering if that would be available in what you have

00339

1 available in the ADSRC?

2 A. I believe both of them provide it.

3 Q. Have been provided?

4 A. Yes.

5 Q. To whom? They were not in the materials we
6 received last night.

7 JUDGE ANDERL: Well, tell you what. Let's
8 just make it record requisition No. 7. If the company
9 has it as an outstanding response they can provide you
10 with that. If they don't and they can provide the
11 information then they will do it that way.

12 MS. WEISKE: What we had asked for
13 originally in the discovery that was due yesterday was
14 the total service long-run incremental cost for each
15 one of the rate elements starting on page 50. And I
16 can on a break show those specific data requests to U S
17 WEST counsel again. That's again the same information
18 we're requesting here.

19 JUDGE ANDERL: I will put it down as record
20 requisition No. 7. Maybe you can clarify for me later
21 whether or not you do have that information or it's
22 already been provided.

23 (Record Requisition 7.)

24 MS. WEISKE: It was not provided to us. I
25 did go through the materials we received last night.

00340

1 It is specifically MCI request 42, 43, 44, 45, 46 and
2 47. And rather than belabor the record here I'm just
3 renewing the request for those ASIC or what we call
4 total service long-run incremental service cost for
5 each one of those elements.

6 JUDGE ANDERL: I have that down as record
7 requisition No. 7.

8 Q. Mr. Owens, if you were not proposing a one
9 dollar leaseback, would all of these rate elements
10 still be part of your tariff proposal, the one referred
11 to on page 50?

12 A. These rate elements are required because of
13 a leaseback arrangement.

14 Q. Thank you. Page 54, line 7 through 12, you
15 begin to discuss White Page listings, do the
16 alternative White Pages have U S WEST listings in
17 them?

18 A. Some do.

19 Q. Do all of them?

20 A. I haven't reviewed all the White Page
21 publications.

22 Q. If a directory didn't include all the
23 customer names for a particular region, is it your
24 belief a consumer would use that White Page listing?

25 MR. OWENS: I'm going to object to that

00341

1 question. It calls for speculation on the mental
2 state of a consumer and specifically the state of the
3 consumer's knowledge of the coverage of the book.

4 MS. WEISKE: I will ask it another way.

5 Q. If I'm a customer and I want to call
6 Electric Lightwave, and they are serving a region
7 adjacent to U S WEST, how do I know which directory to
8 look into to find that customer to call them?

9 A. You would look in a directory that covers
10 the general area that ELI serves.

11 Q. What if it's not a unified directory? How
12 do I know which directory to look in?

13 A. If you're suggesting that there would be
14 independent directories published by each of the AECs
15 I would think that would be cause for some customer
16 confusion.

17 Q. And in fact if I were a customer being
18 served by a new entrant, would it be important to me
19 to know how to call other customers?

20 A. Yes.

21 Q. And wouldn't that be essential to me in
22 receiving that new service from the entrant?

23 A. I don't know if I would use the term
24 "essential." It would be important.

25 Q. Do you think line information database, or

00342

1 LIDB, is essential?

2 A. No.

3 Q. How else can an entrant tell if a U S WEST
4 customer will accept an operator service charge, a
5 collect or a third party call?

6 A. That's the only way I know of.

7 Q. You use LIDB?

8 A. Yes.

9 Q. But you don't believe it's essential?

10 A. It's essentially irrelevant since we are
11 providing an access to LIDB.

12 Q. Do U S WEST operator service charges impute
13 the LIDB rate?

14 A. I don't know.

15 Q. Would Mr. Purkey know that?

16 A. He may.

17 Q. Would you turn back at that page 13, line
18 20 of your direct testimony. The numbers I'm going to
19 be asking you about are confidential so if you could
20 just try to answer without using specific numbers.

21 JUDGE ANDERL: I'm sorry, where are we?

22 MS. WEISKE: Line 20, page 13 of direct.

23 JUDGE ANDERL: That's a blank line.

24 MS. WEISKE: Rebuttal then. Page 13, line
25 20.

00343

1 Q. Where did you get the number of minutes of
2 use shown on line 20?

3 A. They're the minutes of use that a business
4 line will terminate -- I should say originate -- on an
5 interexchange basis.

6 MS. PROCTOR: Judge Anderl, could I ask for
7 a clarification here?

8 JUDGE ANDERL: Speak up a little bit or
9 grab the mike.

10 MS. PROCTOR: On June 15 there were revised
11 pages submitted for this testimony, and it wasn't
12 clear to me when we marked exhibits and introduced
13 exhibits that these pages were substituted.

14 JUDGE ANDERL: They are considered
15 substituted.

16 MS. PROCTOR: Okay. Thank you very much.

17 Q. Why did you use interexchange minutes of
18 use?

19 A. These are the minutes of use that are
20 comparable to the minutes, we believe, of a typical
21 business line served by an AEC will terminate on our
22 switch.

23 Q. Why didn't you use intraoffice minutes in
24 this calculation?

25 A. Presumably the AEC will have intraoffice

00344

1 minutes as well to which an interim universal service
2 charge would not apply.

3 Q. Didn't you say in your testimony, though,
4 that intraoffice minutes would convert to interoffice
5 minutes?

6 A. But some intraoffice minutes will also
7 convert to other intraoffice minutes. This is
8 confusing. Let me try to explain. If we have two
9 customers in a U S WEST office, those customers may
10 deliver traffic between each other. When one of those
11 customers moves to the AEC, what was intraoffice
12 traffic now becomes interoffice traffic. If two
13 customers leave U S WEST, the traffic between these
14 three customers may be intraoffice today, but when two
15 of those customers leave a portion of what used to be
16 intraoffice traffic is now interoffice traffic between
17 the two customers who have left and the one customer
18 who remains and a portion of the traffic now becomes
19 intraoffice traffic within the AEC switch.

20 We're proposing to only apply the interim
21 universal service charge to the traffic from the AEC's
22 customers to the U S WEST customers that are local in
23 nature that are terminated on our switch. I should add
24 that there's another category of traffic and that would
25 be traffic that would be exchanged between two AECs, so

00345

1 intraoffice traffic becomes a whole range of other
2 kinds of traffic when you introduce many competitors in
3 the exchange.

4 Q. Got one more thing but I need to do it with
5 Mr. Purkey's testimony. Then I'm done.

6 Do you have Mr. Purkey's testimony with you?

7 A. No, I don't.

8 Q. Can counsel provide you with the revised
9 Exhibit DP-2.

10 JUDGE ANDERL: Bearing in mind that this is
11 also a confidential exhibit.

12 Q. Mr. Owens, given your last answer to me, why
13 when you input your number on line 20, page 13 did you
14 not use the total of line 13 and line 5 on Exhibit DP-2
15 revised?

16 A. I think you will need to direct that
17 question to Mr. Purkey.

18 Q. Did Mr. Purkey provide you with the numbers
19 that you put on page 13, line 20?

20 A. Yes.

21 Q. Thank you.

22 MS. WEISKE: That's all I have.

23 JUDGE ANDERL: Thank you.

24 MR. WAGGONER: Your Honor, could I ask a
25 point of clarification about the status of the Purkey

00346

1 exhibit? Since I received several sets of revisions
2 to it, I'm a little perplexed as to what is the last
3 set of revisions.

4 JUDGE ANDERL: Let's go off the record and
5 figure that out and back on the record then when we
6 decide.

7 (Discussion off the record.)

8 JUDGE ANDERL: Let's be back on the record.
9 While we were off the record it was determined and
10 agreed that there had only been one revision of Mr.
11 Purkey's DP-2. It consists of four pages. Everyone
12 seems to be on board with that. Mr. Butler.

13

14 CROSS-EXAMINATION

15 BY MR. BUTLER:

16 Q. Just a follow-up briefly on a couple of
17 questions right there at the end. Just to make sure I
18 understand. This interim universal service charge is
19 a replacement mechanism in effect for what U.S.
20 believes is lost contribution from its business
21 services?

22 A. It's a portion of the lost contribution.
23 It only accounts for a portion of the difference
24 between the business exchange rate and its cost and it
25 does not include lost toll, lost access, lost vertical

00347

1 service revenues and so forth.

2 Q. And it's calculated on a per minute of use
3 basis; is that correct?

4 A. Yes.

5 Q. And it is imposed on terminating traffic
6 that you I think said was local in nature; is that
7 correct?

8 A. Correct.

9 Q. And that includes EAS traffic, for example,
10 a call that originates, say, for example, in a GTE
11 exchange that has an EAS arrangement with U S WEST and
12 terminates to a U S WEST customer?

13 A. No, it does not.

14 Q. So it does not include EAS traffic, it is
15 not imposed on EAS traffic?

16 A. It is not imposed on -- well, first of all,
17 we have a definitional issue to work our way through.
18 One issue is what do we classify the traffic between
19 an AEC and U S WEST.

20 Q. Let's say an independent.

21 A. If it's coming from an independent
22 telephone company to U S WEST, the interim universal
23 service charge would not apply. We would presume that
24 they do satisfy the notion that they have business
25 exchange customers supporting the residential exchange

00348

1 rates.

2 Q. But if that customer in the independent
3 company territory were to change providers to a
4 competitive local exchange company, say, Electric
5 Lightwave for example, from GTE, that same call would
6 now collect the interim universal service charge; is
7 that correct?

8 A. Yes. We would presume that a similar
9 arrangement would apply when a AEC terminates a call
10 to a GTE customer in Everett, and that those two
11 charges would generally be roughly equal.

12 Q. Now, unless and until U S WEST were to go
13 into GTE territory that business customer that
14 originated the call in the former GTE business
15 customer, now, the Electric Lightwave customer, would
16 never have been a U S WEST customer?

17 A. That's correct.

18 Q. So you're actually collecting this interim
19 universal service charge from someone who never was or
20 would have been a U S WEST business customer?

21 A. Correct.

22 Q. I would like to explore just briefly the
23 differences in the way in which U S WEST interconnects
24 with, exchanges traffic with, incumbent independent
25 local exchange companies versus how they propose --

00349

1 how you propose to do that with the new entrants, both
2 with respect to the compensation arrangements and the
3 actual interconnection arrangements. Now, am I
4 correct that U S WEST interconnects with a number of
5 independent local exchange companies in the state of
6 Washington?

7 A. That's correct.

8 Q. And it does so by interconnecting at
9 mutually agreed upon meet points usually located at the
10 boundaries of the two serving territories; is that
11 correct?

12 A. Yes.

13 Q. And at this point no compensation is
14 changed between U S WEST and the independent for the
15 mutual exchange of traffic; is that correct?

16 A. I believe there may be one exception in the
17 Silverdale area.

18 Q. With that one exception everything is done
19 on a bill and keep basis; is that correct?

20 A. Yes.

21 Q. And no incumbent independent local exchange
22 company pays any colocation charges or pays any
23 transiting charges or anything like that; is that
24 correct?

25 A. Not at this time.

00350

1 Q. Now, your proposal for competitive local
2 exchange companies like Electric Lightwave is instead
3 with respect to compensation that there should mutual
4 compensation on the minutes of use basis; is that
5 correct?

6 A. Correct.

7 Q. And those would include the interim
8 universal service charge that we just discussed?

9 A. I need to clarify, the interim universal
10 service charge and the local switching charge would
11 apply to some AECs, other AECs may pay only the local
12 switching charge.

13 Q. Depending upon whether they meet the
14 criteria you're proposing for geographic and
15 demographic?

16 A. Right. If they meet that criteria then we
17 would be each paying each other our local switching
18 rates.

19 Q. Now, with respect to the way in which you
20 interconnect, if I can -- I don't think we need to put
21 it in the record but if I can refer you to the U S
22 WEST response to ELI request No. 2-64 you responded
23 that the approach for establishing meet points at
24 boundaries that applies to the independent local
25 exchange companies in your opinion would not be

00351

1 appropriate for the new entrant, but instead you said
2 U S WEST therefore proposes that points of interface
3 between the USWC and AEC networks be established at
4 points just outside our respective central office or
5 tandem locations. Do you recall that?

6 A. Like I said, I read a lot of discovery over
7 the weekend.

8 JUDGE ANDERL: Take a moment to look at the
9 response then.

10 Q. Do you recall that?

11 A. Yes, I do.

12 Q. Now, if I remember correctly in your
13 discussions with Ms. Weiske earlier, I understood you
14 to say that U S WEST might also be willing to
15 entertain the option of interconnecting at some point
16 other than just outside either the U S WEST central
17 office or the new entrant's office, am I correct?

18 A. That's right. Just to clarify we're
19 willing to deliver our service to the inside of the
20 AEC central office location, like we do for the
21 interexchange carriers.

22 Q. Would you be willing to interconnect at
23 something comparable to a meet point like you have
24 with the independent companies in a manhole, say, for
25 example, at the boundary of the Renton exchange,

00352

1 boundary between Renton and Seattle exchange?

2 A. No.

3 Q. Would you explain why you would not be
4 willing to do that?

5 A. Our preference is to establish meet points
6 outside our central offices or inside your central
7 office, if you prefer, to minimize the locations of our
8 meet point in the city.

9 Q. So, when you were discussing this issue
10 with Ms. Weiske, if anyone had the impression that you
11 were agreeing to establish an interconnection point at
12 some point other than just outside one of the two
13 company's central offices they would have been
14 mistaken; is that correct?

15 MR. OWENS: Objection, that's not what his
16 testimony indicated, there was another option.

17 JUDGE ANDERL: I think Mr. Butler is
18 entitled to explore it and I think that's what he's
19 doing.

20 A. I believe in answer to those questions I
21 reviewed the three options that are described in my
22 testimony, a meet point just outside of U S WEST
23 central office or tandem, a point just outside the AEC
24 central office or point inside the AEC central office.

25 Q. But you are not willing to consider a meet

00353

1 point that is between those central offices?

2 A. That's correct.

3 Q. Can you explain to me why it is acceptable
4 to establish meet points between central offices for
5 an independent company but not for a new entrant?

6 A. Well, with the independents there's an
7 exchange boundary between our respective exchanges.
8 What we're proposing for the AECs, because there are
9 no exchange boundaries between our respective
10 exchanges, they're the same exchange, it would be
11 appropriate in our view to have those meet points in
12 well defined places near our central offices.

13 Q. What about a boundary between the Seattle
14 exchange and the Renton exchange? Those are two
15 separate exchanges, are they not?

16 A. They are.

17 Q. So on that basis if they're two separate
18 exchanges would you be willing to meet at the
19 boundary?

20 A. For traffic between our Renton exchange.

21 Q. For example, if Electric Lightwave wanted
22 to deliver traffic that would terminate in your Renton
23 exchange, it was prepared to build facilities up to
24 the boundary of the Renton exchange, would you be
25 prepared to meet Electric Lightwave at the boundary of

00354

1 the Renton exchange?

2 A. Not at this point, no.

3 Q. And would the same be true for the boundary
4 between the Seattle exchange and the GTE's Kirkland
5 exchange?

6 A. For meet point between U S WEST and --

7 Q. Electric Lightwave.

8 A. No.

9 Q. But you do do that between U S WEST and
10 GTE?

11 A. We do that today.

12 Q. When you said that you would be prepared to
13 establish meet points just outside either of the
14 company's central offices, is it your intention that
15 that would be a meet point for the exchange of all
16 traffic or are you saying that if the new entrant
17 wished to deliver originating traffic to you just
18 outside its office that you would insist that you
19 would deliver traffic to the new entrant just outside
20 your office?

21 A. No.

22 Q. So we're not going to be in a situation
23 where you're forced to one way trunks; is that
24 correct?

25 A. We may. I would hope that we would both be

00355

1 able to come to an agreement on a single mutual meet
2 point for the traffic we exchange between us. I think
3 it's in both our interests to do that, but there may
4 be circumstances where it's more efficient for an AEC
5 to deliver its traffic, let's say, to our end offices
6 and establish meet point outside of our central office
7 using their own facilities to deliver traffic to us.
8 We may find for that particular -- for our own
9 particular network it's more efficient for us to use
10 our tandem to deliver traffic from all of our central
11 offices to the AEC, so there could be circumstances
12 where we may have different meet points for our
13 traffic. I think that that would be relatively
14 unusual, however.

15 Q. But you do contemplate the possibility
16 there might be a disagreement about what would be most
17 efficient for the two parties involved. You might not
18 be able to mutually agree?

19 A. That's right. And for that reason, rather
20 than finding some other approach to resolving the
21 dispute what we're proposing is that each party, the
22 originating party get to choose the meet point or the
23 point of interconnection for the traffic it
24 originates.

25 Q. Just to make sure I understand this

00356

1 compensation arrangement that you're proposing for the
2 new entrant versus what is in place for the
3 independents, if we're dealing with a call from a
4 U S WEST customer located in Seattle it's going to be
5 terminated to a U S WEST customer in Bellevue, U S
6 WEST is not going to charge itself any measured inter
7 -- or local interconnection charge or any interim
8 universal service charge, correct?

9 A. Correct.

10 Q. But that if that customer in Seattle were
11 to decide that it wanted to change its provider and
12 become a customer of Electric Lightwave and then make
13 that same call to the U S WEST customer in Bellevue,
14 that call would incur the measured charges including
15 the interim universal service charge, correct?

16 A. Correct.

17 Q. Similarly, if we're talking about a call
18 from a, say, a GTE customer located in Kirkland to a
19 U S WEST customer located in Seattle, that call would
20 not incur any measurement charges or any interim
21 universal service charges, correct?

22 A. Well, under our proposal we're proposing to
23 move away from bill and keep for the independents into
24 a similar usage-sensitive charging arrangement for
25 their traffic as well.

00357

1 Q. But at least in this interim period that
2 would be correct?

3 A. Until we can implement that arrangement
4 with the independents, that's right.

5 Q. But that if the GTE customer were to decide
6 to change to Electric Lightwave in Kirkland, that same
7 call from the now Electric Lightwave customer in
8 Kirkland to the U S WEST customer in Seattle would
9 incur the measured charges including the interim
10 universal service charge?

11 A. Yes.

12 Q. You've raised the issue or the next
13 question I wanted to get to, and that was your plans
14 for changing the arrangements with the incumbent
15 independent local exchange companies. How long a
16 period of time do you envision before there would be a
17 change to the kind of compensation system that you
18 have proposed for the new entrants?

19 A. We would like to have the transition as
20 quick as possible. Could be if we implement our
21 proposed structure for the AECs this year, I would
22 hope we could implement the same arrangement for the
23 two independents who are in the Seattle EAS area this
24 year or early next. That would be my hope.

25 Q. Are you familiar with the testimony of WITA

00358

1 witness, Mr. Smith?

2 A. Yes.

3 Q. And he has asked for a five-year moratorium
4 if I recall correctly; is that correct?

5 A. Five-year moratorium, yes.

6 Q. And you do not agree with that?

7 A. That's correct.

8 Q. If the Commission were to approve your
9 proposal and impose this measured compensation scheme
10 for the exchange of local traffic for all local
11 exchange companies, including the incumbents, is it
12 U S WEST's intention to also require a change in the
13 way in which the independent companies interconnect
14 with U S WEST? In other words, would you require them
15 to now interconnect just outside your central office
16 or outside independent company's central office or
17 inside the independent company's central office?

18 A. For new-builds, yes.

19 Q. But how about for existing arrangements?

20 A. Rather than going through and reconfiguring
21 all of those arrangements we would probably leave them
22 in place, but use the proposed rate structure to apply
23 to the recovery of those respective costs.

24 Q. Now, in those instances the independents
25 would not be paying any virtual colocation charges,

00359

1 correct, they would just be paying some transiting
2 charges?

3 A. They would be paying transit charges, yes,
4 the equivalent of an entrance facility.

5 MR. BUTLER: Maybe now is a good time. We
6 have an exhibit we would like to mark for
7 identification purposes.

8 JUDGE ANDERL: Are you going to offer more
9 than one exhibit through this witness or you don't
10 know yet?

11 MR. BUTLER: I don't know yet. I'm hoping
12 not.

13 JUDGE ANDERL: Go ahead and distribute the
14 one. The next exhibit in line is 42. Since it is
15 confidential it will be C-42. I do need one more for
16 the bench.

17 (Marked Exhibit C-42.)

18 MR. BUTLER: Have to make another. After
19 lunch is fine and it's a three-page document. Doesn't
20 have a title on it. And I'm not sure what parts of it
21 are or aren't confidential. I'm not going to say.
22 I'm not going to further describe it.

23 I would consider the whole thing, all the
24 numbers confidential. Well, maybe not all of them will
25 be.

00360

1 THE WITNESS: I think the proposed rates
2 are not confidential.

3 Q. Mr. Owens, you've been handed what's been
4 marked for identification as Exhibit C-42. And I will
5 represent to you that the first page of this represents
6 our attempt to list the elements of the local
7 interconnection service charges that you proposed,
8 including the proposed rates, the ASIC figures, the
9 ADSRC figures, the calculated overhead factor for ASIC
10 and for ADSRC, relative contribution calculation for
11 both ASIC and ADSRC. It includes the references for
12 those figures.

13 The second page represents our attempt to
14 list what we understood to be the virtual colocation
15 elements that would be purchased by an interconnector,
16 including the rate elements, the proposed rates, a
17 column indicating the FCC rate for the comparable
18 element, the FCC direct cost figure, the Washington
19 ASIC and ADSRC figures for each of those elements where
20 we were able to locate information, calculation of FCC
21 allowed overhead factor that's been testified to, and a
22 calculation of the overhead factors for the ASIC and
23 ADSRC and again a list at the bottom for the sources of
24 the information. And the third page deals with some
25 other matters that I will talk to you about later.

00361

1 My question for you is whether you can
2 confirm that, first of all, the elements that we've
3 listed for the local interconnection service and second
4 for the virtual interconnection or colocation elements
5 represent the elements that would be purchased by the
6 interconnector or the elements which would be paid by a
7 new entrant exchanging traffic with U S WEST under your
8 proposal.

9 A. Well, of course there's a lot of elements
10 here, and that's because there are a lot of options
11 available to a colocator or to an AEC. They can have
12 colocation if they use the colocation elements on the
13 second page, then generally speaking the charges on the
14 first page would not apply if they colocated at the
15 end office. So depending on the configuration that
16 they pick these appear to be the rate elements,
17 although I have not obviously had an opportunity to
18 verify.

19 Q. If you could just accept that subject to
20 check?

21 A. All right.

22 Q. And then could you also accept subject to
23 check that the figures that are included in the
24 various columns opposite the rate elements are the
25 correct numbers?

00362

1 A. I see what appears to be an error in the
2 numbers under the fiber supplies nonrecurring column.
3 I'm not sure what caused the error, but it looks like
4 we may have the incorrect ADSRC.

5 Q. Perhaps at some point we could correct
6 that. Since we were -- we have received so many
7 revisions and there have been so many questions we
8 were trying to come up with some helpful document that
9 included all of these things in one place that
10 everyone could refer to, and I believe that this
11 document if it's accepted into evidence would obviate
12 some of the record requisition requests that have been
13 made today. Maybe save a little time. With the
14 caveat that there apparently needs to be at least one
15 correction on the fiber cable splicing nonrecurring
16 charge. Can you accept subject to check that these
17 are the correct numbers?

18 A. Subject to check.

19 Q. Subject to check.

20 MR. BUTLER: I will wait to move to admit
21 this until we can discuss some of the things on the
22 third page.

23 Q. At page 73 of your rebuttal, you discuss
24 the subject of CMDS hosting. Do you have that?

25 JUDGE ANDERL: I'm sorry, the page

00363

1 reference again?

2 MR. BUTLER: 73 of the rebuttal testimony.

3 A. Yes, I have it.

4 Q. First of all, can you tell us what CMDS is?

5 A. I believe it's centralized message

6 distribution center or system.

7 Q. Does U S WEST perform a hosting function
8 for CMDS for any independent local exchange companies
9 in this state?

10 A. I believe we do, yes.

11 Q. Do you know how many?

12 A. No, I don't.

13 Q. How much does U S WEST charge those
14 independents for that function?

15 A. I don't know.

16 MR. BUTLER: Can I make a record
17 requisition for that?

18 JUDGE ANDERL: For the Washington charge
19 for?

20 MR. BUTLER: CMDS hosting function provided
21 by U S WEST to independent local exchange companies.

22 JUDGE ANDERL: That's requisition No. 8.

23 (Record Requisition 8.)

24 Q. You indicate that at this time the charges
25 that you propose for new entrant for CMDS hosting are

00364

1 still under development, is that correct, or have
2 those prices been finalized?

3 A. No, they have not been finalized.

4 Q. Is it your position that those prices will
5 be the same as the prices that are charged to the
6 independent local exchange companies or will they be
7 different?

8 A. I don't know what the current rates are for
9 the independents, so I am not certain what we would be
10 proposing for the AECs.

11 Q. Are you able to commit that you will offer
12 the same prices for that function to new entrant that
13 you are offer to the independent?

14 A. Not at this time, not knowing what the
15 services are specifically that we're offering to the
16 independents and the services that we would be
17 offering to the AECs. There may be differences.

18 Q. For the service or function that are the
19 same, are you prepared to offer the same prices?

20 A. Generally speaking, yes.

21 Q. You also state at page 73, lines 5 and 6
22 that the only open issue at this time is the charges
23 that will apply for CMDS hosting. Has U S WEST
24 provided to Electric Lightwave a test tape?

25 A. I don't know.

00365

1 Q. Has U S WEST provided record format for
2 terminating switched access?

3 A. I believe we provided the record format.

4 Q. For terminating switched access?

5 A. I know we've provided a document that
6 provides formatting for the tapes. I don't know what
7 specific types of formatting were included in that
8 document.

9 Q. Do you know how long Electric Lightwave has
10 been requesting the terms and conditions for CMDS
11 hosting?

12 A. No. No, I don't.

13 Q. Do you know whether U S WEST has provided
14 any usage data on U S WEST-provided intraLATA toll
15 terminated to Electric Lightwave customers so that
16 Electric Lightwave can bill U S WEST for intraLATA
17 access?

18 A. No, I don't know.

19 Q. Do you supply that kind of information to
20 the independent local exchange companies?

21 A. Yes.

22 Q. Like to ask you a few questions about the
23 Hewlett-Packard measurement system that you're
24 proposing to deploy for use in Washington. Am I
25 correct that the costs of that Hewlett-Packard

00366

1 measurement system are not usage-sensitive? Let me
2 say are not volume-sensitive.

3 A. I don't know that for a fact.

4 Q. One of the notes and assumptions on that
5 cost study indicated and contain the following
6 statement. "Investments and expenses are not
7 sensitive to the volume of traffic that is terminated
8 into our network."

9 MR. OWENS: What cost study, Counsel?

10 MR. BUTLER: This is the Hewlett-Packard
11 cost study which was attached as part of the response
12 to AT&T request 1-11. I think it's section 13,
13 attachment A.

14 Q. If you could refer to page 13-2.

15 MR. BUTLER: May I approach the witness and
16 I can show him.

17 JUDGE ANDERL: If you want to give him your
18 copy, that's fine. I think counsel is looking for it
19 also. Are you there, Mr. Owens?

20 THE WITNESS: Yes.

21 A. Now, where is the comment that you're
22 referring to?

23 Q. If you look on the notes and assumptions
24 about midway down. Do you see the statement
25 investments and expenses are not sensitive to the

00367

1 volume of traffic that is terminated into our network?

2 A. Yes, I see that.

3 Q. But it is correct, is it not, that the

4 costs of the HP measurement system in fact are

5 included in the minute of use figures that are a part

6 of your charges for local interconnection service?

7 Stated another way, the costs are recovered on a

8 usage-sensitive basis; is that correct?

9 A. Yes, I think that's right.

10 Q. And now, if you will look also in those

11 notes and assumptions there's a statement that -- ask

12 counsel if those projections of market penetration by

13 AECs are considered confidential.

14 MR. BUTLER: I've been reminded that we

15 already talked on the open record about the

16 projections of -- the percentage.

17 MR. OWENS: Are you talking about

18 translating those into specific dollar projections

19 or minutes of use?

20 Q. My ultimate question is that it appears to

21 me that the calculation of the unit cost of this

22 measurement system is based upon a projection of

23 traffic or market penetration by the AECs, and my

24 question is, really if those projections turn out to be

25 wrong -- in other words, if they turn out to be too

00368

1 high, and in fact the market penetration is less than
2 that figure that is included there, would the result be
3 that the calculation of the unit cost of the
4 measurement system would increase?

5 A. Expressed as a cost per unit of traffic it
6 would decline, yes.

7 Q. You mean it would --

8 A. Increase.

9 Q. -- increase. If that were to be the case,
10 if that were to happen, and the market penetration by
11 the new entrant is less than is projected here and the
12 resulting contemplation of the unit cost were to
13 increase, would U S WEST seek to increase the minutes
14 of use charge that it seeks to impose for local
15 interconnection service?

16 A. I don't believe so, no.

17 Q. Are you prepared to make the commitment
18 that you will not seek to increase that at this time?

19 A. Yes. I think one thing that needs to be
20 pointed out here is these figures are for all 14 of
21 U S WEST's states, and the investment that you see in
22 column Title 1994 is not limited to Seattle. It is
23 both Seattle and Iowa.

24 Q. But it does assume a certain market
25 penetration, correct, and if that turns out to be wrong

00369

1 it would be a change in the cost?

2 A. Right.

3 Q. And my question was whether if that cost
4 goes up you would commit not to seek an increase in
5 the price?

6 A. I think so. As Dr. Harris mentioned
7 yesterday, I think this particular figure is not
8 proprietary now since he released it yesterday. The
9 cost for Seattle is 250,000 for the Hewlett-Packard
10 equipment in Seattle.

11 Q. This also includes EAS traffic in the
12 calculation, correct?

13 A. I don't know if they're included in these
14 numbers. They should be because our intent is to use
15 it to measure the EAS traffic.

16 Q. If the Commission were to approve a
17 recommendation of Mr. Smith who imposes a moratorium on
18 the extension of measurement charges to independent
19 companies for some period of time, five years or
20 longer, again there would be fewer units of traffic to
21 divide into your fixed cost and the unit cost would
22 increase, correct?

23 A. Correct.

24 Q. And again, would U S WEST commit not to
25 seek a price increase if that were to be the case?

00370

1 A. Yes.

2 JUDGE ANDERL: Mr. Butler, I kind of think
3 a time frame might be useful. Are we talking ever?

4 MR. BUTLER: During the period that
5 moratorium is in effect.

6 A. Yes.

7 Q. Do you know if there's a statewide cost for
8 the HP measurement system anywhere or are all of
9 these costs just related to the Seattle area?

10 A. I believe this is deployment for the
11 Seattle LATA. I don't know that we've developed a
12 cost for the Spokane LATA.

13 Q. If I could refer you again to page 73 of
14 your rebuttal, begins at lines 13, at line 13 you
15 discuss the subject of riser cable in downtown
16 buildings?

17 A. Correct.

18 Q. Would you agree that there are some
19 buildings, particularly older buildings, in which
20 there is no additional riser space available. That
21 all available riser space is occupied?

22 A. That may be the case.

23 Q. Would you agree that there are situations
24 where the ownership of riser cable in some buildings
25 is unclear, whether it's the building owner or U S

00371

1 WEST that owns that riser cable?

2 A. Not that I am aware of, but that may be the
3 case. I have not encountered that.

4 Q. Am I correct that U S WEST is willing to
5 allow a new entrant access to intra building cable,
6 but that it proposes to charge a recurring rate of
7 \$3.80 per pair per month and a nonrecurring charge of
8 \$100 per pair?

9 A. That's the price in our current effective
10 tariff, yes.

11 Q. Does U S WEST impose this charge or a
12 charge for intra-building cable to any of its end
13 user customers?

14 A. Yes.

15 Q. Does it do it as part of its normal
16 business exchange service or is it a separate charge?

17 A. They can go into the same tariff and obtain
18 the same riser cable for \$3.80 per month.

19 Q. Let me ask you with respect to a retail
20 customer that, for example, use my situation. Our
21 office is located on the 54th floor of an office
22 building. Would I have to pay an explicit charge for
23 the fact that there is riser cable used to provide
24 service to me that extends from the basement of the
25 building up to our service suite on the 54th floor?

00372

1 A. Presumably the cost of the riser cable, if
2 it's owned by U S WEST, is included in the cost of our
3 service.

4 Q. There's no explicit additional charge; is
5 that correct?

6 A. Not to my knowledge.

7 Q. I have a couple of clarification questions
8 about your proposed tariff. Just to clarify your last
9 answer, the costs of the use of the riser cable in the
10 example that I used, our office on the 54th floor, that
11 is included in your rate for basic business exchange
12 service, correct?

13 A. I believe that's true, but that may be a
14 question you could refer to our cost witness in this
15 case, Mr. Farrow.

16 Q. Well, my specific question was first about
17 the price. It was -- recovery for that is included in
18 the exchange service price that I pay?

19 A. I believe so.

20 Q. With respect to the question of whether it
21 is included in the cost studies of the loop, can you
22 answer that question or do I need to ask that of
23 Mr. Farrow?

24 A. I think that would be a question of
25 Mr. Farrow.

00373

1 Q. If I could direct your attention to your
2 Exhibit JDO-7. If I can refer you first to section
3 16.3.1 original sheet 10.1A, please.

4 A. I'm sorry, could you do that again? I was
5 losing sections and sheet pages.

6 Q. Original sheet 10.1A.

7 A. Which section?

8 Q. Section 16.3.1.

9 MR. OWENS: Are we on Exhibit 17 which is
10 JDO-7?

11 MR. BUTLER: I'm sorry, Exhibit 38.

12 JUDGE ANDERL: JDO-7 it has illustrative
13 stamped across each page?

14 A. I'm homing in on it.

15 Q. Original sheet 10.1A. You can refer to
16 section 16.3.1. The last sentence of the first
17 paragraph states, "SNSP" -- excuse me -- "SPNP is
18 available for working numbers assigned to a company
19 local exchange telecommunications service customer who
20 has requested replacement of the company service with
21 the AEC's comparable service."

22 A. Right.

23 Q. Can you explain to me what is the
24 definition of a comparable service?

25 A. I think it's intended to be very general.

00374

1 The idea here is service provider number portability
2 is available to U S WEST customer who chooses to be
3 served by an AEC and want to retain their phone
4 number.

5 Q. Would U S WEST agree to remove the word
6 comparable?

7 A. Yes.

8 Q. Could you refer to section 16.3.2, section
9 C on original sheet 10.2A of that exhibit.

10 A. I'm sorry, I'm going to have to ask you for
11 the page number again.

12 Q. It's the next page. If you can look at
13 section C at the bottom of the page?

14 A. Okay.

15 Q. There is a reference at the last line to a
16 mass calling event.

17 A. Right.

18 Q. Can you tell me what is a mass calling
19 event?

20 A. It would be a radio station that announces
21 a telephone number for free tickets for a Garth Brooks
22 concert. That would be an inappropriate number to use
23 for number portability. It would undoubtedly swamp
24 the ability of the service to handle a large number of
25 simultaneous calls.

00375

1 Q. Can you tell me what procedures U S WEST
2 has in place to determine when its customers are
3 precipitating a mass calling event?

4 A. We do have mass calling services or
5 arrangements for those kinds of radio station numbers
6 to avoid disruption to the network. We have had
7 circumstances where a number like that is announced.
8 There's a tremendous volume of traffic on the network
9 and other customers who are trying to use the network
10 can't place calls, so we have instituted arrangements
11 so that those kinds of calls are, if you will, short
12 circuited, the mass calling calls are short circuited
13 to the first central office so that it doesn't congest
14 the network.

15 Q. Are there any written or published
16 procedures?

17 A. It's been several years since I've looked at
18 it but at one time we did have a tariff that described
19 that. I haven't seen that in quite some time.

20 Q. Can you refer to section B of 16.3.3, which
21 is the next page. It's the item at the bottom of the
22 page. Sentence, "The company is not responsible for
23 the allocation of charges for SPNP misdialed call."
24 Can you explain to me what that means?

25 A. I believe that would refer to the instance

00376

1 where an AEC orders service provider number
2 portability, provides U S WEST with a forward number
3 that is incorrect, and the customer's calls are
4 misrouted as a result.

5 Q. And what does it mean to say the company is
6 not responsible for the allocation of charges?

7 A. One example might be if the misdialed call
8 were a toll call.

9 Q. If this language is confusing to people,
10 would U S WEST be willing to discuss some
11 clarifications or alternatives to that?

12 A. Certainly.

13 Q. If you could refer next to section 16.3.4,
14 which is the next page, section A. If I could refer
15 you to the second paragraph in section A. If you
16 could read that and explain the intention of that
17 paragraph, please.

18 A. The second paragraph under A?

19 Q. Yes, please. Maybe I can short-circuit
20 this. If this is not clear would U S WEST be willing
21 to work with some of the AECs to clarify some of the
22 language?

23 A. Oh, absolutely. The intent here in this
24 paragraph is that U S WEST has been requested by an
25 AEC to work a number portability arrangement, and

00377

1 after we've worked that we find out from the end user
2 that the end user disagrees with the AEC that that
3 order should not have been worked, and so this
4 paragraph is trying to deal with those situations
5 where there's a dispute between the end user and the
6 AEC about the provision of number portability.

7 Q. And you would be willing to work to clarify
8 that if there's still some confusion?

9 A. Yes.

10 Q. Finally, on this line, if you could look at
11 16.3.4 section H, which is the next page, would you
12 explain why there is a restriction on the resale or
13 sharing of SPNP services?

14 A. I think the idea here is to try to minimize
15 the steps to which we have number portability shifted
16 from, let's say, U S WEST to AEC number one, AEC number
17 one then call forwards that to AEC number two and so
18 forth down the road. The concern would be that all of
19 us would have a very inefficient network in Seattle if
20 we had such an arrangement for number portability.

21 Q. I've just got a couple of more questions
22 here. With respect to number portability, you had
23 discussed that subject with Ms. Weiske to some extent.
24 And you discussed the geographic number portability and
25 the potential that a customer who dials a port number

00378

1 might not be aware that the call has become a toll
2 call. My question is, as a participant in the Electric
3 Lightwave Intelco Seattle trial are you aware that the
4 trial has proven a solution to this concern using an
5 automated announcement?

6 A. No, I'm not.

7 Q. Would you agree that if local number
8 portability solution included geographic portability,
9 even if that were limited to a local calling area,
10 that there would be consumer benefits that would
11 result, including the ability to retain a number when
12 changing location within the local area and postponing
13 the exhaustion of number resources?

14 A. I'm going to ask you to repeat your
15 question. I'm not sure what the premise is. Are we
16 talking about using a database for nongeographic or
17 for geographic?

18 Q. No. If the geographic portability were
19 available even within a local calling area that there
20 could be some consumer benefits including the ability
21 to retain a number when changing locations just within
22 that local area, limited local area.

23 A. It could, yes.

24 Q. In the responses to data requests that were
25 delivered last night, there was a response with regard

00379

1 to how U S WEST deals with independent companies with
2 respect to the provision of directory assistance
3 listings and directory assistance calls, and I can
4 refer you to the response to Electric Lightwave 3-12.
5 Do you have that?

6 JUDGE ANDERL: I think he will be provided
7 with it in a moment here. Do you have that response
8 now, Mr. Owens?

9 THE WITNESS: Yes, I do.

10 Q. In reviewing the response to Electric
11 Lightwave request 3-12, can you tell me what U S WEST
12 charges independent local exchange companies for
13 inclusion of their customers in the U S WEST directory
14 assistance database?

15 A. If they're purchasing U S WEST DA service
16 there is no charge, just as there would be no charge
17 for an AEC who wanted U S WEST DA service.

18 JUDGE ANDERL: Directory assistance?

19 THE WITNESS: Directory assistance, yes.

20 Q. And the charge for independents, if one of
21 their customers should call directory assistance that's
22 reflected in this request is 18 cents, is that correct,
23 18 cents per call if you look at the last page?

24 A. It's the very last page?

25 Q. Yes.

00380

1 A. Yes, it says 18 cents.

2 Q. So if I understand correctly if an
3 independent company contracts for directory assistance
4 service with U S WEST and agrees to pay 18 cents per
5 complete call to directory assistance, not only get
6 that service at that price but they are able to
7 include their customer in the U S WEST directory
8 assistance database at no additional charge; is that
9 correct?

10 A. The charge for DA does include DA listings.
11 This is the first time I've seen this particular
12 price, so I can't confirm that that's the price that's
13 being paid today.

14 Q. That is the response to the Electric
15 Lightwave request for that information, though,
16 correct?

17 A. That is correct.

18 Q. Do you have any reason to believe that the
19 price being charged the independent is other than as
20 represented in this response?

21 A. I understood it to be 35 cents.

22 MR. BUTLER: Can we in response to the next
23 record requisition have a clarification of what the
24 present charge to independents is for that service?

25 THE WITNESS: Yes.

00381

1 JUDGE ANDERL: That would be record
2 requisition No. 9.

3 (Record Requisition 9.)

4 Q. Would U S WEST be willing to offer
5 directory assistance service to include listing in the
6 directory assistance database to Electric Lightwave on
7 the same terms and conditions that it offers it and
8 provides it to the independent companies today?

9 A. Generally, yes. However, to the extent we
10 may be offering the service below cost to an
11 independent, we would be unwilling to enter into new
12 arrangements whereby we would be providing directory
13 assistance below cost to an AEC.

14 Q. Would it be U S WEST's intention to
15 increase the charges to an independent if they're
16 presently below cost?

17 A. Yes.

18 Q. To your knowledge has Electric Lightwave
19 offered the services and the price, specifically the
20 18 cent price represented in this document, to
21 Electric Lightwave?

22 A. Not to my knowledge.

23 Q. Going back to the difference in the
24 treatments between the incumbent independent local
25 exchange companies and the new entrants, U S WEST --

00382

1 if I can refer you to the exhibits that were marked,
2 and I think stipulated into evidence by agreement
3 between Mr. Finnigan and Mr. Shaw yesterday.

4 JUDGE ANDERL: Those are Exhibits 39, 40
5 and 41.

6 Q. Those exhibits reflect an agreement on the
7 part of U S WEST to change its tariff language
8 regarding which companies would be exempt at least for
9 some period of time from the payment of measure
10 charges for terminating local EAS traffic. Do you
11 recall those?

12 A. No, I don't.

13 Q. If I can show you or if your counsel can
14 show you Exhibit 39, 40 and 41.

15 A. Oh, I see Mr. Shaw agreed to these changes.

16 Q. Have you incorporated those changes in your
17 tariff at this point?

18 A. I don't believe we have.

19 Q. But you intend to do so?

20 A. Yes.

21 Q. If the Commission should approve some
22 moratorium period, at the expiration of that moratorium
23 period you would have to change your tariff language
24 again to reflect the companies that would be exempt
25 under this language would then be subject to the

00383

1 compensation scheme you've proposed for the new
2 entrants; is that correct?

3 A. I believe so, yes.

4 Q. Does U S WEST intend to make that change
5 only with respect to companies operating in the
6 Seattle LATA or does it intend to make the change with
7 respect to companies throughout the state?

8 A. Statewide.

9 Q. At this point, with respect to the third
10 page of the exhibit which was marked for
11 identification C-42, if I could direct your attention
12 to the items listed there and ask you if you could
13 accept subject to check that the figures included
14 under the proposed Washington rate column are in fact
15 the figures that you are currently proposing?

16 A. Subject to check.

17 MR. BUTLER: With that I guess I would move
18 the admission of Exhibit C-42.

19 MR. OWENS: I think we probably ought to
20 hold off on actually admitting this exhibit into
21 evidence until we have an opportunity to check and
22 correct if necessary the error that the witness
23 testified he found on the second page.

24 MR. BUTLER: I could do Mr. Owens one
25 better, if other errors are found, if the corrections

00384

1 could be added to the exhibit and have it admitted as
2 corrected, when corrected, I think that would be
3 helpful for everyone. Trying to do this to assist
4 everybody.

5 MR. OWENS: I have no problem with that.
6 I'm just saying as a matter of evidence it ought to be
7 corrected before received, and we'll do our best to
8 make sure that it is correct.

9 JUDGE ANDERL: You don't need it in
10 evidence to ask questions on right now?

11 MR. BUTLER: No. This is for purposes of
12 helping everybody.

13 MS. WEISKE: Your Honor, if it is entered
14 into the record it does eliminate some of MCI Metro's
15 record requests earlier so I think that would be
16 helpful.

17 JUDGE ANDERL: Mr. Owens, how about we just
18 let you substitute a corrected page with the one
19 correction and any others that you might find?

20 MR. OWENS: As you wish, Your Honor. Thank
21 you.

22 JUDGE ANDERL: I mean, I really don't care.
23 I could go either way. I could defer ruling on this
24 but it seems important to some of the parties that it
25 become an exhibit at this point and be entered. I

00385

1 don't have any problem with doing that with the
2 understanding that some of the figures at least on
3 page 2 will be corrected so it will be admitted.

4 (Admitted Exhibit C-42.)

5 MR. BUTLER: When we confer we'll make the
6 corrections.

7 MS. PROCTOR: Judge Anderl, just for the
8 benefit I would note that Brian Farrow's BEF exhibit
9 has different costs for the ADSRC on page 1, column D
10 for tandem switched transport.

11 JUDGE ANDERL: Would he, would he, would
12 he. Which BEF? 6?

13 MS. PROCTOR: BEF-6 revised as of 4-27-95.

14 JUDGE ANDERL: I think we have an
15 additional revision since then: Let's worry about
16 that later.

17 MS. PROCTOR: Okay.

18 JUDGE ANDERL: Mr. Butler, you're still on
19 cross.

20 MR. BUTLER: Yes. I'm almost at the end.

21 JUDGE ANDERL: You have ten minutes.

22 Q. You had a discussion with Ms. Weiske about
23 incentives that bill and keep compensation arrangement
24 would give to U S WEST to enter into independent
25 company territory. You have bill and keep

00386

1 arrangements with independent companies today; isn't
2 that correct?

3 A. Correct.

4 Q. So you would have those same incentives
5 today; isn't that correct?

6 A. Yes.

7 MR. BUTLER: I'm done.

8 JUDGE ANDERL: Is there anyone who could do
9 their cross in ten minutes? Mr. Rindler.

10 MR. RINDLER: I can try.

11 JUDGE ANDERL: Why don't we give it a go.

12 MS. PROCTOR: I'm sorry. I thought I got
13 to question. That's fine. Go right ahead.

14 JUDGE ANDERL: He's just next on my list.

15 That's all. Go ahead, Mr. Rindler.

16 MR. RINDLER: If somebody wants to go
17 first, Your Honor, it's fine with me.

18

19 CROSS-EXAMINATION

20 BY MR. RINDLER:

21 Q. Good morning, Mr. Owens. On page 6 of your
22 original testimony, on lines 11 and 12, you reference a
23 carrier of last resort obligation. Do you see that?

24 A. On lines 10 and 11?

25 Q. Yes.

00387

1 A. Yes.

2 Q. What is the basis of the alleged carrier of
3 last resort obligation?

4 A. It's the fact that within U S WEST's
5 exchanges U S WEST is expected to provide business and
6 residential exchange service and other services as
7 well to customers when they request it. And in the
8 Seattle exchange, for example, that includes the
9 provision of service without any extension charges.

10 Q. That's a matter of Commission rules?

11 A. It's pursuant to our tariff.

12 Q. Is that pursuant to Commission rules?

13 A. Well, the Commission approves our tariff
14 and if we do not provide service to customers pursuant
15 to the Commission's rules and held orders, we're held
16 accountable by the Commission.

17 Q. The Commission rules with respect to held
18 orders the same ones as you're talking about in your
19 tariff as imposing the carrier of last resort
20 obligation?

21 A. No. Combine the two, I believe, provide a
22 carrier of last resort obligation. In other words, if
23 a customer were to come to U S WEST in the Seattle
24 exchange and request service we could not say, I'm
25 sorry, we don't have facilities in your area, and we

00388

1 have no intention to extend them to your area.

2 Q. Because of the tariff?

3 A. Yes, and because if we did refuse it would
4 be a held order, considered a held order by this
5 Commission.

6 Q. Page 7 of your direct testimony. You cite
7 on line 6 the NTIA study?

8 A. Yes.

9 Q. Has U S WEST done any studies to support
10 the findings in the NTIA which you cite there?

11 A. I don't know that there's a specific study,
12 but what the -- the notion that we have residential
13 rates at \$14 and business exchange rates at \$37 is
14 generally consistent with this report.

15 Q. So you haven't done any studies?

16 A. I have not.

17 Q. Has the company?

18 A. I have not seen specific studies.

19 Q. On page 8 of your testimony you discuss the
20 lines 4 and 5. You discuss the PTAP and link-up
21 plans. Do you see that?

22 A. Yes.

23 Q. Is it correct to say that the cost of the
24 PTAP and link-up are not borne by U S WEST?

25 A. Well, they're borne by surcharges on our

00389

1 customers.

2 Q. Is that to say that they are not borne by
3 U S WEST?

4 A. It's a subsidy that's embedded in our
5 rates.

6 Q. On page 15 of your direct testimony?

7 A. 15?

8 Q. 15. You quote from the New York Public
9 Service Commission ACC decision. Do you see that?

10 A. Yes.

11 Q. Do you understand that the New York Public
12 Service Commission's decision imposes any obligation
13 on ACC to meet the specific number or ratio of
14 residential to business customers?

15 A. No.

16 Q. Do you know whether New York Public Service
17 Commission authorized competitive access providers
18 before it changed its universal service funding
19 mechanism?

20 A. No, I don't know that.

21 Q. Do you know whether it in fact has changed
22 its universal service funding mechanism?

23 A. No.

24 Q. Page 33 of your direct testimony. On lines
25 13 and 14 you state that U S WEST proposes to assess

00390

1 the interim universal service charge on a
2 usage-sensitive basis for administrative simplicity.
3 Do you see that?

4 A. Yes, I do.

5 Q. Whose simplicity? Whose administrative
6 simplicity is that that you're referring to?

7 A. I believe both parties. The testimony
8 reviews the adoption of usage-sensitive charges by
9 many states across the country for the traffic that we
10 exchange between LECs and AECs. What we're proposing
11 to do is to adopt the same mutual compensation
12 arrangement here in the state of Washington. Once
13 that kind of arrangement is in place, adapting that to
14 the interim universal service charge is a relatively
15 minor administrative issue. It also reflects the way
16 we charge access today.

17 Q. If I understand what you're saying, you're
18 saying that this administrative simplicity is
19 dependent upon the Commission's acceptance of a minute
20 of use charge for universal service?

21 A. It's related to it, yes.

22 Q. And if in fact the Commission were to adopt
23 bill and keep, what would happen here?

24 A. If the Commission were to adopt bill and
25 keep then we would still propose to adopt an interim

00391

1 universal service charge on a usage-sensitive basis.

2 Q. On page 12 of your rebuttal testimony with
3 respect to the confidential cost and price references.
4 I'm not going to discuss the specific numbers but I
5 have a question with respect to them. In fact the
6 text indicates that you are comparing business
7 exchange service in Seattle with the current price of
8 residence exchange service in Washington. My question
9 is, is there a reason that the comparison is not
10 Seattle to Seattle but Seattle to the state of
11 Washington?

12 A. Yes. See, if the AECs were serving
13 business customers throughout the state of Washington,
14 then it would be appropriate to use the ADSRC for the
15 state of Washington for business customers, but what we
16 have here is a situation where the AECs will be taking
17 business exchange lines in the Seattle market,
18 business exchange lines that U S WEST derives
19 contribution from to support residential rates
20 throughout the entire state of Washington.

21 Q. Are the residential rates the same
22 throughout the state of Washington?

23 A. I believe there may be two different rates
24 today. There may be some different zones.

25 Q. What zones are they?

00392

1 A. I'm not sure what the boundaries of the
2 zones are.

3 Q. Not being from the state of Washington, can
4 you give me some general idea? Are we talking what
5 you call the interior of Washington and coast of
6 Washington, some LATA distinction?

7 A. I am not sure what the boundaries are.

8 MR. RINDLER: Well, I would make a record
9 request then.

10 JUDGE ANDERL: And that is No. 10.

11 (Record Requisition 10.)

12 JUDGE ANDERL: All you want is a definition
13 of the two zones?

14 MR. RINDLER: Yes, please.

15 JUDGE ANDERL: And do you want the
16 residential rates for each of those zones?

17 MR. OWENS: I would note that that
18 information is on file in the company's tariff
19 downstairs.

20 Q. If the intervenors can demonstrate that the
21 rate of competitive penetration is likely to be much
22 slower than what you project in your testimony, would
23 that change U S WEST's proposal for the imposition of
24 an interim universal service charge?

25 A. No, it would not.

00393

1 Q. Why is that?

2 A. One of the purposes of the interim
3 universal service charge is to send the appropriate
4 economic signals to new entrants that U S WEST when it
5 prices its \$37 business exchange rate it is providing
6 support to \$14 residents exchange rates, and it seems
7 only fair that if new entrants are going to be
8 providing business exchange services that they be
9 required to provide the same level of support. If
10 this Commission were to decide to defer an interim
11 universal service charge, then it would be providing a
12 signal to new entrants that they can come into the
13 Seattle market, provide business exchange services for
14 \$37 and hope to not have to bear the burdens of
15 universal service.

16 Certainly if the Commission were to make
17 such a decision a year from now or 18 months from now
18 if the Commission were to later decide to impose an
19 interim universal service charge I'm certain it would
20 be a very difficult thing to accomplish given the fact
21 that AECs will have entered the market, made
22 investments, will have provided services to customers
23 and will object to the imposition of the charge at
24 that time.

25 Q. So you're saying that the imposition of an

00394

1 interim universal service charge is not based on the
2 need to provide universal service but rather is a way
3 of providing an economic message to the new entrants?

4 A. I said in part it was designed to provide
5 the appropriate signals for AEC entry.

6 Q. Well, I will go back then. If there is a
7 difference in the penetration level, what is the other
8 reason for imposing the interim universal service
9 charge?

10 A. I think I just described that.

11 Q. I understand that. What's the other one?
12 You're saying one is to in fact provide an economic
13 message. If your penetration level, for example, is
14 .01, is there a need to support universal service
15 charge that is being met by the imposition of an
16 interim universal service charge?

17 A. Yes. For every business line that an AEC
18 serves that is -- that used to be served by U S WEST,
19 there is contribution that is lost, contribution that
20 is being used to support residential rates. That's
21 true whether there is one business line or 10,000.

22 Q. So you would in fact propose that even if
23 there were only one business line?

24 A. Well, we know that that's not the case even
25 today.

00395

1 Q. I'm sorry, I don't understand that.

2 A. There are more than one lines served by
3 AECs today.

4 Q. And you would -- if you had your way,
5 impose an interim universal service charge in that
6 case, wouldn't you?

7 A. In which case?

8 Q. Today?

9 A. Today, yes.

10 Q. If the Commission were to say in its
11 decision adopting no interim universal service charge
12 for some period of time, one year, two years on the
13 for example the transitional period that you've agreed
14 to with respect to the independents on EAS revenue,
15 would that problem of sending an economic signal that
16 you talked about be the same?

17 MR. OWENS: I'm going to object to that
18 question. It misstates the evidence. I think the
19 exhibits don't refer to any specific period in which
20 there would be a transition, and I think Mr. Owens'
21 testimony is that that is something that the company
22 hopes would be either contemporaneous with or very
23 shortly after the implementation of the universal
24 service charge for the new entrants, so I think that
25 misstates the record to say that the company has agreed

00396

1 to a specific period.

2 JUDGE ANDERL: I think that's right.

3 Q. Is the agreement of the independent
4 telephone companies necessary for you to change the
5 EAS arrangement at this time?

6 A. Yes.

7 Q. So if the independent telephone companies
8 don't agree you will continue to provide bill and keep
9 for the independent telephone companies; is that
10 right?

11 MR. OWENS: I'm going to object to that
12 question. It assumes the witness is competent to
13 render a legal opinion and it seems to me that
14 certainly the question of whether or not the
15 Commission can modify those agreements is a question
16 of law.

17 MR. RINDLER: I'm not asking whether the
18 Commission can modify it.

19 JUDGE ANDERL: Right. The objection is
20 overruled. I think if this witness knows the answer
21 as to what U S WEST would do then he can answer.

22 A. I'm not sure what our legal recourse would
23 be.

24 Q. Would the company be prepared to agree that
25 for whatever period of time it extends the bill and

00397

1 keep arrangement to independents that it would not
2 seek to impose an interim universal service charge on
3 the new entrants?

4 A. No. The two issues are simply not related.

5 JUDGE ANDERL: Many more questions,
6 Mr. Rindler?

7 MR. RINDLER: I'm afraid I do.

8 JUDGE ANDERL: All right then. I thought
9 we would get through. Let's go ahead and take our
10 lunch recess. I'm going to shorten the lunch hours to
11 an hour and fifteen minutes so if everyone could be
12 back by 12:23, I guess. 1:23.

13 (Luncheon recess taken at 12:07 p.m.)

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1 A. Is higher, yes, I would agree with that.

2 Q. And the obverse is true as well, that the
3 cost in a high density area is lower?

4 A. Yes.

5 Q. So if you take a look at page 12 in your
6 comparison, you are comparing the business rate in
7 Seattle along with the cost in Seattle to the
8 residence rate on an average and the cost of a
9 residence rate on average; is that correct?

10 A. Throughout the state, yes. For residents
11 within the city of Seattle for business or the Seattle
12 market.

13 Q. So that assuming that we both concur on
14 higher lower issue of cost, residence service in
15 Seattle would cost less to provide than in an area of
16 lower density; is that correct?

17 A. I would think that would generally be true,
18 but that's probably a question that should be referred
19 to Mr. Farrow.

20 Q. Let's assume that for the moment if I could
21 ask you to, by comparing an average cost for
22 residences which include lower density areas along
23 with higher density areas, isn't the effect of that to
24 increase the cost?

25 MR. OWENS: Compared to what?

00400

1 A. Cost of what?

2 Q. Let's take residential service in Seattle,
3 a high density area, the costs for residential service
4 in Seattle versus the cost of residential service
5 outside of Seattle, lower density areas. If you were
6 to combine those two would you not increase the cost
7 of service in Seattle?

8 A. You wouldn't increase the cost of serving a
9 customer in Seattle. You would increase the average
10 cost.

11 Q. You would increase the average cost?

12 A. I would think so.

13 Q. And that's what we see on line 8, which is
14 the average residential cost?

15 A. Yes. Again, the purpose of this chart is
16 to demonstrate the kind of contribution that a
17 business customer in Seattle where the competition is
18 emerging, the contribution that is derived from
19 business exchange customers in Seattle of its being
20 provided to residence customers throughout the state.

21 Q. So that thereby increasing the average
22 costs for residence in Seattle increases the
23 contribution level -- sorry -- decreases the
24 contribution level that you're showing on line 9;
25 isn't that correct?

00401

1 A. Decreases the contribution level for what?

2 Q. Residential service.

3 MR. OWENS: Compared to what?

4 Q. Compared to what you have on page 12, line
5 9.

6 MR. OWENS: I object to that question. He
7 just asked Mr. Owens to compare the exact --

8 JUDGE ANDERL: Mr. Owens, that's fine. I'm
9 going to sustain the objection because I didn't
10 understand the question. Can you restate it?

11 MR. RINDLER: Yes. I apologize.

12 Q. You testify, I believe, that the cost for
13 residential service reflected on line 9 is an average
14 cost to provide residential service throughout the
15 state; is that correct?

16 MR. OWENS: For clarification I believe you
17 meant line 8.

18 MR. RINDLER: Thank you.

19 Q. Line 8. Is that correct?

20 A. The figure on line 8 under the residence
21 column is the average cost of providing residence
22 service in the state of Washington.

23 Q. And that average cost, since it includes
24 lower density areas as well as the higher density
25 areas in Seattle results in the difference shown on

00402

1 line 9 as being greater if you compare that number
2 which we won't discuss than if you had provided the
3 Seattle cost for residence users; is that correct?

4 A. I presume the number would be different,
5 yes.

6 Q. The number in fact would be higher or
7 lower?

8 A. Are we talking about the cost or the
9 difference?

10 Q. Difference.

11 A. The difference would be greater. I'm
12 sorry, the difference would be smaller.

13 Q. So there in fact would be more
14 contribution?

15 JUDGE ANDERL: Well, because we're talking
16 about a negative number here.

17 MR. RINDLER: Less loss. How about less
18 loss?

19 JUDGE ANDERL: I just want to make sure
20 that it's clear when the witness says greater exactly
21 what he's talking about.

22 A. It would be a smaller negative number.

23 JUDGE ANDERL: Closer to zero?

24 THE WITNESS: Yes.

25 Q. Thank you. Also before lunch we discussed

00403

1 the fact that it's the company's position that the
2 interim universal service charge should be applied to
3 competitive local exchange carriers as soon as they
4 have a single business access line; is that correct?

5 A. Yes.

6 Q. And the reason to do that, as I understood
7 your testimony, was, one -- two different ones you
8 gave. One of them being to send an economic signal to
9 the new entrants; isn't that correct?

10 A. Yes.

11 Q. And the second one was to be fair; is that
12 correct?

13 A. Well, the second one I would characterize
14 as to be fair and to insure that U S WEST can continue
15 to provide the same level of support to residential
16 services that it's providing if that business line had
17 not left and gone to an AEC.

18 Q. Are you suggesting that with the first
19 business access line there is a threat to U S WEST's
20 ability to provide that level of service?

21 A. No, I'm not.

22 Q. At what penetration level do you think
23 there would be such a threat?

24 A. I don't think it's appropriate to talk
25 about what level of penetration by AECs would be

00404

1 appropriate before they begin making the same level of
2 contribution to universal service that U S WEST does.

3 Q. That wasn't the question. The question was
4 at what level do you believe the interexchange
5 carriers or, as we refer to them as the competitive
6 local exchange carriers, what penetration level would
7 they have to reach before it threatened U S WEST's
8 ability to provide the same level of universal
9 service?

10 A. I don't know what that number would be.

11 Q. Do you feel that it would be in effect if
12 it reached the 20 percent penetration level that you
13 projected?

14 A. Definitely.

15 Q. What about ten percent?

16 A. Yes.

17 Q. Five percent?

18 A. You know, are we going to keep guessing
19 numbers until I say no?

20 Q. I'm not guessing. I'm asking your view on
21 it.

22 MR. OWENS: The witness has testified he
23 doesn't know what the specific number is. I think
24 this has been asked and answered.

25 JUDGE ANDERL: Well, but he is willing to

00405

1 specify certain numbers so I'm going to let
2 Mr. Rindler explore it further. We've only got three
3 or four more numbers to go.

4 MR. OWENS: Well, it depends on how
5 finely you want to cut this.

6 JUDGE ANDERL: Well, maybe I will sustain
7 an objection in a little while.

8 MR. RINDLER: I'm sorry, I forgot the last
9 number I gave.

10 JUDGE ANDERL: Five percent.

11 Q. And your answer with respect to five?

12 A. Yes.

13 Q. Yes. One percent?

14 A. Yes.

15 Q. What are you basing this on?

16 A. Well, the presumption is that, you know, the
17 notion that there's a threshold of penetration by AECs
18 into the business market at which it's inappropriate
19 to assess a universal service charge, but once they
20 reach a certain threshold market share it's now
21 suddenly appropriate to apply a universal service
22 charge, I just reject on its face.

23 Q. I'm not asking you to accept it or reject
24 it as a principle. I'm asking you if in fact they
25 reach a certain level at what level of penetration

00406

1 will it threaten U S WEST's ability to provide the
2 level of service?

3 A. I think I said I don't know.

4 Q. That's quite different, isn't it? We were
5 down to one percent. You said 20 percent it would;
6 isn't that correct?

7 MR. OWENS: Objection, argumentative.

8 Q. Did you say 20 percent it would affect it?

9 A. I was answering the question at what level
10 does the penetration of AECs affect U S WEST's ability
11 to effectuate universal service, and I think it's a
12 small number. If your question is at what point does
13 it threaten our ability, that I can't answer.

14 Q. That was my question. I thought that's in
15 fact what you said was the reason why starting with
16 the first business line it would be appropriate to
17 apply the interim universal service charge.

18 MR. OWENS: Is that a question?

19 MR. RINDLER: Yes.

20 MR. SHAW: I object.

21 Q. Is that correct?

22 MR. OWENS: May I have a ruling?

23 JUDGE ANDERL: Restate the question.

24 MR. RINDLER: I will withdraw the question.

25 Q. You testify on page 22 of your rebuttal

00407

1 testimony with respect to penetration rates if you
2 look at page 22 beginning with line 9. Do you see
3 that?

4 A. Yes.

5 Q. And you testify that within two years. Are
6 you saying that AECs will serve 20 percent or will be
7 able to serve 20 percent?

8 A. I think it says I believe they will be able
9 to serve as many as 20 percent.

10 Q. So you're not making an estimate of what
11 level of penetration they will in fact achieve within
12 two years?

13 A. That's correct.

14 Q. You then go on to discuss the experience
15 that U S WEST had in Great Britain. Do you see that?

16 A. Yes.

17 Q. Do you see that on lines 21 through 24 that
18 in the year one the penetration level for business
19 services is reported to be 10 percent?

20 A. That's right.

21 Q. In year two it's 12 percent?

22 A. That's right.

23 Q. What's the relationship, if any, between
24 that factual statement of the penetration level on
25 business market shares to your estimate of 20 percent

00408

1 in line 10?

2 A. The figures on lines 21 through 24
3 represent the market share of a single entrant in
4 Great Britain. My estimate above on lines 9 through
5 11 represent the potential market share of many
6 entrants in two different markets. The entrants above
7 are entering the business market in a highly
8 concentrated business market. The market below is
9 predominantly a residential suburban market, so I
10 think the penetration rate will occur more rapidly.
11 It has a potential of growing more rapidly in Seattle
12 than it has in Great Britain.

13 Q. Where is it that U S WEST serves in Great
14 Britain?

15 A. I don't have the specifics of the serving
16 areas.

17 Q. Does it include London?

18 A. It does.

19 Q. Do you have any idea what the business
20 density is in London?

21 A. Very high, I'm sure.

22 Q. Do you think it's higher than that in
23 Seattle?

24 A. Yes.

25 Q. Thank you. Page 27 of your surrebuttal

00409

1 testimony. Actually begins on page 20 -- 25 and goes
2 through 27. You quote fairly extensively from the
3 Maryland Commission's decision; is that correct?

4 A. Yes.

5 Q. And in that the Commission discusses what
6 might happen in terms of the impact on Bell Atlantic;
7 is that correct?

8 A. That's correct.

9 Q. It's now more than a year after that
10 decision came out; is that right?

11 A. Yes.

12 Q. Do you know what level of penetration has
13 in fact been achieved in Maryland?

14 A. No, I don't.

15 Q. Do you think that it would be relevant to
16 evaluating your estimate of 20 percent if one were to
17 compare it with the penetration level in Maryland?

18 A. Not necessarily. I think the situations
19 are probably quite different. We have AECs that have
20 been in service, offering service to customers since
21 January of this year in Seattle.

22 Q. So you dismiss the experience in Maryland?

23 A. I said they're not entirely comparable.

24 Q. How would you compare it with a situation
25 in New York?

00410

1 MR. OWENS: How would you compare what?

2 The question is vague.

3 Q. Your estimate of 20 percent penetration
4 level in the year two with a penetration level
5 achieved in New York in year three?

6 A. I don't know what the arrangements were in
7 New York three years ago.

8 Q. So you can't make a comparison?

9 A. No.

10 Q. Do you know whether or not there were in
11 fact alternative providers providing service in New
12 York three years ago?

13 A. Yes, but I, for example, don't believe the
14 competitive providers in New York had NXX code
15 assigned to them three years ago.

16 Q. There were more than one carrier, isn't
17 that correct, providing service?

18 A. I don't know if there was more than one.

19 Q. Page 31. Has the Ohio Commission
20 determined whether or not to adopt or reject bill and
21 keep?

22 A. Not to my knowledge, no.

23 Q. Has New York Commission determined whether
24 to adopt or reject bill and keep?

25 A. I think the New York Commission has found

00411

1 that bill and keep is an inappropriate mechanism to be
2 used as a long-term compensation arrangement in New
3 York.

4 Q. Do you think that's the case?

5 A. Yes.

6 Q. On page 32 you discuss the issue as it was
7 addressed by the staff of New York Public Service
8 Commission. Do you see that?

9 A. Yes.

10 Q. I don't think I see in here any reference
11 to the decision by the New York Public Service
12 Commission with respect to bill and keep; is that
13 correct?

14 A. That's correct.

15 Q. Has the Oregon Commission decided whether
16 or not to adopt or reject bill and keep?

17 A. No, it has not.

18 Q. How does U S WEST interim universal service
19 proposal compare to the Michigan PSC decision to
20 provide mutual compensation at the rate of 1.5 cents
21 per minute in the event traffic is not in balance?

22 A. The Michigan Commission did not adopt an
23 interim universal service charge.

24 Q. That wasn't the question.

25 A. Well, you ask how it compared.

00412

1 Q. How it compared to your proposal?

2 A. Right.

3 Q. Is your proposal for mutual compensation?

4 A. Yes.

5 Q. It is?

6 A. Yes. Our proposal provides for mutual
7 compensation for those AECs who satisfy the criteria
8 we've discussed before, the interim universal service
9 charge is waived. For those AECs we're proposing
10 mutual compensation at the rate of a penny a minute
11 for the traffic that's terminated on our network and a
12 comparable rate would be paid by U S WEST to the AEC
13 for the traffic we terminate on their network.

14 Q. A comparable rate, is that the same rate?

15 A. Not necessarily.

16 Q. Is that then the same as what the Michigan
17 Commission adopted?

18 A. No. The Michigan Commission adopted I
19 believe a penny and a half cent a minute reciprocal
20 charges.

21 Q. Reciprocal?

22 A. That's right.

23 Q. That is both pay each other the same
24 amount; is that correct?

25 A. That's correct.

00413

1 Q. Does U S WEST license or sell its White
2 Page listings?

3 MR. OWENS: I'm going to object to the form
4 of that question. There are several U S WEST
5 companies that might be referred to by that question.
6 It would make more sense to specify which subsidiary
7 he's talking about.

8 Q. Is there any subsidiary of U S WEST that
9 sells a licensed White Page listings?

10 A. Yes.

11 Q. Which one is that?

12 A. I believe it's Market Resources Group.

13 Q. That's a subsidiary of U S WEST?

14 A. Yes.

15 Q. Is the income derived from the sale of
16 license of those listings deemed to be regulated
17 income?

18 A. I don't believe so.

19 Q. But you don't know?

20 A. I don't know for sure.

21 Q. Would the value of the listings to U S WEST
22 and buyers or licensees of those listings increase to
23 the extent that they covered all telephone users in an
24 area rather than simply U S WEST telephone users in an
25 area?

00414

1 A. It could.

2 Q. It could?

3 A. Well, presumably if someone wanted to buy
4 listings from ELI or Teleport or MFS they could do so
5 as well.

6 Q. That wasn't the question, was it? The
7 question was whether or not it would be more valuable
8 to U S WEST and to a purchaser to be able to obtain
9 all of the White Page listings from U S WEST?

10 MR. OWENS: I will object. That calls for
11 the witness to speculate on the mental state of
12 potential purchasers of listings.

13 JUDGE ANDERL: Well, I think -- I mean, if
14 he wants to ask what this witness's opinion is as to
15 whether or not there would be additional value
16 there --

17 MR. RINDLER: Yes, I'm asking that.

18 A. I don't know.

19 Q. Do you think there would be any impact if
20 20 percent of the users in an area were not listed?

21 MR. OWENS: Any impact on what?

22 MR. RINDLER: On the value to a buyer or
23 licensee of the listings?

24 A. Not if those listings are available from
25 other sources.

00415

1 Q. Would it reduce the income that U S WEST
2 could receive if it had 100 percent of listings rather
3 than 80 percent of listings?

4 A. Potentially, yes.

5 Q. On page 71 of your testimony, your rebuttal
6 testimony. On lines 4 and 6 -- 4 through 6
7 specifically but you may want to look at the
8 discussion on page 70 beginning with line 17. Do you
9 know what contribution U S WEST would receive based on
10 a \$4 monthly recurring charge?

11 A. No, I don't. We haven't completed our cost
12 studies yet.

13 Q. What would you deem to be a modest
14 contribution to U S WEST common costs?

15 A. I'm not sure.

16 Q. What did you mean when you referred to a
17 modest contribution on line 6?

18 A. I didn't have a specific number in mind.

19 Q. I have a reference from Exhibit JDO-3 and
20 I'm not sure exactly what exhibit number that is.

21 MR. OWENS: In rebuttal or the direct?

22 MR. RINDLER: In the direct. Sorry,
23 rebuttal.

24 JUDGE ANDERL: That's a confidential
25 exhibit.

00416

1 MR. OWENS: That would be C-35.

2 JUDGE ANDERL: It would be helpful when we
3 mark these exhibits if everybody does mark them with
4 the official record numbers so that they're more
5 easily referenced. Bearing in mind that this is a
6 confidential exhibit.

7 MR. RINDLER: I'm not sure we're looking at
8 the same exhibit, Your Honor.

9 JUDGE ANDERL: JDO-3 says confidential
10 exhibit on it. If it is the JDO-3 that was prefiled on
11 direct then it's a different one.

12 MR. RINDLER: How about JDO-4?

13 MR. OWENS: JDO-4 was not received or it
14 was stricken.

15 JUDGE ANDERL: Is that the map? That was
16 stricken.

17 MR. RINDLER: Without it being an exhibit,
18 however, there are --

19 JUDGE ANDERL: Mr. Rindler.

20 MR. RINDLER: I will ask a question that
21 doesn't reference the exhibit.

22 Q. With respect to competitive local exchange
23 carriers providing service to buildings in Seattle, do
24 you know what services they are presently providing?

25 A. I believe they're providing business

00417

1 exchange services.

2 Q. In all of the buildings?

3 A. In all the buildings in downtown Seattle?

4 Q. That they are serving?

5 A. No, I don't know that.

6 Q. In responding to a question by Ms. Weiske,
7 you talked about the incentives that U S WEST would
8 have if the Commission were to adopt a bill and keep
9 approach. Do you recall that?

10 A. Yes.

11 Q. You indicated that there would be a strong
12 incentive. Do you recall that?

13 A. A strong incentive to serve a business
14 customer in independent territory?

15 Q. Correct?

16 A. Yes.

17 Q. I think the question was asked but I don't
18 recall an answer. Is it U S WEST's intent in such a
19 case to serve businesses in the areas of independent
20 telephone companies?

21 A. We've not made that determination. Our
22 incentive to make that decision will change
23 substantially depending on the compensation
24 arrangement that's adopted in this proceeding.

25 Q. But you have not determined what you would

00418

1 do in the event the Commission were to adopt a bill
2 and keep arrangement?

3 A. That's correct.

4 Q. This is my last question. You also
5 indicated, I believe, in talking -- responding to a
6 question by Ms. Weiske that it was not fair for
7 competitive local exchange carriers to be permitted to
8 provide single stop shopping interLATA as well as
9 intraLATA in local service, do you recall that?

10 A. Yes.

11 Q. Do you know why U S WEST is prohibited from
12 providing interLATA service?

13 A. The modified final judgment.

14 Q. Are you aware whether any other BOC has
15 made the request in any other state that competitive
16 local exchange carriers not be permitted to provide
17 bundled services until the BOC was allowed to provide
18 interLATA service?

19 A. Am I aware that other -- well, no, I am not
20 aware of other positions of other RBOCs on this issue.

21 Q. You spoke to the decision by the Illinois
22 Commission decision with respect to Ameritech's
23 interconnection tariff proceeding. Do you recall that?

24 A. Yes.

25 Q. Do you know whether Ameritech made such a

00419

1 request in that proceeding?

2 A. A request to enter the interLATA business?

3 Q. To, one, enter, or two, to prevent
4 competitive local exchange carriers from providing
5 bundled services unless they were allowed to enter.

6 A. I am not aware of an attempt to deny entry
7 by Illinois Bell. I know that they have asked for
8 certification to become an interLATA provider.

9 Q. But it's your position that U S WEST -- I'm
10 sorry. Is it your position that the Commission should
11 not allow competitive local exchange carriers to
12 provide bundled services unless U S WEST is also in a
13 position to provide such services?

14 A. I don't know if that's an issue for this
15 Commission or for the FCC. I don't know whose
16 jurisdiction that would belong to.

17 Q. With whoever's jurisdiction it might be, is
18 it your position with respect to the company that it
19 would not be fair for the Commission to authorize
20 competitive local exchange carriers to provide bundled
21 service until U S WEST was authorized to provide by
22 whomever interLATA service?

23 A. Yes.

24 MR. RINDLER: Thank you. I have no further
25 questions.

00420

1 JUDGE ANDERL: Thank you. Ms. Proctor,
2 we'll go to you for your cross if somebody will pass
3 you a microphone.

4

5 CROSS-EXAMINATION

6 BY MS. PROCTOR:

7 Q. Mr. Owens, the last set of questions that
8 you were just responding to, U S WEST also made that
9 same argument that other companies should not be
10 permitted to provide one plus in the state of
11 Washington until U S WEST could be allowed into the
12 interLATA market, did they not?

13 A. It's my understanding.

14 Q. You also stated just a few moments ago that
15 U S WEST had not completed its cost studies. I
16 believe that was for remote call forwarding?

17 A. Remote call forwarding and route indexing,
18 both forms of interim number portability.

19 Q. Just a point of clarification. On June 15
20 in response to a staff data request as opposed to a
21 request from U S WEST -- I'm sorry, from MCI, you
22 produced or U S WEST produced a 1994 call forwarding
23 cost study. Is that a different cost study?

24 A. Yes.

25 Q. And that's not remote call forwarding?

00421

1 A. It is remote call forwarding but it's not
2 being used in that study. It's being used in a number
3 portability application where we're taking a look at
4 the costs that are specific to an application of remote
5 call forwarding when we are using it for number
6 portability.

7 Q. Even though the request said please provide
8 cost studies for number portability and the response
9 was to the '94 Washington call forwarding cost study?

10 A. I am not familiar with that particular
11 -- like I said, I would like to review that.

12 Q. Perhaps you could just look at that off the
13 record or something to provide some clarification.
14 It's the request to the staff WT 1044. I'm sorry, did
15 you agree you would do that off the record and just
16 advise me?

17 A. Sure.

18 JUDGE ANDERL: We'll likely have a break
19 while this witness is still on the stand so he will be
20 able to do that then.

21 MS. PROCTOR: I don't have that many
22 questions.

23 Q. And are you aware of the list some 16 pages
24 in length of cost studies and rate case that lists
25 cost studies for remote call forwarding?

00422

1 A. No, I am not.

2 Q. Also in response to questions from
3 Mr. Butler concerning the price for DA, and I believe
4 you testified that the price for the local independent
5 companies was 18 cents, that that's what this response
6 to a data request that was done in your name stated,
7 18 cents was the price?

8 A. That's what that response says.

9 Q. Is the price to interexchange carriers 35
10 cents?

11 A. That's my understanding.

12 Q. And I believe you testified you don't know
13 the cost of providing DA?

14 A. No, I don't.

15 Q. Who would know that?

16 A. I think Mr. Farrow may have that
17 information.

18 Q. Just a couple of questions on your virtual
19 colocation tariff. Is U S WEST willing to have the
20 competitive providers who might be wishing to colocate
21 provide training for the U S WEST employees in lieu of
22 U S WEST charging the competitive provider for that
23 training?

24 A. See if I understand your question. Rather
25 than having our three employees attend a course put on

00423

1 by a manufacturer, you're proposing that AT&T's
2 employees would train U S WEST's employees. Is that
3 the question?

4 Q. Well, AT&T is not a competitive provider so
5 perhaps we could use ELI or one of the applicants
6 here. And I believe that you have a tariffed element
7 with a charge so that the competitive provider would
8 have to pay U S WEST to cover that cost of training.
9 Is that your proposal?

10 A. That's right.

11 Q. And my question was if ELI had the in-house
12 expertise and therefore did not have to incur an
13 additional cost, would U S WEST be willing to have
14 your employees trained by such a person?

15 A. That would eliminate the cost of the
16 training course, but then the other charge associated
17 with training is the employee time and that would
18 still apply, so I would think we would be willing to
19 consider having our employees trained by a colocater's
20 employees.

21 Q. Do you know whether you agreed to a similar
22 provision in Oregon in the colocation docket, UT-119?

23 Mr. Owens, would you also be willing for a
24 competitive provider to be self-insured?

25 A. I think that the answer to that is no.

00424

1 Q. I think you've indicated you don't know
2 what U S WEST agreed to in Oregon in UT-119?

3 A. I don't know what we agreed to do in
4 Oregon, that's right.

5 Q. In your discussions about your projections
6 of the penetration by the new providers of local
7 exchange, you referred to an estimate of 20 percent.
8 In the study that Mr. Butler was pointing you to this
9 morning, however, there was an assumption of 30
10 percent. Do you know what accounts for that
11 difference?

12 A. No, I don't.

13 Q. Are you familiar with the basis for the
14 assumption in the cost study of 30 percent?

15 A. No, I don't.

16 Q. You don't know who prepared that?

17 A. No, I don't.

18 MR. OWENS: Do you want to have the cost
19 study put back in front of you again to answer these
20 questions?

21 THE WITNESS: No, that's fine.

22 Q. On page 67 of your direct testimony, on
23 line 7, you refer to the fact that TCG has 112 route
24 miles of fiber in Seattle and East King County and ELI
25 has 70 route miles of fiber in the Seattle

00425

1 metropolitan area. Do you know how many miles of
2 fiber U S WEST has in that same area?

3 A. No, I don't.

4 Q. Do you know how many miles of facilities
5 U S WEST has in that same area?

6 A. No, I don't.

7 MS. PROCTOR: Your Honor, I would like to
8 make a record request.

9 JUDGE ANDERL: Is there another witness who
10 will be testifying who would know that? If not then
11 record requisition No. 11, and that is a request for
12 facilities and fiber.

13 MS. PROCTOR: Yes.

14 JUDGE ANDERL: Route miles?

15 MS. PROCTOR: Route miles.

16 MR. OWENS: Wait a minute. Are we talking
17 about asking the company to go out and measure every
18 foot of feeder and distribution cable in the entire
19 Seattle and east King County area? Is that what we're
20 asking?

21 JUDGE ANDERL: Let's find out what
22 Ms. Proctor wants first.

23 MS. PROCTOR: I believe that U S WEST files
24 a report on an annual basis with the FCC that shows
25 its fiber facilities both lit and dark and if they

00426

1 could produce the summary data from that that would be
2 sufficient for '94.

3 MR. OWENS: The document is on file with
4 the FCC, it sounds like it's available to AT&T.

5 JUDGE ANDERL: Ms. Proctor, what geographic
6 territory were you asking for that in?

7 MS. PROCTOR: For the Seattle area. He was
8 referring to facilities of ELI and TCG in that area and
9 I thought it would be useful to have the comparable
10 numbers for U S WEST.

11 JUDGE ANDERL: Mr. Owens, given that it
12 might be difficult to obtain that information from the
13 FCC at this juncture, does the company have that and
14 can respond to that record requisition?

15 MR. OWENS: I'm told that we already
16 provided it in response to a data request.

17 JUDGE ANDERL: Okay. Well, see if you can
18 work that out with Ms. Proctor and point her in the
19 right direction.

20 MS. PROCTOR: That would be fine.

21 MR. OWENS: This is response to ELI No.
22 1007.

23 JUDGE ANDERL: Thank you.

24 MS. PROCTOR: Perhaps I could just ask for
25 a copy of that.

00427

1 JUDGE ANDERL: Did you not request that?

2 MS. PROCTOR: Copies of what everybody
3 asked, answered and served and didn't serve.

4 JUDGE ANDERL: All right. Then I assume
5 the company can provide that to AT&T.

6 MS. PROCTOR: Thank you very much.

7 Q. Mr. Owens, in your testimony, in response
8 to the suggestion by a number of the parties that U S
9 WEST should unbundle its loop, you've stated that
10 potential providers could purchase private line
11 services; is that correct?

12 A. That's correct.

13 Q. And for a single line business, do you have
14 an idea of what the price of private line services
15 would be?

16 A. Well, today the price is \$9 for the NAC and
17 \$1.50 for channel performance. I think we've proposed
18 increases in that price in the pending rate case.
19 That would be for a single NAC run from an end user's
20 premise into our central office, and if the AEC wanted
21 to complete the circuit to their switch they would
22 have several options, one of which would be to buy a
23 second NAC. Another approach would be through the use
24 of virtual colocation.

25 Q. Would the provider have to purchase direct

00428

1 trunk transport?

2 A. No.

3 MS. PROCTOR: Your Honor, the staff has
4 just handed me a copy of ELI 1007, and the response
5 notes that the data is not available.

6 JUDGE ANDERL: Is that the correct number?
7 I thought it was 1006.

8 MR. OWENS: That's not a complete response.
9 It says, "Data is not available at that level. As of
10 year end 1994 U S WEST had 2,670 sheath miles of fiber
11 in the state of Washington."

12 MS. PROCTOR: I believe the request was for
13 the Seattle area.

14 JUDGE ANDERL: Well, if it's not available.

15 MR. OWENS: Well, then we'll restate the
16 response. It's not available.

17 JUDGE ANDERL: It's not available.

18 Q. Could you please turn to page 12 of your
19 rebuttal testimony. Do you have that in front of you?

20 A. Yes.

21 Q. Now, on page 12 you talk about the current
22 price for business is \$37.46 and that's for Seattle?

23 A. That's right \$37.48.

24 Q. Do you know what the price is for
25 Washington?

00429

1 A. An average price for Washington?

2 Q. Yes.

3 A. No, I don't.

4 Q. On page 14 of your rebuttal, the price that

5 U S WEST has proposed in rate case for year one is

6 \$29; is that correct?

7 A. Yes.

8 Q. And that price of \$29 is somewhere between

9 15 and 20 percent below Mr. Purkey's imputed price
10 floor?

11 A. These are the proposed prices not including
12 the end user common line charge.

13 Q. Which is 3.50?

14 A. For residence. \$6 for multiline business I
15 believe in this state.

16 Q. And does Mr. Purkey's imputed price floor
17 include the end user common line charge?

18 A. I think you should ask that question of
19 Mr. Purkey.

20 Q. There's been a fair amount of discussion
21 here about the subsidy for residential service. Would
22 you agree that the appropriate test for subsidization
23 is set forth in Mr. Purkey's Exhibit DP-1, the
24 definition agreed to by Dr. Harris?

25 A. I think that's another question you should

00430

1 direct to Mr. Purkey.

2 Q. Well, I'm asking you how you used the term
3 "subsidy."

4 MR. OWENS: Do you want to have the exhibit
5 in front of you?

6 THE WITNESS: Yes, please.

7 JUDGE ANDERL: Let's take a moment while
8 the witness is provided with that.

9 A. Okay. I have Exhibit DP-1. Can you point
10 me to a particular reference?

11 Q. Certainly. This is a document from
12 Colorado. It is a joint statement on subsidization
13 concurred in by Dr. Cornell, Harris, Johnson, Mayo and
14 the first paragraph refers to a test for
15 subsidization.

16 A. All right. And your question is some --

17 Q. Would you agree to use that as the test of
18 subsidization?

19 A. Well, I have to caution that I'm no expert
20 on costing, but I believe this is an appropriate test.

21 Q. Were you using the term "subsidy" which
22 appears fairly frequently in your testimony in some
23 other way?

24 A. Well, an issue that's not addressed by this
25 is how the corporation recovers its common costs. And

00431

1 if U S WEST were to price all of its service at
2 long-run incremental cost it would not be able to
3 recover its common costs.

4 Q. With that understanding, on page 12 of your
5 testimony where you're discussing, I believe, the
6 subsidies for residence services, you use ADSRC for
7 purposes of comparison, do you not?

8 A. That's right.

9 Q. And are you familiar with the statement
10 that is repeated in a number of Mr. Farrow's cost
11 studies that say that ASIC is the appropriate cost to
12 use for subsidization tests?

13 A. I believe you --

14 MR. OWENS: Would you put such an exhibit in
15 front of the witness or give us an example.

16 MS. PROCTOR: Certainly, I think if you look
17 at BEF-2 at page 5.

18 JUDGE ANDERL: I understood the witness to
19 have already answered that question and agreed. I
20 don't know if we need to have him look at the exhibit
21 for any other reason. That's fine if he needs to. Do
22 you need to see it?

23 MR. OWENS: BEF-2 page what?

24 JUDGE ANDERL: He's already said he doesn't
25 need to see it.

00432

1 Q. And although you did not include the ASIC
2 cost in your comparison, Mr. Farrow does include that
3 number in his rebuttal testimony in case you want to
4 look at it at BEF-1. Are you familiar with the fact
5 that ASIC is generally well below ADSRC?

6 A. I believe it's below. I don't know if it's
7 generally well below.

8 Q. Perhaps rather than talk generally we could
9 talk specifically about what is obviously a very
10 important issue. If you could just refer to BEF-1,
11 please.

12 JUDGE ANDERL: Is that on the rebuttal or
13 the direct?

14 MS. PROCTOR: I'm sorry. That's rebuttal.

15 JUDGE ANDERL: And that's a confidential
16 exhibit.

17 MS. PROCTOR: Yes.

18 JUDGE ANDERL: It's not been marked or
19 identified yet but so everyone is aware you're looking
20 at a confidential exhibit when you're referring to
21 that.

22 Q. And in the case of -- let's just look at
23 zone one here. The ASIC is, oh, something around 20
24 percent below the ADSRC?

25 A. For rate group one?

00433

1 Q. Yes.

2 A. That's about right.

3 Q. Does the ASIC include the \$3.50, the end
4 user line charge, is that it?

5 A. End user common line charge, EUCL.

6 Q. Or the subscriber line charge?

7 A. Or the subscriber same thing.

8 Q. Is the \$3.50 subscriber line charge
9 included in the ASIC?

10 A. I believe these are costs, not revenues.

11 Q. So if we took the ASIC and subtracted \$3.50
12 from it, we would end up with a number that would
13 indicate the revenues that U S WEST would need to
14 receive for local service in order to avoid
15 subsidization?

16 A. Well, I think that's a question that you
17 direct to our cost witness in this case.

18 MS. PROCTOR: Your Honor, I ask that you
19 direct the witness to answer that. He's talked a lot
20 about subsidies here and how much residence service is
21 being subsidized and I think I'm entitled to --

22 JUDGE ANDERL: Well, I think she is
23 engaging in some fairly straightforward cross of maybe
24 specifically page 12 in the rebuttal, and I think it's
25 appropriate for her to inquire since the witness did

00434

1 cover this subject. There may be another witness who
2 can also answer it, but --

3 MR. OWENS: Witness has indicated he's not
4 an expert on costs. She's asking him about a specific
5 kind of costs other than the costs that is described in
6 his testimony. If she wants to ask him about ASDRC, I
7 think that's within the realm of his direct but he
8 hasn't talked about ASIC.

9 MS. PROCTOR: I think the witness has
10 indicated he was fairly familiar with ASIC and that is
11 one simple wrap-up question.

12 MR. OWENS: I don't believe that's the
13 witness's testimony, Your Honor.

14 JUDGE ANDERL: I believe the witness's
15 testimony is he can't answer that question and I'm
16 going to allow that to be his answer.

17 Q. And you believe that Mr. Farrow will be
18 able to discuss both rates and costs?

19 A. Yes.

20 Q. Mr. Owens, in your page 12, the ADSRC
21 number that you used is different from Mr. Farrow's
22 number. Where did you get your number?

23 A. Well, Mr. Farrow has three numbers, one for
24 each of three rate groups. Mine is an average, a
25 blended average.

00435

1 Q. Did Mr. Farrow prepare that number for you
2 or did you prepare that number?

3 A. It was prepared at my direction.

4 Q. Does Mr. Farrow work for you?

5 A. No, he does not.

6 Q. Someone else prepared the number for you?

7 A. Yes.

8 Q. Someone who works for you who doesn't know
9 anything about costs, is that it?

10 A. No. A support person who works for me who
11 does understand costs.

12 Q. Mr. Owens, I have to confess, I'm not a
13 mathematician. I don't do numbers so I'm way beyond
14 my headlights here, but looking at the number that you
15 have used for the ADSRC on page 12 and the three
16 numbers used by Mr. Farrow in his BEF-1 your number is
17 lower than any of those three. How could the blended
18 average be your number?

19 A. I can't explain the difference between the
20 three numbers that are in BEF-1 and the blended number
21 that I have in my testimony.

22 MS. PROCTOR: I'm not remembering if the
23 record request was for the ADSRC. If it is that
24 perhaps might straighten this confusion out.

25 JUDGE ANDERL: Is that Ms. Weiske's record

00436

1 request?

2 MS. PROCTOR: Yes.

3 UNIDENTIFIED VOICE: ASIC, but we can
4 certainly add it in.

5 JUDGE ANDERL: I'm not able to hear what's
6 being said and that's fine because I don't really want
7 to talk to the witness.

8 My record says ADSRC for the grade 50
9 elements and ASIC.

10 MS. PROCTOR: Right, so that probably
11 should take care of it.

12 Q. On page 3 of your rebuttal testimony,
13 please. Lines 25 and 26, you state that "The AEC's
14 local switching charge should be established on the
15 basis of cost studies provided by the AEC." Do you
16 see that sentence?

17 A. Yes, I do.

18 Q. Do you believe that U S WEST should also
19 establish its local switching charge on the basis of
20 its cost studies?

21 A. I believe it has submitted cost studies in
22 this case.

23 Q. So your answer is yes?

24 A. Yes.

25 Q. Could you please turn to page 17 of your

00437

1 rebuttal testimony, again. You've had a fair amount
2 of discussion today about the new entrant focusing on
3 the business market. In Rochester you point out that
4 AT&T is conducting a trial and you indicate in here
5 that AT&T is planning to target residential
6 subscribers; is that correct?

7 A. That is right.

8 Q. And would you accept subject to check that
9 that is indeed what AT&T is doing in its Rochester
10 trial?

11 A. Yes.

12 Q. And do you know how AT&T is providing
13 service in Rochester?

14 A. Through resale, I believe.

15 Q. And you also point to the trial in
16 Ameritech territory which is proposed and you indicate
17 that AT&T is again going to be relying upon resale to
18 provide service?

19 A. I'm not sure the amplification of AT&T or
20 Michigan would be considered a trial. Moreover AT&T
21 states that they plan to commence facilities-based
22 operations as soon as facilities are deployed.

23 Q. And the line above that on line 22
24 indicates that AT&T expects to commence operations as
25 a local services reseller, does it not?

00438

1 A. Yes.

2 Q. Do you know what service AT&T is purchasing
3 in Rochester to resell?

4 A. No, I don't.

5 Q. Would you accept subject to check that they
6 are purchasing basic residential local exchange
7 service?

8 MR. OWENS: I'm going to object unless the
9 witness can be shown how he can check this. We've
10 asked in discovery what AT&T's business plans are for
11 entering the local exchange and we haven't gotten any
12 material in response.

13 JUDGE ANDERL: Ms. Proctor, I will allow
14 you to ask the question if the witness is provided a
15 way to check that. Otherwise I'm not going to make
16 him go out and do research into information that you
17 have.

18 MS. PROCTOR: I will be happy to provide
19 that to the witness.

20 MR. OWENS: Thank you.

21 JUDGE ANDERL: Would you accept that
22 subject to check then?

23 THE WITNESS: Yes.

24 Q. If you could turn to page 45 of your
25 testimony. Do you have that?

00439

1 A. Yes, I do.

2 Q. The quote in the middle of page you're
3 referring to MFS in Texas, and I believe on line 13
4 you've quoted material that states, "most probably
5 MFSI-TX will seek to lease facilities from other
6 vendors." Would that mean that MFSI would be
7 reselling?

8 A. Yes, services only from a LEC but from
9 CAPs.

10 Q. Now, if we could turn to material which
11 begins on the bottom of page 41 of your rebuttal. And
12 I believe it's your position that U S WEST should not
13 have to make available basic local exchange service on
14 a re -- for resale?

15 A. That's right.

16 Q. And you've referred to several guidelines
17 that will promote fair and reasonable competition. The
18 first being that no service that is priced below TS
19 LRIC should be available for resale. And you're using
20 TS LRIC here as referring to what? ADSRC or ASIC?

21 A. Yes, ADSRC.

22 Q. Even though ASIC is the test for
23 subsidization?

24 A. Yes.

25 Q. And even though ASIC is lower?

00440

1 A. Lower, yes.

2 Q. And I believe you've already pointed in
3 section 3, this is the provision that you referred to
4 earlier that it's an issue of fairness that U S WEST
5 -- I'm sorry -- that other providers not be able to
6 bundle services and provide one-stop shopping until
7 U S WEST can get in the interLATA market; is that
8 correct?

9 A. Correct.

10 Q. And I realize that it's -- you've
11 characterized it as an issue of fairness. Are you at
12 all concerned about the fact that consumers want
13 one-stop shopping?

14 A. Yes. U S WEST would very much like to offer
15 one-stop shopping to its customers.

16 JUDGE ANDERL: Ms. Proctor, how are you
17 doing? How many more questions do you have?

18 MS. PROCTOR: I think I just have one or
19 two just to finish up this line.

20 Q. Continuing on the next page, your fourth
21 guideline for establishing fair and reasonable
22 competition in Washington, would, as I understand it,
23 prohibit resale of U S WEST retail business or
24 residential exchange service no matter how priced; is
25 that correct?

00441

1 A. Are we on the top of page 43?

2 Q. Yes.

3 A. The idea here is to avoid a situation where
4 an interexchange carrier, for example, could purchase
5 a flat-rated 1FB service as a substitute for carrier
6 access charges feature group D service.

7 Q. So if -- just to make sure I've got an
8 answer to my question, so the answer to my question is
9 yes?

10 A. Could you re-ask your question?

11 MS. PROCTOR: Could I have it read back.

12 (Record read as requested.)

13 A. For the the purposes of avoiding access
14 charges.

15 Q. So the answer is yes?

16 A. For the purpose of access charges, the
17 answer is yes. We do offer resale of Centrex
18 services.

19 Q. If the company wished to do what AT&T is
20 attempting to do in Rochester, purchase basic
21 residential local exchange service from U S WEST,
22 would your provision No. 4 prohibit -- if that were
23 invoked by the Commission would that prohibit that
24 type of resale?

25 A. No. This provision 4 wouldn't prohibit it.

00442

1 Provision No. 2 would prohibit it. And provision 1.

2 Q. Pretty well covers all the bases, in other
3 words. Rochester type of trial would not be possible
4 in short under these guidelines, is that fair?

5 A. That's correct.

6 MS. PROCTOR: Thank you very much.

7 JUDGE ANDERL: Thank you. Ms. Lehtonen,
8 anything from Sprint?

9 MS. LEHTONEN: I just have two questions.

10

11 CROSS-EXAMINATION

12 BY MS. LEHTONEN:

13 Q. Good afternoon, Mr. Owens. Just getting
14 back to your surrebuttal testimony on page 22 once
15 again where you were estimating about 20 percent of
16 the Seattle business exchange market being lost by U S
17 WEST within the next two years. Isn't it true that
18 U S WEST access transport business has been open to
19 competition now for several years, that alternative
20 access providers have terminated interexchange traffic
21 now for a number of years?

22 MR. OWENS: Going to object to the form of
23 that question. I don't believe the testimony is that
24 U S WEST will lose the 20 percent. I believe Mr.
25 Owens testified and amplified on other cross that

00443

1 other carriers would be able to serve as much as 20
2 percent.

3 JUDGE ANDERL: With that clarification,
4 then I think you're right, Mr. Owens. Ms. Lehtonen.

5 MS. LEHTONEN: I accept the clarification.

6 JUDGE ANDERL: And the question again is?

7 Q. Isn't it true that alternative access
8 providers have been in business for a number of years
9 already?

10 A. Yes.

11 Q. Do you know what kind of market share they
12 have right now?

13 A. No, I don't.

14 Q. Do you know if it's greater than two
15 percent?

16 A. No, I don't.

17 Q. You don't have any idea what kind of impact
18 it's had on U S WEST's revenues?

19 A. I've not seen any reports of the actual
20 traffic that AECs -- excuse me, CAPs -- are carrying
21 today.

22 Q. And your statement that these alternative
23 access providers would be able to serve as much as 20
24 percent, does that mean that they would not be able to
25 serve 80 percent in your belief?

00444

1 A. Within two years.

2 Q. Within two years?

3 A. I think that's highly unlikely.

4 Q. And would be able to serve just means what?

5 What does that mean?

6 A. It's a possible outcome.

7 Q. That they would have the financial

8 resources to build it or?

9 A. Yes.

10 MS. LEHTONEN: That's all I have for now.

11 JUDGE ANDERL: Thank you. Mr.

12 Mutschelknaus, IAC. Actually, I have you down for

13 no questions for this witness.

14 MR. MUTSCHELKNAUS: Well, I have two

15 questions to follow up.

16 JUDGE ANDERL: Really just two?

17 MR. MUTSCHELKNAUS: Really just two.

18 Well --

19

20 CROSS-EXAMINATION

21 BY MR. MUTSCHELKNAUS:

22 Q. Mr. Owens, page 23 of your rebuttal

23 testimony, on line 11, I think this is going to be

24 a very discrete line of inquiry, Mr. Owens. I realize

25 you're probably at the end of your rope.

00445

1 JUDGE ANDERL: Be careful with this number.

2 Q. There is a number at line 11 which you
3 refer to and it's a confidential number so please
4 don't state it in the record, but it's your estimate of
5 the contribution that you will lose or that you
6 estimate you will lose from business exchange service.
7 Do you see that, sir?

8 A. Yes.

9 Q. My question to you is, what percentage does
10 that represent of the total revenue requirement that
11 you're asking for in the pending rate case before this
12 Commission?

13 A. I don't know.

14 Q. Do you know what your revenue requirement
15 for Washington is, what U S WEST's revenue requirement
16 is?

17 A. No, I don't.

18 MR. MUTSCHELKNAUS: I guess we would make a
19 record request if we could for a statement of what
20 percentage of the total revenue requirement of U S
21 WEST this number represents in terms of the revenue
22 requirement that's being expressed in the pending rate
23 case.

24 MR. OWENS: Well, the rate case is on file
25 with the Commission. That information is available to

00446

1 the IAC as it is to us.

2 JUDGE ANDERL: Mr. Mutschelknaus, it is on
3 file with the Commission and I think anybody could
4 probably do the math.

5 MR. MUTSCHELKNAUS: All right.

6 Q. On page 38 of your rebuttal testimony,
7 Mr. Owens, line 13 you again, using a confidential
8 number, caution you, you refer to that the audit costs
9 represent less than a certain percent of MCI's cost of
10 access. Can I ask for your source of MCI's cost of
11 access?

12 A. The way we calculated this number was to
13 take MCI's annual revenues for long distance services,
14 and we took, I believe, 40 percent of that number,
15 assuming the access represented above 40 percent of the
16 revenue.

17 MR. MUTSCHELKNAUS: Thank you very much.

18 JUDGE ANDERL: Thank you. Mr. Potter.

19 MR. POTTER: Yes.

20

21 CROSS-EXAMINATION

22 BY MR. POTTER:

23 Q. Good afternoon, Mr. Owens.

24 A. Good afternoon.

25 Q. It might be helpful for you in answering

00447

1 some of my questions if you would have in front of you
2 your exhibit that's the map of the EAS areas around
3 Seattle.

4 JUDGE ANDERL: I believe the exhibit that
5 you're referring to is JDO-1 prefiled direct and
6 that's on this record Exhibit No. 11.

7 Q. Then the line of questions I have that's
8 directed to -- I think probably the easiest reference
9 is starting on page 29 of your direct testimony. This
10 was just proposing, is it not, to institute what we
11 could call a local interconnection charge which would
12 be a different charge than its existing access charges
13 that are assessed on interexchange carriers, correct?

14 A. We're proposing the same local switching
15 charge that would apply to both interexchange carriers
16 and AECs and LECs.

17 Q. Same rate?

18 A. The same rate.

19 Q. All right. But you will apply rates
20 differently depending on whether traffic consists of,
21 as you show, on page 34 of your direct what you call
22 local calls versus toll calls; is that right?

23 A. That's right.

24 Q. I have a few questions in the nature of how
25 you plan to administer these charges between the two

00448

1 types of calls. On line 1 of page 30 of your direct
2 testimony you refer to local rated traffic. Is that
3 term synonymous with the term local calls that we
4 looked at on your page 34?

5 A. Where are we on page 30?

6 Q. Line 1. Says interconnection charge to the
7 local rated traffic?

8 A. Yes.

9 Q. All right.

10 A. That term is consistent with the term local
11 calls on page 34.

12 Q. Fine. Thank you. With regard to traffic
13 coming to U S WEST from other companies, including
14 both independent local exchange companies and
15 alternate exchange companies, would you please explain
16 how U S WEST will tell the difference between or
17 define local calls versus toll calls.

18 A. We would define them consistent with how
19 they're defined today based on the NXX of the two
20 parties, the originating and terminating party.

21 Q. Focusing on traffic between independent
22 LECs and U S WEST today, then do you mean to refer to
23 EAS traffic?

24 A. Yes. We would rate that as a local call.

25 Q. And referring to your Exhibit 11, for

00449

1 example, then it's correct that there currently is an
2 EAS rate between GTE Halls Lake exchange and U S WEST
3 Seattle exchange; is that right?

4 A. I believe so, yes.

5 Q. So traffic coming to U S WEST from GTE in
6 Halls Lake would be treated as local; is that right?

7 A. Correct.

8 Q. And that is because there are established
9 EAS routes either due to company agreements or
10 Commission orders; is that right?

11 A. Correct.

12 Q. Still looking at Exhibit 11, there is no
13 EAS between Kirkland and Bellevue at the moment; is
14 that right?

15 A. I'm not certain.

16 Q. Let's assume that as a hypothetical.

17 A. Well, assume it's a toll call from Kirkland
18 to Bellevue.

19 Q. If GTE were to make a tariff filing that in
20 effect made calls from Kirkland to Bellevue local
21 rated as far as GTE's end users were concerned, would
22 U S WEST consider that a local call for the
23 intercompany compensation?

24 A. Well, if we had two-way EAS then we would
25 treat our calls from Bellevue to Kirkland and from

00450

1 Kirkland to Bellevue as local calls. We would treat
2 it that way. If you're proposing a one-way EAS, which
3 we prefer to avoid, whereby calls from Kirkland to
4 Bellevue would be local, the calls from Bellevue to
5 Kirkland would be toll, I'm not quite sure how we
6 would handle that.

7 Q. Now, let's look back at the map from Halls
8 Lake to Seattle again, and let's assume that Electric
9 Lightwave is providing service in the area covered by
10 GTE Halls Lake exchange and begin sending calls to U S
11 WEST customers in Seattle. Do you have that in mind?

12 A. An AEC in Halls Lake?

13 Q. Yes.

14 A. Yes, okay.

15 Q. For purposes of intercompany compensation,
16 would U S WEST consider that a local or a toll call?

17 A. A local call.

18 Q. And that's the fact even though Electric
19 Lightwave is not involved in any of the current EAS
20 agreements or orders; is that right?

21 A. Right.

22 Q. Not to pick on Electric Lightwave so let's
23 just say an AEC. Let's assume that this AEC has not
24 filed an exchange map that conforms to the Halls Lake
25 boundary but through a given NXX also serves areas

00451

1 north of Halls Lake, I believe, the next GTE exchange
2 north is Everett. Would that exchange, U S WEST's
3 treatment of traffic coming from that EAS as being
4 local or toll?

5 A. See if I have your example right, are we
6 assuming that this hypothetical AEC has one NXX
7 serving both of those exchanges or two?

8 Q. One NXX.

9 A. That becomes problematic. At the moment I
10 believe the AECs generally are stating that they will
11 match the local calling areas of the incumbent LEC.
12 However, I don't know that there's a requirement that
13 they do so, and I can imagine situations where for
14 marketing purposes they may not want to match. When
15 we have overlaying, three or four or five competitors
16 overlaying their exchange boundaries with different
17 local calling patterns we're going to create situations
18 that I don't know that any of us know how to deal with
19 at this point in time in terms of rating calls and
20 informing customers, whether a call to a customer in
21 Halls Lake is toll if they're served by ELI but it's a
22 local call if they're served by MFS and maybe a toll
23 call again if it's served by some other AEC.

24 Q. You mentioned elsewhere in your testimony,
25 and I don't have the reference right at the moment,

00452

1 but you're discussing the fact that at least some of
2 the AECs have always been issued NXXs or prefixes. Do
3 you recall that?

4 A. Yes.

5 Q. And U S WEST is the one currently that
6 issues those; is that right?

7 A. Yes, we do.

8 Q. When U S WEST issues a prefix to an AEC,
9 does U S WEST have any role in setting the
10 geographical area in which that prefix will be used?

11 A. No, we don't.

12 Q. Do you know whether the AECs have filed any
13 exchange maps with the Commission yet that specify
14 where their various NXXs will be used?

15 A. I haven't seen any.

16 Q. Now, back to the example. Let's reform the
17 AEC and assume that it has filed an exchange map that
18 conforms with the boundaries of GTE Halls Lake
19 exchange and is sending traffic from there to the U S
20 WEST Seattle exchange. Do you have that in mind?

21 A. Yes.

22 Q. I'm not asking you for a legal opinion on
23 the measured local service statute, forgetting that for
24 the moment, if it were to be the fact that the AEC did
25 not make flat rate local service available in Halls

00453

1 Lake but only had measured service, would that change
2 how U S WEST would treat the call as local or toll?

3 A. So we would have a situation where traffic
4 from GTE to U S WEST is treated as local from one
5 area, traffic from an AEC to U S WEST is being rated
6 as a toll call by the AEC. In that case I presume we
7 would rate the AEC's traffic as toll traffic.

8 Q. So back to the line 1 of page 30 where you
9 talk about local rated traffic. The rating you're
10 talking about is -- relates to the end user rating; is
11 that right?

12 A. Yes.

13 Q. Now, if an independent LEC such as GTE
14 Northwest were to begin to offer a local service
15 outside of its current exchanges, say GTE was to come
16 into Bellevue and offer local service, would U S WEST
17 treat GTE as it would an AEC?

18 A. Yes.

19 Q. And U S WEST would expect the same
20 treatment from GTE if U S WEST came up to the Everett
21 exchange you mentioned earlier; is that right?

22 A. Yes.

23 Q. Looking at your Exhibit 11 again. As I
24 said, I believe the exchange north of Halls Lake is
25 Everett so let's assume that for the moment, if you

00454

1 would. You mentioned in prior testimony the
2 possibility of U S WEST coming up into Everett. Do
3 you remember that?

4 A. Yes.

5 Q. As I recall you stated in that testimony
6 that U S WEST would run a line -- I forget your exact
7 words -- back down to Seattle. Do you recall that?

8 A. Yes.

9 Q. Does that mean you would contemplate a
10 situation where U S WEST would in effect bring its
11 Seattle dial tone up into Everett?

12 A. That's effectively what we would be doing.

13 Q. In that scenario, then, the U S WEST
14 customer in Everett would have the same free calling
15 areas that exist for Seattle; is that right?

16 A. Not necessarily. We could assign a new NXX
17 to serve Everett customers and attempt to give them
18 the same local toll dialing pattern that Everett
19 customers have today.

20 Q. So in effect you would create Everett --
21 U S WEST Everett dial tone?

22 A. Right.

23 Q. But if you were to bring Seattle dial tone
24 up into Everett and you were to begin to send to GTE
25 traffic from your Everett customer, should GTE

00455

1 consider that toll traffic or local traffic?

2 A. I'm afraid you're going to have to run that
3 example by me again. This is -- we've extended
4 service from a customer in Everett, we're serving them
5 out of a Seattle switch?

6 Q. Yes.

7 A. And we're returning a call from that
8 Everett customer to a GTE customer.

9 Q. Yes.

10 A. In Everett?

11 Q. Yes, start with Everett.

12 A. Now, the question is how would we treat the
13 traffic that we deliver to you?

14 Q. My question was, rather, from U S WEST
15 point of view should GTE treat that traffic as local
16 or toll for intercompany compensation?

17 A. If it's a call from an Everett customer
18 served by U S WEST to another customer served by GTE I
19 would think that would be treated as a local call, and
20 again if we had a bill and keep arrangement I presume
21 that that would be subject to bill and keep.

22 Q. So in that case the U S WEST customer in
23 Everett, under the hypothetical having Seattle dial
24 tone would have the Everett free calling area plus the
25 Seattle free calling area; is that right?

00456

1 A. Well, again, there's two different ways we
2 might approach it. One would be to give them the same
3 local calling pattern as Everett customers have or to
4 give them the equivalent of foreign exchange service
5 from Seattle.

6 Q. I'm talking about the latter. That was the
7 hypothetical.

8 A. Foreign exchange?

9 Q. Yes.

10 A. I would think in that case we would treat
11 it as a toll call.

12 Q. I think we have the answer in the record
13 there. Would it be U S WEST's opinion that on a going
14 forward basis that if an AEC wanted to create new local
15 calling areas -- in other words EAS -- that the AEC
16 would need to obtain a Commission EAS order before U S
17 WEST would change its intercompany billing?

18 A. Well, that creates an interesting question.
19 An AEC, for example, might choose to establish Western
20 Washington as an EAS area. And in that event under a
21 bill and keep arrangement I would think an AEC might
22 argue that the termination of traffic from its
23 customers to U S WEST customers should be available at
24 no charge through a bill and keep arrangement. In
25 that situation I think we would want the Commission to

00457

1 have some jurisdiction over such arrangements.

2 Q. Now, back to the assignment of NXX as I
3 found my notes. Your testimony at page 35 of your
4 direct, but you don't need to look at it. You listed a
5 number of prefixes for Electric Lightwave and TCG.
6 Since you prefiled that testimony have you issued any
7 NXXs to any of the other AECs in the state?

8 A. Yes, we have.

9 Q. And how many to which, if you recall?

10 A. I believe -- and I think this is now public
11 information because the codes have been requested.
12 They're scheduled to be turned up, I believe, on
13 September 5. If memory serves me correctly MCI has
14 been assigned 17 new NXX codes and MFS has been
15 assigned one new code.

16 Q. Have there been any increases in the number
17 assigned to ELI and TCG? You had nine for ELI and
18 five for TCG before.

19 MR. WAGGONER: Your Honor, it strikes me
20 that this is beginning to be more and more friendly
21 cross, and I would like to object on that grounds. I
22 think U S WEST and GTE clearly have stated the same
23 position and I've been listening carefully and I think
24 it's now getting to the point where it is friendly
25 cross.

00458

1 JUDGE ANDERL: Mr. Potter, how is this
2 adverse to your interests in the case?

3 MR. POTTER: I didn't understand from your
4 direction that it had to be adverse. It is not
5 information I could have obtained from my own witness
6 since U S WEST issues the codes. I just have this
7 one more question on the number of codes?

8 JUDGE ANDERL: All right, but that will be
9 all.

10 MR. POTTER: Yes, on this.

11 Q. So the question was if you recall whether
12 ELI currently has more than nine codes.

13 A. I can't recall. I believe additional codes
14 have been requested by either ELI and TCG or both. I
15 just can't recall the quantity.

16 Q. Now, turn your attention to page 45 of your
17 direct testimony. Down at line 22 you're talking
18 about U S WEST transporting calls from AECs to
19 independent LECs; is that right?

20 A. Yes.

21 Q. And then down at the bottom of the page
22 starting on line 26 you state that U S WEST is not
23 prepared to negotiate with the independent local
24 exchange carriers on behalf of the alternate exchange
25 carrier, and on the top of page 46 you say, "U S WEST

00459

1 will not bill or collect the charges between an AEC
2 and an independent carrier." Do you have that in
3 mind?

4 A. Yes.

5 Q. So if an AEC sends to GTE Northwest through
6 U S WEST a toll call -- in other words, a nonlocal
7 call as we've described it -- in your opinion what
8 arrangements would need to be made so that GTE could
9 obtain its terminating access charges for that call?

10 A. GTE would need to come to an agreement with
11 the AEC so that GTE can bill and collect its access
12 charges from the AEC.

13 Q. As the network is currently arranged
14 between U S WEST and the independent local exchange
15 companies there are separate -- there's a separate
16 network for EAS and a separate network for toll; is
17 that correct?

18 A. That's correct.

19 Q. Back to the scenario of U S WEST carrying
20 AEC traffic to GTE. Is there any way that U S WEST
21 can make sure that the AEC's traffic gets on the
22 appropriate network toll or EAS?

23 A. I don't believe so.

24 Q. So would it require the AEC to deliver to
25 your respective EAS and toll networks the appropriate

00460

1 traffic?

2 A. Yes.

3 Q. And that would be the case whether local
4 traffic was on a bill and keep basis or on a measured
5 basis, correct?

6 A. I think I want to correct my previous
7 answer. I think with respect to our local tandems, if
8 an AEC were to deliver to U S WEST a call destined
9 to an NXX that is housed in a GTE switch that's
10 outside the local calling area, I believe our tandem
11 would block that call.

12 Q. So that would be an AEC toll call going on
13 to your EAS network?

14 A. Yes.

15 Q. But even so you stated earlier, if the AEC
16 put its toll calls onto your toll network to come to
17 GTE, in order for GTE to obtain access compensation it
18 still needs a direct arrangement with the AEC; is that
19 right?

20 A. Yes.

21 MR. POTTER: Those are all my questions.

22 Thank you.

23 JUDGE ANDERL: Thank you, Mr. Potter. Let
24 me just ask, Mr. Kennedy, Mr. Ganton and Mr. Trotter
25 are still left to cross this witness. Zero questions?

00461

1 MR. GANTON: Zero questions.

2 MR. KENNEDY: Zero questions.

3 MR. TROTTER: I just have a couple.

4 JUDGE ANDERL: Go ahead, Mr. Trotter.

5

6 CROSS-EXAMINATION

7 BY MR. TROTTER:

8 Q. With respect to the interim universal
9 service charge, there are some questions about whether
10 that applied to the first business line that an AEC
11 provides and your answer was yes?

12 A. Correct.

13 Q. Is your answer also yes to the first
14 residential line the AEC provides?

15 A. I think the answer would be yes.

16 Q. So it applies to all lines that an AEC
17 provides if they fall short of your criteria?

18 A. Correct.

19 Q. So a business customer that adds a line for
20 -- a new line for purposes of redundancy -- they
21 simply want a different carrier for one of their
22 business lines -- that line would receive or would be
23 subject to the IUSC?

24 A. Yes, it would.

25 Q. And similarly a customer that opens a

00462

1 branch new location and purchases five business lines,
2 those lines would be subject to the IUSC?

3 A. Yes, it would.

4 Q. Now, with respect to residential lines
5 being eligible or having the IUSC apply to it, why is
6 there no credit to the AEC for picking up a
7 residential line since that takes some of the burden,
8 alleged burden, from U S WEST due to its concern that
9 it is pricing residential service below cost? Isn't
10 that a benefit for U S WEST?

11 A. Depends on which residence services they're
12 serving.

13 Q. Your toll --

14 MR. OWENS: Excuse me. Had you finished
15 your answer?

16 Q. Were you done?

17 A. I'm sorry, I had two questions at once.

18 JUDGE ANDERL: Mr. Owens, Witness Owens,
19 were you done with your answer?

20 THE WITNESS: I don't believe so.

21 Q. Please continue.

22 A. I was about to say that it depends on what
23 residence customers an AEC is serving. If an AEC
24 serves 50 residence customers in a high-rise building
25 in downtown Seattle then they've avoided a significant

00463

1 cost of serving average residential customers in a
2 broad geographic area. By the same token if an AEC,
3 to our example yesterday chooses to serve residential
4 customers in the Montreaux area of Issaquah where the
5 average home is over \$500,000 and the typical
6 residence might have two or three residence lines and
7 high toll vertical service revenues then I wouldn't
8 say that the AEC has taken on burdens of universal
9 service.

10 Q. And so at what point, at what dollar per
11 month billing to U S WEST does a residential customer
12 cease to become a burden to U S WEST?

13 A. Well, we're talking about residence service
14 on average.

15 Q. Well, you were discussing specific
16 customers in the Montreaux area or in some high rise,
17 and my question to you is for a specific U S WEST
18 customer at what point does a residential U S WEST
19 customer cease to become a burden to U S WEST?

20 A. When the customer is -- the price is above
21 its cost.

22 Q. And that's ASIC, correct?

23 A. I think we would argue in this case ADSRC.

24 Q. Have you talked to Mr. Farrow about that
25 point?

00464

1 A. Yes.

2 Q. Have you read his testimony in the U S WEST
3 rate case, his deposition?

4 A. Yes.

5 Q. Didn't he respond that ASIC was the
6 standard?

7 A. Well, the question here is not so much when
8 does the subsidy stop but what's the appropriate point
9 at which U S WEST residence services are priced to
10 cover a reasonable share of their common costs.

11 Q. So any residential customer who provides to
12 you a certain amount of revenues if you take a look
13 and assure that on that overall basis that they are
14 covering costs overall for the services that they buy
15 that they're not a burden to you; is that right?

16 A. If the revenue we received for the
17 residence exchange service is above the cost of
18 providing that service I would say it's not a burden
19 to U S WEST.

20 Q. And by residence exchange you mean all the
21 services that a residential customer purchases from
22 you?

23 A. No. I'm referring to --

24 MR. OWENS: Excuse me. Had you finished?

25 Q. Go ahead.

00465

1 A. I'm referring to the residence exchange
2 service and its respective cost.

3 Q. So no residential customer is not a burden
4 to you because none of them pay for residential
5 exchange service more than -- just a moment. Let me
6 see if I've got this right. Excuse me. Every
7 customer that -- residential customer of U S WEST is a
8 burden since they, according -- if we accept your
9 numbers as correct, since they are all paying rates
10 that are below what you say your costs are?

11 A. I don't believe I said that every
12 customer's cost is equal to the average cost.

13 Q. Well, how are we going to determine whether
14 that customer in Montreaux who buys three residential
15 access lines is not a burden to you and the one that
16 is served somewhere else is a burden to you. How do
17 we draw the line?

18 A. Well, if we want to do cost studies on a
19 customer by customer basis that would be one way to do
20 it. It would be a very expensive and cumbersome
21 process.

22 Q. You're not proposing to do that?

23 A. No, we're not.

24 Q. And your interim universal service charge
25 applies to every residential customer no matter what

00466

1 the actual cost of serving that specific customer is,
2 correct?

3 A. No, it doesn't. If an ASIC serves a
4 representative number of residential customers, then
5 the interim universal service charge would not apply.

6 Q. That's the only exception, correct?

7 A. Well, no. There's other exceptions as
8 well. We've proposed a phase-out of the interim
9 universal service charge as we rebalance our
10 residential rates.

11 Q. Talking about in year one. You're not
12 phasing it out in year one?

13 A. No, we're not.

14 Q. The cost figures that have been talked
15 about on page 12 of your rebuttal testimony, those
16 have been based on studies provided to you and
17 conducted by Mr. Farrow; is that right?

18 A. They were not provided by Mr. Farrow. They
19 were provided by a support person in my group who
20 obtained the numbers from a cost organization. The
21 cost organization provides figures that both I and Mr.
22 Farrow used.

23 Q. And Mr. Farrow is the cost of service
24 witness in this proceeding?

25 A. Yes, he is.

00467

1 Q. You did not conduct those studies yourself.
2 He is the one that is to stand questioning on them?

3 A. Yes.

4 Q. Is it your understanding that U S WEST
5 never had an exclusive right to serve in its exchanges
6 in this state?

7 A. It's my understanding that we don't now. I
8 don't know that we never had.

9 Q. Do you know whether you ever did or not?

10 MR. OWENS: I'm going to object. This
11 calls for a legal conclusion. This witness is not a
12 lawyer.

13 MR. TROTTER: Well, then, Your Honor, on
14 Exhibit T-32 page 21 this witness espouses who he
15 believes to be the holding of the ELI case and I'm
16 pursuing a question along that line.

17 JUDGE ANDERL: What page?

18 MR. TROTTER: 21, line 25 through 26.
19 "Supreme Court has found that local exchange carrier in
20 the state of Washington has found an exclusive
21 franchise." I'm asking what this witness's knowledge
22 was with regards to whether U S WEST ever had an
23 exclusive franchise based on his understanding of that
24 opinion.

25 JUDGE ANDERL: I'll allow the question.

00469

1 new entrants. And I guess I would just like your
2 opinion. We're all aware of the things -- that events
3 are overtaking us in these marketplaces. For example,
4 I just learned that the Ellensburg Phone Company is
5 going to be a partner in the PCS provisioning for
6 Eastern Washington. That's a small local exchange
7 carrier. Would you be intending to offer such
8 arrangements to PCS carriers?

9 A. Interconnection arrangements?

10 Q. Yes.

11 A. Our goal is to migrate towards a single
12 integrated interconnection arrangement that can apply
13 to all providers in the market. One of the key
14 drivers I think is the blurring of distinctions among
15 companies. You know, MCI in this case will be both a
16 long distance provider and a local provider. AT&T is
17 both a long distance provider and a cellular provider.
18 Sprint through its consortium will be a long distance
19 provider, a PCS provider, a local provider and a cable
20 provider, and my view of where we're headed is
21 companies will be providing all kind of services, and
22 it doesn't make sense to have different
23 interconnection arrangements and different charging
24 arrangements depending on your classification into one
25 of these groups, because it's going to be very

00470

1 difficult to make those classifications in the future.

2 Q. Well, I agree with you. These labels
3 become very much more hard to observe, and it's also
4 true that you discussed here today that some of your
5 competitors are also your customers and vice versa. I
6 guess just as an example, we're all waiting to see
7 what the Microsoft network might look like when it's
8 unveiled supposedly this August. As I understand it,
9 Microsoft and the other on line services are still
10 considered customers; is that correct?

11 A. Yes.

12 Q. Do you think that's sustainable over the
13 long-term to consider those customers?

14 A. It really depends on what they're going to
15 put on their network. You know, there are some
16 applications on the Internet today of using it for
17 voice service and I question whether that kind of an
18 arrangement is sustainable over the long term, but I
19 really don't know what Microsoft's specific plans are
20 for their network.

21 Q. Thank you. That's all I have.

22 JUDGE ANDERL: Commissioner Hemstad.

23

24 EXAMINATION

25 BY COMMISSIONER HEMSTAD:

00471

1 Q. You've been asked versus -- asked by
2 various counsel about the interim universal service
3 charge that's described at page 12 of your direct
4 testimony. Are you prepared to express an opinion of
5 the likelihood of any of the new providers meeting
6 that criteria that are set out on pages 12 and 13?

7 A. My understanding is that these particular
8 AECs who have been certificated and are providing
9 service in Seattle, that they're concentrating on the
10 business market at this point, so I don't believe any
11 of them would qualify for the waiver of the universal
12 service charge at this time.

13 Q. At this time what is your estimate of the
14 likelihood that any of them ever would?

15 A. Well, TCG, as I understand it, has access
16 to TCI cable facilities, and I can imagine an
17 arrangement whereby TCG could provide telephony
18 service to the cable customers of TCI, and if that
19 were the case I would think that they would qualify
20 for the waiver of the interim universal service charge
21 if they did indeed provide residential service to a
22 significant number of TCI's residential cable
23 customers.

24 Q. So at least it's a possibility that the
25 lines of the cable community will do it?

00472

1 A. I believe so, yes.

2 Q. Do you think any of the others would ever
3 qualify?

4 A. Well, Sprint has won a license for PCS in
5 Seattle. They spent I believe \$105 million for that
6 license, and I don't know what their specific plans are
7 for using that spectrum but certainly one use of that
8 spectrum would be to provide the equivalent of
9 residential service in a suburb, and if they chose to
10 use a spectrum in that way they might qualify for the
11 waiver as well.

12 Q. Well, criterion two on page 12 describes
13 similar demographic and geographic penetration, and I
14 was interested in your response to Mr. Trotter's
15 question about apparently then there would have to be
16 some kind of similar profile within the residential
17 usage in order to meet it. Will U S WEST be the
18 mechanism that will determine whether the standard has
19 been met?

20 A. No. What we would offer to the AEC through
21 our tariff would be to demonstrate to U S WEST that
22 they've satisfied the criteria. If they have then,
23 you know, we will waive the interim universal service
24 charge. If the AEC disagrees with U S WEST about our
25 decision or if the AEC would prefer to demonstrate to

00473

1 this Commission that it's satisfied on the criterion
2 then they could choose that route as well.

3 Q. Well, we have these other avenues of the
4 rate rebalancing and then also the suggestion of a
5 separate proceeding on a different mechanism for
6 universal service fund. I suspect of the three
7 approaches it's the latter two that would have to be
8 the more likely way that this ultimately -- that the
9 interim charge would disappear. Wouldn't you agree?

10 A. If we rebalanced our rates or established a
11 new universal service fund, yes.

12 Q. Rather than meeting its profile?

13 A. Right, yes, that would be another way to
14 eliminate the universal service charge.

15 Q. At this point I admit I am confused and
16 maybe I will have to wait for Mr. Farrow. With regard
17 to the issue of ADSRC and total service long-run
18 incremental cost, I had come to the conclusion that
19 TS LRIC was the same as ASIC. Is that your
20 understanding?

21 A. I don't believe so, but that really would
22 be a question that Mr. Farrow could answer.

23 Q. But in response to a question from some
24 counsel, I think I understood you to say at one point
25 that ADSRC was the same as TS LRIC. Is that your

00474

1 position?

2 A. Yes.

3 Q. You disagree with Mr. Farrow then with
4 regard to what ADSRC means?

5 A. I don't believe so.

6 Q. I thought ADSRC is something different from
7 total service long-run incremental costs?

8 A. I believe so. We use ADSRC as a way of
9 measuring TS LRIC.

10 Q. Well, I will be interested in Mr. Farrow's
11 response. I may not have understood your answer. I
12 think it was to a question from Mr. Butler. Do you
13 know whether U S WEST Direct currently prices its
14 White Pages to incumbent independent LECs below cost?

15 A. I don't know what price U S WEST Direct is
16 -- has established for listings in its White Page
17 publication for independents.

18 Q. Perhaps I misunderstood. I thought I heard
19 your answer to be that at least some of the independent
20 LECs Yellow Page listings were priced below cost. Did
21 I misunderstand that?

22 MR. OWENS: You say Yellow Page listings,
23 Commissioner?

24 COMMISSIONER HEMSTAD: Was it Yellow Pages?

25 MR. OWENS: Was your question Yellow Pages?

00475

1 COMMISSIONER HEMSTAD: I thought it was
2 White Pages.

3 A. I think it may have been talking about
4 directory assistance service.

5 Q. All right. Then I'm probably thoroughly
6 confused.

7 A. It's beginning to be a blur for me, too,
8 sir.

9 Q. I will drop the subject.

10 COMMISSIONER HEMSTAD: That's all I have.

11 JUDGE ANDERL: Commissioner Gillis.

12

13 EXAMINATION

14 BY COMMISSIONER GILLIS:

15 Q. I also had a query on the directory
16 assistance and White Pages. Now, I understand you're
17 proposing that directory assistance and White Pages be
18 considered a nonessential service because the
19 alternative exchange carriers have other options from
20 other vendors or even self-provision; is that correct?

21 A. My understanding is that the ELI and
22 Teleport are providing their own DA today or have
23 obtained it from a third party supplier.

24 Q. So to the extent that they exercise that
25 option, is there a possibility that U S WEST customers

00476

1 will have directories and access to directory
2 assistance that is inferior to what they've had in the
3 past and that there would be less universal coverage
4 in the directory they receive?

5 A. Well, if we're talking about directory
6 assistance.

7 Q. Let's talk about White Pages. I understand
8 that better.

9 A. Okay. If an ELI or a Teleport or an MFS or
10 a MCI were to choose to either not put their listings
11 in a U S WEST Direct publication or it could not reach
12 agreement with U S WEST Direct on that, which I don't
13 think will be the case, then I would presume that the
14 White Page directory would be of less value to end
15 user customers, but of course it would be of less
16 value to U S WEST Direct in trying to sell its Yellow
17 Page advertising. One of the key motivators for
18 advertisers in the Yellow Pages is the notion that
19 that directory is available to as many customers as
20 possible, and if the listings were incomplete then
21 Yellow Page advertising would presumably be harder to
22 sell.

23 Q. But if ELI or any of the other alternative
24 providers are obtaining their directory services from
25 somebody else other than U S WEST, how do you get

00477

1 those numbers to put into your directory or would you?

2 A. Well, my understanding is that the listings
3 in our White Pages are not copyright protected so that
4 U S WEST in theory could copy someone else's White
5 Pages to obtain their listings to include in our
6 directory just as others can copy our White Pages and
7 include our listings in their directory.

8 Q. Do you think that would be the least cost
9 approach to getting those numbers?

10 A. No.

11 Q. So there's strong economic incentive on
12 everybody's part to put together universal directory?

13 A. I think so.

14 Q. Just a couple more brief questions. I'm
15 also having a hard time understanding the ADSRC
16 concept, but from what I understand anyway is what
17 you're saying is that if an AEC were to purchase
18 interconnection services from U S WEST at a rate that
19 is at or above ADSRC, then you would be recovering at
20 least part of your common costs of that service. Is
21 that right?

22 A. Yes.

23 Q. And if the alternative carrier would
24 deliver a service to its customers through some form
25 of a bypass network avoiding U S WEST you would not

00478

1 get any recovery to common costs; is that right?

2 A. Correct.

3 Q. So conceptually at least would you agree
4 that the terms and conditions of interconnection would
5 influence the AEC's investment decisions so it would
6 have -- black and white options here -- one is
7 interconnecting with U S WEST versus an alternative
8 with building out their network in a bypass format.
9 More favorable conditions would encourage them to use
10 interconnection approaches versus less favorable
11 conditions would encourage them to build bypass.

12 A. Yes.

13 Q. So given all that, is there a potential
14 economic trade-off for U S WEST shareholders in terms
15 of economic return? I'm thinking of the trade-off
16 between pricing scenarios that would encourage
17 interconnection versus pricing scenarios that would
18 discourage interconnection or at least encourage
19 bypass. Is there an economic trade-off to
20 shareholders in that sense?

21 A. There could be, but, you know, at some
22 point, for example, it would be difficult for an AEC
23 to construct bypass arrangements to all our customers,
24 so if they want to have a ubiquitous network, and I
25 presume they do, and want to be able to terminate

00479

1 always to all of our customers they would need to have
2 interconnection to our network.

3 Q. But to the extent that they're building
4 bypass versus interconnection there is a lost recovery
5 of those common costs, but that's traded off against
6 the fact that if they're interconnecting at a lower
7 term, you may not be recovering, as you've proposed in
8 your testimony, some of the subsidies back from
9 -- for example, subsidies back from the residential.
10 There's tradeoffs involved.

11 The last question, is interim universal
12 service charge an example in your mind of a pricing
13 component that would discourage interconnection as
14 opposed to -- and encourage, I guess, bypass?

15 A. I would think that the absence of an
16 interim universal service charge would create
17 additional entry by the AECs, but the question is
18 whether that would be economic entry or not, and all
19 we're proposing is that when the entry occurs it
20 occurs such that the AECs have an equivalent burden of
21 providing support to universal service.

22 Q. But to the extent that it adds 2.28 cents
23 to the interconnection charge per minute, it at least
24 pricing-wise it is a discouragement to
25 interconnection. Would that be a true statement?

00480

1 A. Yes.

2 Q. Thank you.

3 COMMISSIONER GILLIS: That's all my
4 questions.

5 JUDGE ANDERL: Let's go ahead and take our
6 afternoon recess and come back for redirect. Let's be
7 off the record, but before I let you guys out of here
8 I want some updated time revisions for planning
9 purposes.

10 (Recess.)

11 JUDGE ANDERL: Let's be back on the record
12 after our afternoon recess. Mr. Owens, redirect for
13 your witness.

14 MR. OWENS: Thank you, Your Honor.

15

16 REDIRECT EXAMINATION

17 BY MR. OWENS:

18 Q. Mr. Owens, probably doesn't overstate the
19 case to say that there was a substantial amount of
20 cross concerning the conditions under which U S WEST
21 proposed that the interim universal service charge
22 would be waived, and I wondered during the recess,
23 have you had any opportunity to develop a proposal to
24 address some of the concerns that you perceived that
25 were raised by those questions?

00481

1 A. Yes, I have.

2 Q. Would you state what that is, please.

3 A. Well, the ratio that we have in my
4 testimony on page 13 of 2.4 to one is the ratio of
5 residents to business customers in the state of
6 Washington. The issue that we've been talking about
7 is how do we go about determining whether a particular
8 AEC qualifies for an exemption to the interim
9 universal service charge. I've laid out the four
10 points in my testimony and as you said there's some
11 confusion as to how those criteria might be applied.

12 An alternative approach that could be used
13 that may be satisfactory to U S WEST would be to
14 simply require an AEC to demonstrate to the Commission
15 that they have achieved a sustained ratio of
16 residents to business equal to or greater than U S
17 WEST, which is 2.4 to one. And if an AEC were to make
18 such a demonstration and retain that kind of ratio then
19 the interim universal service charge could be waived.

20 Q. So that would eliminate the concern about
21 the demographics, among other things; is that right?

22 A. Yes, it would. Although, I would add an
23 additional criteria to that. To make certain that we
24 have comparable universal service obligations I would
25 add one additional criteria which would be to have the

00482

1 AEC serve a comparable ratio of lifeline customers.

2 Q. Both of those, then, would be objectively
3 determinable?

4 A. Yes.

5 Q. There wouldn't be a question of U S WEST
6 judgment as to whether the ratio was right or not?

7 A. That's correct.

8 Q. Commissioner Gillis was asking you some
9 questions about whether or not the 2.28 cents total
10 interconnection charge would discourage interconnection
11 and other things being equal would this be trade-off
12 for U S WEST shareholders. Do you recall that kind of
13 questioning?

14 A. Yes, I do.

15 Q. First off, with regard to whether an AEC
16 would make a decision to interconnect with U S WEST or
17 not, in other words, build bypass facilities, do
18 you see any difference in that decision depending on
19 whether the traffic would be originating or
20 terminating?

21 A. Difference in their motivations depending
22 on whether we had an interim universal service charge
23 or not?

24 Q. Yes.

25 A. Well, it could be that an AEC may be

00483

1 motivated to have more traffic that -- to attract
2 customers who might terminate traffic more than
3 originate it without the interim universal service
4 charge.

5 Q. With regard to the question of whether the
6 choice exists to build a bypass link to the customer
7 or to alternatively interconnect with U S WEST, is
8 there a difference between originating and terminating
9 traffic?

10 A. Yes, I would think so.

11 Q. With regard to terminating traffic -- that
12 is traffic that the AEC would hand to U S WEST to
13 terminate to an end user -- as a practical matter,
14 does the AEC have the option of building the bypass
15 network?

16 A. For most customers the practical answer is
17 no.

18 Q. And by definition on originating traffic,
19 is there or is there not already a bypass connection
20 between the AEC and the end user?

21 A. Are we talking about a customer who is a
22 customer of the AEC?

23 Q. Yes.

24 A. Oh, yes. An AEC customer can originate a
25 call to another AEC customer without using U S WEST

00484

1 network.

2 Q. And in this competitive environment U S
3 WEST remains a public utility; is that correct?

4 A. That's correct.

5 Q. And it's currently subject to full rate of
6 return regulation?

7 A. Correct.

8 Q. So are you aware of any reason why U S WEST
9 would willingly charge, for example, access charges to
10 interexchange carriers that those carriers considered
11 to be too high in such an environment?

12 A. Yes.

13 Q. What is that?

14 A. Because we have a revenue requirement in
15 the state. If we cannot, for example, raise our
16 residence rates to achieve our revenue requirement,
17 but we are permitted to raise our access rates above a
18 level that both we and the interexchange carriers may
19 want to establish, we could have access charges higher
20 as a result of rate of return regulation.

21 Q. And so in terms of Commissioner Gillis's
22 question with regard to whether or not a given rate
23 element would cause an AEC to either interconnect or
24 not, would that change the company's overall revenue
25 requirement?

00485

1 A. I don't believe so, no.

2 Q. Might just change the persons or entities
3 that had to pay rates to satisfy it?

4 A. It would change who would be satisfying our
5 revenue requirement, yes.

6 Q. You were asked a question about the carrier
7 common line revenues going into the NECA pool
8 referring to a portion of your testimony. Do you
9 recall those questions?

10 A. Yes, I do.

11 Q. Do you know whether or not that testimony
12 applies to both inter and intrastate carrier common
13 line charges or just one?

14 A. I believe it applies to the interstate
15 carrier common line charge.

16 Q. Counsel for AT&T directed you to your
17 testimony at page 3 -- I think it was your surrebuttal
18 Exhibit T-21. I'm sorry, T-32 -- with regard to
19 whether or not prices should be based on costs. Do you
20 recall a question and answer along those lines?

21 A. I recall a question. I'm not sure which
22 exhibit we were referring to here.

23 Q. I think the reference was to your testimony
24 where you were indicating that the AEC's local
25 switching charge should be established on the basis of

00486

1 cost studies provided by the AEC and you were asked
2 should U S WEST access charges also be so based?

3 A. Yes.

4 Q. Now, by answering yes, did you mean to say
5 that U S WEST access charges should be priced at cost?

6 A. No.

7 Q. And why not?

8 A. Well, again, we're operating in a revenue
9 requirement mode of regulation in this state and to
10 achieve our authorized rate of return we can do so
11 through rates for residence service, business service,
12 and access services and at this point in time to
13 achieve our authorized rate of return our access
14 charges are being set significantly above cost.

15 Q. You were asked a question by counsel for
16 MCI with regard to on a hypothetical basis if an
17 entering competitive local exchange carrier were to
18 serve a higher ratio of residential customers than U S
19 WEST were serving whether U S WEST would think it
20 appropriate to pay an interim universal service charge
21 to that carrier. Do you recall that?

22 A. Yes, I do.

23 Q. And you said no?

24 A. Correct.

25 Q. Why not?

00487

1 A. Well, the purpose of the charge is to
2 assist U S WEST during an interim period to maintain
3 the support flow that our business exchange services
4 provide to residence services. That requirement falls
5 out of our carrier of last resort obligations. An AEC
6 has no carrier of last resort obligation.

7 Q. You were asked also a question by counsel
8 for MCI about the industry numbering committee
9 process?

10 A. Yes.

11 Q. And whether that worked by consensus?

12 A. Correct.

13 Q. Is MCI part of that?

14 A. Yes, they are.

15 Q. And has MCI proposed a different possible
16 solution compared to what's being trialed in Seattle
17 for number portability?

18 MS. WEISKE: Are you asking if that
19 solution has been proposed to INC?

20 MR. OWENS: Yes.

21 A. It is my understanding that MCI has not
22 made a contribution for INC on their latest
23 portability solution. I believe there's an INC
24 meeting next week, but at least as far as I know up to
25 the most current INC I've been told that they have not

00488

1 made a contribution.

2 Q. You were asked a question about the
3 quotation from the newspaper at page 16 of your
4 rebuttal testimony by MCI's counsel. Do you have any
5 reason to believe that Mr. Roberts wasn't correctly
6 quoted in that article?

7 A. No, I don't.

8 Q. Do you have any reason to believe Mr.
9 Roberts wasn't intentionally speaking for MCI in that
10 quotation?

11 A. No, I don't.

12 Q. You were asked about the decision in
13 Maryland -- I believe this was still during MCI'S
14 cross-examination and you were shown a tariff filing
15 with regard to metropolitan fiber's 6.1 cents per call
16 interconnection charge. Do you recall seeing that?

17 A. Yes, I do.

18 Q. And you had previously stated that the
19 Maryland Commission required that the tariff
20 interconnection rates be cost-based. Do you recall
21 stating that?

22 A. Yes, I do.

23 Q. Do you have any knowledge whether the 6.1
24 cents is cost-based?

25 A. No, I don't.

00489

1 Q. You were asked whether the Michigan
2 Commission had accepted bill and keep as a long-term
3 compensation arrangement. Do you recall a question
4 like that?

5 A. Yes, I do.

6 Q. Would you say that one month is a long-term
7 for --

8 MS. WEISKE: I object. I didn't ask a
9 question that used the word long term. I asked if the
10 Michigan Commission had ordered mutual traffic
11 exchange.

12 MR. OWENS: Well, you were cross-examining
13 this witness on his statement that the Commission of
14 various states had rejected bill and keep on the basis
15 -- as an acceptable long-term compensation
16 arrangement.

17 MS. WEISKE: If you want to use the
18 characterization related to your own witness, I don't
19 object. I did not use the term long term in my
20 question.

21 JUDGE ANDERL: Mr. Owens, do you recall
22 differently? I don't know.

23 MR. OWENS: Let me amend the question then
24 since the characterization of the question is giving a
25 problem.

00490

1 Q. Do you recall being cross-examined about
2 your testimony that a Michigan Commission among others
3 had rejected bill and keep as an acceptable form of
4 long-term compensation?

5 A. Yes, I do.

6 Q. And I believe you stated that the Michigan
7 Commission's arrangement is on a monthly basis whereby
8 if the rates are in balance the 1.5 cent charge does
9 not apply; is that right?

10 A. The 1.5 cent charge does not apply, right.

11 Q. So is one month a long term as you intended
12 to use it in your testimony?

13 A. No.

14 Q. And I believe counsel also asked you about
15 six-month period if rates were in balance. Would you
16 consider six months a long term?

17 A. No, I wouldn't.

18 Q. You were asked about a quotation from the
19 Iowa board with regard to the McCloud case and whether
20 or not you agreed with the statement that that board
21 made to the effect that under certain circumstances
22 bill and keep might be acceptable, and then you also
23 quoted later from that same board, and was it your
24 understanding that the second quotation followed in
25 time the first quotation in terms of what the board

00491

1 did with regard to bill and keep?

2 A. I believe the quotes I was reading were
3 from the same order.

4 Q. You were asked about access to the line
5 information database?

6 A. Yes.

7 Q. And is that an essential service?

8 A. I don't believe so. AECs can obtain access
9 to U S WEST's LIDB or to a LIDB system offered by US
10 Intelco, so there are two different LIDB systems that
11 an AEC can place its telephone numbers in for the
12 purposes of determining whether a particular caller
13 will accept a collect call. So there are two
14 providers of LIDB services in that respect.

15 Q. You were asked a number of questions by
16 counsel for Electric Lightwave about the issue of meet
17 points and the fact that U S WEST currently
18 interconnects with adjacent exchange companies by the
19 means of a meet point usually on or near the exchange
20 boundary. Do you recall those questions?

21 A. Yes, I do.

22 Q. Do you know if historically there is any
23 reason why meet points were placed on the boundaries
24 rather than at some other place such as what you're
25 recommending here adjacent to the central office?

00492

1 A. Other than the fact that each carrier serve
2 its territory in its territory exclusively, that would
3 be the primary reason.

4 Q. Going back to MCI's question, you were
5 asked some questions about quotation from the Illinois
6 Commission about their expectations of balance of
7 interexchange traffic. Do you know whether or not at
8 the time the Illinois Commission made those decisions
9 it had any specific evidence on traffic flow?

10 A. I don't recall there being any evidence
11 cited in the order.

12 Q. Do you know at the time when that order was
13 made whether there were any operating alternative
14 exchange carriers in the area under investigation?

15 MR. WAGGONER: Your Honor, I'm going to
16 object to this line of questioning. We have a witness
17 here who is barely familiar with the order of the
18 Commission being asked to speculate as to the nature of
19 evidence that was before the Illinois Commission.

20 MR. OWENS: I simply asked if he knew. He
21 can say he knew or he didn't know.

22 JUDGE ANDERL: Restate the question.

23 Q. Do you know whether there were any
24 operating alternative exchange carriers in the area
25 under investigation at the time the Commission made

00493

1 that decision?

2 A. No, I don't.

3 Q. In an environment where there are currently
4 five alternative exchange carriers in Seattle, is
5 there an operational reason why U S WEST would prefer
6 not to have meet points distributed without any
7 pattern throughout the city?

8 A. Yes. I think there are very good reasons.
9 We have many central offices in the Seattle area. The
10 AECs will have at least four. That creates a
11 potential for a rather substantial number of meet
12 points between U S WEST and the AECs. And, again, our
13 preference would be to have a controlled location of
14 those meet points.

15 Q. With regard to Exhibit C-42 as marked, I
16 realize that it's not technically an exhibit yet. Do
17 you know whether or not the company has proposed to
18 reduce any of the charges that are shown here in the
19 rate case?

20 A. I believe the access charges are proposed
21 to be reduced in the rate case as we complete our
22 rebalancing.

23 MR. WAGGONER: Excuse me, Your Honor.
24 Could I ask a point of clarification? The witness and
25 Mr. Owens have started using access charges and I

00494

1 can't tell if they're using that as a synonym for
2 interconnection charge or whether they're using it as
3 an interexchange carrier access charge, and it's
4 getting a little confusing in the record.

5 JUDGE ANDERL: Can you clarify that,
6 Mr. Owens? I don't know who started it.

7 Q. What charges is the company intending to
8 reduce that have any impact on this case?

9 A. I believe they're proposing a reduction in
10 the carrier common line charge, for example.

11 JUDGE ANDERL: So --

12 Q. Anything else besides the carrier common
13 line charge that you're aware of?

14 A. The interim universal service charge would
15 be reduced concurrent with the raising of the
16 residential rates. I think the residual
17 interconnection charge would also be lowered.

18 Q. You were asked a question by counsel for
19 Electric Lightwave about a hypothetical situation
20 involving counsel's office on the 52nd floor of an
21 office building in downtown Seattle and whether or not
22 the cost of the riser cable -- assuming that the riser
23 cable was owned by U S WEST -- was included in the rate
24 that his law firm pays the company. Do you recall
25 that?

00495

1 A. Yes, I do.

2 Q. Now, under that assumption, would that --
3 the cost of that facility be part of the overall
4 averaging of costs that goes into the pricing of
5 business service in downtown Seattle?

6 A. I believe it does.

7 Q. But if an AEC wanted to use that facility
8 to get from IMPOP on the ground floor up to the 52nd
9 floor, that by definition wouldn't be part of the U S
10 WEST overall average cost of service in that situation.
11 Is that right?

12 A. That's correct.

13 Q. Have you had a chance to ascertain the
14 answer to the question about the current charge to
15 independent local exchange companies for directory
16 assistance charges?

17 A. No, I have not.

18 Q. You were asked a question by counsel for
19 Electric Lightwave about whether or not the company,
20 because of its current bill and keep situation with
21 independent local exchange companies, had the same
22 incentives to enter their exchanges as it would under a
23 -- what you characterize as the Commission adopting
24 bill and keep as a general principle in this case. Do
25 you recall that question?

00496

1 A. I believe so, yes.

2 Q. If U S WEST were to do what you had
3 described, that is, by way of extending a facility
4 into an independent company exchange and obtain
5 connection to a large business customer such as Boeing
6 or something of that nature, is that the same kind of
7 interconnection that goes on today between U S WEST and
8 independent local exchange companies?

9 A. No. No, it is not.

10 Q. It's also, I think, fair to say that there
11 was a lot of questioning from various parties directed
12 at certain details and aspects of U S WEST's proposal,
13 and you had cited in your testimony some actions of
14 commissions in other jurisdictions. Is it the
15 company's position or intent that the approach to
16 dealing with the entry of local exchange competition
17 is static?

18 A. No, it isn't. It's moving very quickly.

19 Q. And have you any purpose in citing to the
20 Commission the actions of other agencies faced with
21 similar problems?

22 A. Yes. I think it's relevant to know that
23 these issues are being dealt with and struggled with
24 throughout the country. I've cited those commissions
25 that have released orders on the subject or those

00497

1 commission staffs who have made recommendations on the
2 subject that I am aware of. And I think it's relevant
3 to note that as commissions have considered these
4 issues, they generally are coming down in favor of
5 rejecting a bill and keep approach and adopting a form
6 of mutual compensation based on usage-sensitive
7 charges that apply reciprocally between AECs and LECs,
8 and I think that's a very important trend that is
9 developing among the states that have considered these
10 issues.

11 Q. With regard to that, there's also been
12 perhaps some suggestion in some of the questions --
13 and I won't -- I don't think it's productive to try to
14 specify a question, but questions suggesting that bill
15 and keep as a matter of compensation for exchange
16 traffic and the interim universal service charge
17 somehow are inextricably linked. Do you have any
18 observation on whether that's true from your
19 standpoint?

20 A. No. I don't believe they are linked.
21 There are some states that have adopted mutual
22 compensation, an application of the local switching
23 charge, in a reciprocal manner without adopting an
24 interim universal service charge. Other states
25 essentially like New York have adopted a plan that

00498

1 would effectively operate like U S WEST's where a
2 local switching charge would apply reciprocally and
3 the equivalent of an interim universal service charge
4 would apply to those carriers who don't make a
5 commitment to serve lifeline customers as in New York.

6 Q. You were asked a question by counsel for
7 Sprint as to whether or not U S WEST was aware of the
8 market shares of any of the competitive access
9 providers that are doing business in Seattle and have
10 done business for sometime. Do you recall those
11 questions?

12 A. Yes.

13 Q. Do you know whether or not U S WEST made
14 any data requests to any CAPs that are parties to this
15 case for that information?

16 A. Yes, I believe we have.

17 Q. Do you recall what the responses to those
18 data requests were?

19 A. I don't recall seeing market share
20 information.

21 Q. You were asked some questions by public
22 counsel with regard to whether the interim universal
23 service charge applied to business lines. Do you
24 recall those questions?

25 A. Yes.

00499

1 Q. And just for clarification, does the
2 interim universal service charge apply to lines or to
3 minutes of use?

4 A. It applies to minutes of use.

5 MR. OWENS: Thank you. That's all the
6 redirect I have.

7 JUDGE ANDERL: Thank you, Mr. Owens.

8

9 RE-CROSS-EXAMINATION

10 BY MR. SMITH:

11 Q. Mr. Owens, in response to the redirect, you
12 indicated that two criteria would be acceptable to
13 relieve an AEC of the IUSC. It wasn't clear to me
14 whether that would just be acceptable to the company
15 or whether the company was changing its proposal in
16 regard to that.

17 A. That is acceptable to the company.

18 Q. But you're standing by your original
19 proposal of the four criteria?

20 A. We would find the original proposal
21 acceptable as well.

22 Q. I believe it was this morning you were
23 discussing with Mr. Butler the situation of an ELI
24 customer in Kirkland, a GTE Northwest exchange, making
25 a call to a customer of U S WEST in the Seattle

00500

1 exchange. And you indicated that for that call the
2 interim universal service charge would still apply; is
3 that correct?

4 A. Correct.

5 Q. And under the four criteria -- first
6 criteria in your proposal indicates that the AEC has
7 to have a sustained ratio of residential to business
8 customers as U S WEST has. In the call I just
9 described would the -- whose residential business
10 ratio do you compare? GTE's or U S WEST's?

11 A. In that case it would be GTE's.

12 Q. And under your original proposal, the
13 second criteria is that the AEC has to provide a
14 coverage with similar demographic and geographic
15 penetrations as the relevant U S WEST exchange. In
16 the GTE to U S WEST case that Mr. Butler discussed
17 with you this morning, would the relevant exchange be
18 the GTE exchange or the U S WEST exchange?

19 A. In that case the GTE exchange.

20 Q. You were asked a question by Mr. Owens
21 about the line information database. Does the US
22 Intelco line information database, is that the same as
23 the U S WEST line information database?

24 A. No. They're two different databases with
25 different telephone numbers loaded in them.

00501

1 Q. So they're not identical databases?

2 A. No. The way that would work, if I can
3 explain, a US Intelco customer, perhaps an AEC or an
4 independent telephone company, can load their NXXs in
5 the US Intelco LIDB system. If U S WEST wanted to
6 verify whether a customer in one of those NXXs would
7 accept a collect call we would launch a query to the
8 US Intelco LIDB system to validate whether that
9 customer would accept a collect call.

10 Similarly, if an AEC like ELI wanted to
11 verify whether a U S WEST customer would accept a
12 collect call, they would launch a query to the U S
13 WEST LIDB. The switches determine which LIDB the
14 launch queries to based on the NXX and NPA of the
15 telephone number in question.

16 MR. SMITH: Thank you. That's all I have.

17 JUDGE ANDERL: Thank you, Mr. Smith. Mr.
18 Waggoner.

19

20 RE CROSS-EXAMINATION

21 BY MR. WAGGONER:

22 Q. You've testified quite extensively now about
23 the New York Commission's actions, haven't you?

24 A. Yes.

25 Q. Have you read all of the decisions of the

00502

1 New York Commission on local interconnection and
2 universal service obligations?

3 A. There's a great deal of orders coming out
4 of commissions. I believe I've read them all but I
5 won't swear to it.

6 Q. Are you aware that the New York Commission
7 has accepted a flat rated port option for
8 interconnection between Teleport and NYNEX?

9 A. Yes, I am aware of that.

10 Q. And do you consider a flat rated port to be
11 a minute-of-use-sensitive option?

12 A. No, I don't.

13 Q. You've also testified about the necessity
14 in New York to show some sort of residential service
15 provision in order to avoid a universal service
16 charge?

17 A. That's my understanding.

18 Q. And do you know how you show in New York
19 that you are going to provide residential service so
20 that you don't have to pay some sort of universal
21 service charge?

22 A. I don't know what the procedure is, but I
23 believe it's effectively a request to the Commission,
24 a demonstration to the Commission.

25 Q. So you don't know how you show it?

00503

1 A. Not specifically.

2 Q. Do you know whether it would simply be
3 satisfied by filing a tariff for residential service
4 in the area you serve?

5 A. The cite or the order that I've read would
6 indicate that the company would need to demonstrate a
7 commitment to serve lifeline customers. I don't know
8 if you would do that by filing a tariff.

9 Q. While we're on lifeline service you've
10 suggested that it would be appropriate for a new
11 exchange carrier in Washington state to show that it
12 also served some percentage of lifeline customers like
13 U S WEST, correct?

14 A. Correct.

15 Q. Isn't it true that U S WEST is reimbursed
16 from the lifeline fund for the amount of any alleged
17 subsidy in order to bring a lifeline customer up to
18 the average residential rate?

19 A. That is true.

20 Q. And so why does U S WEST think it's
21 necessary that an alternative exchange carrier show
22 that it's also providing a lifeline service if U S
23 WEST is already being reimbursed for that?

24 A. It shows a commitment to serve a broad
25 array of residential customers, many of whom do not

00504

1 generate the substantial vertical calling features,
2 toll and access charges that other residential
3 customers might generate.

4 Q. You also testified that you haven't seen
5 any market share data from the -- what I believe
6 Mr. Owens calls the CAPs in Seattle. First of all, are
7 you aware that there are alternative exchange carriers
8 in parts of Washington state other than Seattle?

9 A. Yes.

10 Q. So in fact all of this testimony about
11 exchange carriers competing only in the Seattle area
12 is not correct, is it?

13 A. Well, you've used two different terms now,
14 CAPs and exchange carriers.

15 Q. No, no. I'm only using one term. I'm
16 using competitive exchange carriers. I'm talking
17 about competitive exchange carriers, not CAPs. Are you
18 aware that there are competitive exchange carriers in
19 areas of Washington state other than Seattle?

20 A. No, I'm not.

21 Q. Have you reviewed the filings of this
22 Commission to determine which exchange carriers are
23 serving which areas in this state?

24 A. I've reviewed the applications, yes.

25 Q. So I take it you've missed the applications

00505

1 for some parts of the state?

2 A. I know that TelWest has filed an
3 application to provide service in Spokane. I'm not
4 aware that they're providing service in Spokane.

5 Q. You also told Mr. Owens you hadn't seen any
6 market share data. Were you aware that U S WEST
7 received market share data from TCG?

8 A. I understood his question to be market
9 share data from CAPs. I do recall seeing information
10 from Teleport and ELI with respect to their business
11 exchange lines.

12 Q. And you've looked at that?

13 A. Yes, I have.

14 Q. And you would consider it miniscule in
15 comparison to U S WEST's share?

16 A. I would indicate that after six months of
17 service that they're getting started, yes.

18 Q. Thank you.

19 MR. WAGGONER: No further questions.

20 JUDGE ANDERL: Ms. Weiske.

21 MS. WEISKE: Thank you.

22

23 RE-CROSS-EXAMINATION

24 BY MS. WEISKE:

25 Q. You just had a discussion with Mr. Owens

00506

1 about the Michigan order, and I thought you referred
2 to some specific time frames related to the Michigan
3 order of one month and six months. Am I correct?

4 A. Yes.

5 Q. Where in that order is there any reference
6 to a one-month period or a six-month period?

7 MR. OWENS: That misstates the question. I
8 asked Mr. Owens with regard to MCI's questions to him
9 about whether a sustained --

10 JUDGE ANDERL: That's fine, Mr. Owens. I
11 don't think he was referring to time periods
12 referenced in the order.

13 Q. So there are no time periods in that order
14 related to mutual traffic exchange, are there?

15 A. Not that I can recall, no.

16 Q. Isn't it true that Mr. Farrow at page 1 or
17 page 2 of 15 of his rebuttal testimony footnote 1 says
18 that service TS LRIC is equivalent to the average
19 service incremental cost and isn't that different than
20 in your testimony to Commissioner Hemstad where you
21 said TS LRIC is equivalent to the ADSRC?

22 A. I think I also indicated that I'm not an
23 expert in costing. That my understanding was that
24 ADSRC is roughly equivalent to TS LRIC.

25 Q. So would you -- go ahead.

00507

1 A. I would stand corrected if my cost expert
2 tells me to the contrary.

3 Q. Would you agree with me that the footnote I
4 just referred to does say that TS LRIC is equivalent
5 to the ASIC not the ADSRC?

6 MR. OWENS: What's the reference?

7 JUDGE ANDERL: I think it will take a
8 minute for the witness to be provided with the
9 testimony.

10 MS. WEISKE: I can give him my copy.

11 Q. Given that statement, would you like to
12 change your earlier testimony and agree with your
13 costing witness that TS LRIC is equivalent to ASIC?

14 A. Yes.

15 Q. You also had a conversation with
16 Commissioner Gillis that I would like to follow up on
17 and you talked about -- I think it was Commissioner
18 Gillis -- talked about the lines blurring between
19 types of providers of telecommunications services. If
20 you succeed as U S WEST in migrating all carriers to a
21 single charging regime, would you pay MCI for the toll
22 calls that originate with your customers but terminate
23 elsewhere?

24 MR. OWENS: Which MCI?

25 MS. WEISKE: MCIT or MCI Metro.

00508

1 A. I'm not sure how that arrangement will work
2 out in the long term.

3 Q. Are you saying you don't know if you would
4 pay them for the toll calls that originated with your
5 customers but terminated elsewhere?

6 A. That's right, I don't know at this time.

7 MS. WEISKE: Thank you. That's all I had.

8 JUDGE ANDERL: Mr. Butler.

9 MR. BUTLER: First could I ask if Exhibit
10 C-42 has been admitted subject to check?

11 MR. OWENS: May we be off the record for a
12 moment, please, Your Honor.

13 JUDGE ANDERL: We can be. We'll be off the
14 record.

15 (Discussion off the record.)

16 JUDGE ANDERL: Let's be back on the record.
17 C-42 has been admitted although one or more of the
18 pages may be substituted.

19

20 REXCROSS-EXAMINATION

21 BY MR. BUTLER:

22 Q. First ask you, with respect to Exhibit
23 C-42, in the typical situation where competitive local
24 exchange carrier is not virtually colocated at every
25 U S WEST central office, wouldn't that competitive

00509

1 local exchange carrier have to purchase some of the
2 elements on page 2 and at least the local switching
3 and perhaps some of the tandem transport on page 1?

4 A. Can we go over this? Which element are we
5 referring to now?

6 Q. If your competitive local exchange carrier
7 is not virtually colocated at every U S WEST central
8 office, wouldn't it have to purchase at least some of
9 the elements on page 2 as well as the local switching
10 and perhaps some of the tandem switch transport on
11 page 1?

12 A. Actually, I have three pages 1's.

13 JUDGE ANDERL: We'll assume they're 1, 2
14 and 3.

15 A. So we're talking about page 2, page 2
16 contains all virtual colocation charges. Those are
17 optional charges if a colocator, if an AEC chooses to
18 collocate they can avoid those charges by purchasing
19 our direct trunk transport or tandem switch transport
20 services.

21 Q. Isn't that true only if they're colocated
22 in every central office? How about if they're not
23 colocated in every one?

24 A. Well, let's take one example. If they're
25 colocated in none of our central offices and are not

00510

1 collocated in our tandem then they would not pay any
2 charge on page 2. Yes, all the charges on page 2
3 would not apply. They could pay on page 1 the local
4 switching tandem switching and tandem switch transport
5 charge together with an entrance facility charge.

6 Q. Entry facility charge is on page 2? Do you
7 see the fourth or fifth one down? Is that the charge
8 you're referring to or is that a different charge?

9 A. That is a virtual entrance facility that
10 extends only to the manhole in a virtual collocation
11 arrangement.

12 Q. Mr. Owens asked you a question about your
13 concern about having a number of meet points with
14 competitive local exchange carriers. Isn't it true
15 that you have virtually hundreds of meet points with
16 independent local exchange companies in Washington?

17 A. Yes, we do.

18 Q. So meet points with four new entrants in
19 Seattle would somehow be a significantly greater
20 problem for you to administer?

21 A. In downtown Seattle, I think so, especially
22 when it can be avoided since we're both serving the
23 same area. We have well-defined central office
24 locations, and I really have no need in my view to
25 meet in the middle of the parking lot or in the middle

00511

1 of a street.

2 Q. Well, you do meet with some independents at
3 the borders of their serving territory?

4 A. Yes, we do.

5 Q. And if you were to get a request from a
6 competitive local exchange carrier to meet in the same
7 place, would that, in your mind, create such a
8 significant additional burden that you couldn't justify
9 agreeing to that?

10 A. We could certainly consider it, but again,
11 our very strong preference is to minimize the number
12 of point of interconnection with AECs.

13 Q. You were asked a question about competitive
14 local exchange carriers providing service in a way
15 that was characterized as bypass of the U S WEST
16 network. Do you recall that question from Mr. Owens?

17 A. Yes.

18 Q. Wouldn't be true that the availability of
19 unbundled loops from U S WEST would permit and perhaps
20 incent competitive local exchange carrier to provide
21 service to customers and at the same time provide some
22 contribution to U S WEST common costs?

23 A. If it were priced appropriately, yes.

24 Q. With respect to riser cable, Mr. Owens
25 asked you a question about -- it's a little confused

00512

1 because he first asked you a question about an office
2 building with the analogy being to one that my office
3 is located in where U S WEST owned and controlled, I
4 thought he said, the riser cable inside that building,
5 but then switched to the notion that somehow the IMPOP
6 was located in the basement and the riser cable from
7 the IMPOP up to the 54th floor was not part of the
8 overall cost of service. Wouldn't it be the case that
9 if the network interface was located at the wiring
10 closet or whatever on the 54th floor that in fact that
11 riser cable would be part of the U S WEST overall cost
12 of service?

13 A. I believe so, yes.

14 Q. And under the company's IPANCAW tariff,
15 which I believe stands for intra-premise network cable
16 and wire tariff -- something to that effect -- that
17 there are multiple options to building owners in
18 certainly a multi-story, multi-tenant context so that
19 the network interface can be located at places other
20 than simply the minimum point of penetration. Isn't
21 that correct?

22 A. I believe that's true, yes.

23 Q. And so the network interface can in fact be
24 at each individual tenant's premises; isn't that
25 correct?

00513

1 A. That is a possibility, yes.

2 Q. And in those situations, again, the part of
3 the U S WEST network facility would extend up to the
4 point of the network interface and be included as part
5 of the overall cost of service?

6 A. I believe that's true.

7 MR. BUTLER: I think that's all I have.

8 Thank you.

9 JUDGE ANDERL: Thank you, Mr. Butler. Mr.
10 Rindler.

11

12 RECROSS-EXAMINATION

13 BY MR. RINDLER:

14 Q. Mr. Owens, with respect to your latest
15 proposal concerning what would be acceptable in terms
16 of competitive local exchange carrier demonstrating
17 its commitment to universal service, did you say that
18 it could be either/or a demonstration of a sustained
19 ratio that is comparable to U S WEST's or comparable
20 ratio of lifeline customers?

21 A. No. It would be "and" not "or."

22 Q. So you would need to show both of those?

23 A. Yes.

24 Q. With respect -- and that ratio 2.41 to one,
25 is that U S WEST's statewide ratio or is that its

00514

1 Seattle ratio?

2 A. That's the statewide ratio.

3 Q. Do you know what its Seattle ratio is?

4 A. No, I don't.

5 Q. If a competitive local exchange carrier
6 were to provide debit cards to homeless people, would
7 that constitute a demonstration of lifeline service?

8 A. I would think so.

9 Q. Do you recall discussing with Mr. Owens a
10 reason why you needed to charge a high access rate?

11 A. Yes.

12 Q. Was it that you needed to meet your revenue
13 requirement?

14 A. Yes.

15 Q. Does U S WEST meet its revenue requirement?

16 A. Today we don't believe so.

17 Q. What do you mean when you say you must meet
18 it?

19 A. My understanding of rate of return
20 regulation is that we're permitted the opportunity to
21 achieve our authorized rate of return, and to achieve
22 that authorized rate of return, we currently have
23 access charges that are set well above cost, and my
24 understanding of the rate case is that we're seeking
25 changes in various rates including increases in

00515

1 residence rates to help achieve our authorized rate of
2 return.

3 Q. So there is nothing about rate of return
4 regulation that requires you to charge access rates
5 which provide a very high contribution; is that
6 correct?

7 A. Only if we want to achieve our authorized
8 and permitted rate of return.

9 Q. It's not required, is it?

10 A. No.

11 Q. With respect to New York, I believe you
12 testified that it had adopted a proposal like U S WEST
13 with respect to universal service; is that correct?

14 A. It's a similar plan, yes.

15 Q. In what way is it different?

16 A. It's different in the sense it does not
17 have a specific interim universal service charge. My
18 understanding of the plan is that ACC, who has not
19 qualified for what I would call waiving of the interim
20 universal service charge, is required to pay full
21 access charges to New York Telephone Company, and can
22 receive from New York Telephone Company a compensation
23 equal to its incremental cost.

24 Q. Is there any ratio of customers that needs
25 to be met to qualify for that waiver of

00516

1 interconnection charge?

2 A. Not that I am aware of.

3 Q. In response to a question by Mr. Owens, you
4 indicated that the nature of competition in the local
5 exchange market was dynamic and not static. Do you
6 recall that?

7 A. Yes.

8 Q. And that was with reference to your
9 substantial number of quotes to the decisions of other
10 commissions; is that correct?

11 A. That's correct. In part it's also based on
12 the number of proceedings that we'll all be
13 participating in over the next several months even in
14 the U S WEST states including Minnesota, Oregon, Utah,
15 Arizona, Wyoming, Nebraska.

16 Q. What is the significance with respect to
17 your citation of the decisions by the various
18 commissions that have considered these issues to date
19 of the dynamic nature of competition?

20 A. It suggests that state commissions around
21 the country, including this region, are establishing
22 rules that will govern the interconnection of
23 competing carriers.

24 Q. That's all? That's all the significance
25 is?

00517

1 A. Well, it's also significant that the
2 commissions are generally adopting policies that will
3 promote competition in the local exchange.

4 MR. RINDLER: Thank you. No further
5 questions.

6 JUDGE ANDERL: Ms. Proctor.

7

8 REXCROSS-EXAMINATION

9 BY MS. PROCTOR:

10 Q. Mr. Owens, in the Michigan order, are you
11 familiar with the provisions of that order that
12 establish that the TS LRIC for the unbundled loop in
13 Michigan for the residential loop was about \$11?

14 A. Yes.

15 Q. And on the lifeline customers, I believe
16 you testified that they're generally I guess what
17 Mr. Trotter would call a real burden. They don't
18 generate any money?

19 A. I don't think I said they don't generate
20 any money.

21 Q. Have you conducted any studies to determine
22 what the average monthly revenues generated by average
23 lifeline customers are?

24 A. I haven't, no.

25 Q. Are you aware of any?

00518

1 A. No.

2 Q. So what was the basis of your statement?

3 A. Which statement?

4 Q. That they generate very low revenues.

5 A. Well, their rate for residential service is
6 I believe \$9.25 a month without an end user common
7 line charge so they have the lowest residential rate
8 in the state. And because they're low income
9 customers, I presume that they are not spending a
10 significant amount of money on vertical services.

11 Q. But that's just a presumption you're
12 making. You don't have any facts to support that?

13 A. Yes.

14 MS. PROCTOR: Judge, just one question on
15 these orders that we have been discussing quite
16 liberally. Should we be asking you to take judicial
17 notice of those or administrative notice and would it
18 be of assistance if we introduced copies or would it
19 be better if we didn't burden you with copies seeing
20 no great inclination for more paper.

21 JUDGE ANDERL: No huge enthusiasm for
22 copies of those orders. I think that they're
23 accessible and something that can be properly
24 researched if we want to look further at them.

25 MS. PROCTOR: So if we wanted to use

00519

1 citations other than those selected by Mr. Owens in
2 our briefs we would be able to do that?

3 JUDGE ANDERL: Yes, I think so.

4 MS. PROCTOR: Thank you.

5 JUDGE ANDERL: Ms. Lehtonen, any recross?

6 MS. LEHTONEN: No recross.

7 JUDGE ANDERL: Mr. Mutschelknaus?

8 MR. MUTSCHELKNAUS: I wouldn't dare, Your
9 Honor.

10 JUDGE ANDERL: Mr. Potter?

11 MR. POTTER: No.

12 JUDGE ANDERL: Well, raise your hand if you
13 have recross.

14 MR. TROTTER: Just like to note for the
15 record that I used the word burden in the context that
16 Mr. Owens was using it on page 11 of his testimony. I
17 don't personally believe it is a burden but I have no
18 questions of this witness.

19 JUDGE ANDERL: Thank you. Anything from
20 the commissioners for this witness?

21 I think, Mr. Owens, that you're through.
22 Thank you very much for your testimony. You may step
23 down. Let's go off the record while we discuss how
24 we're going to proceed.

25 (Recess.)

00520

1 JUDGE ANDERL: Let's be back on the record.
2 While we were off the record we had some extensive
3 scheduling and other discussions. As it turns out we
4 marked Mr. Farrow's prefiled rebuttal testimony as
5 Exhibit T-43 for identification. His BEF-1 which is a
6 confidential exhibit is Exhibit C-44 for
7 identification and his BEF-2 is Exhibit No. 45 for
8 identification. However, he is not going to be the
9 next witness in line. Ms. Wilcox instead has taken
10 the stand.

11 During the pre-hearing conference in this
12 matter we marked her prefiled direct testimony as T-1,
13 her Exhibits BMW-1 through 8 were marked as Exhibits 2
14 through 9 for identification and now her prefiled
15 rebuttal testimony for identification is marked for
16 identification as Exhibit T-46. Her Exhibit BMW-1 on
17 rebuttal is Exhibit C-47. It is confidential. BMW-2
18 is Exhibit 48. BMW-3 is a confidential exhibit. It
19 is C-49. BMW-4, 5 and 6 are Exhibits 50, 51 and 52
20 for identification. BMW-7 is a confidential exhibit.
21 It is C-53 for identification and Exhibit BMW-8 is
22 Exhibit No. 54 for identification.

23 (Marked Exhibits T-43, C-44, 45, T-46,
24 C-47, 48, C-49, 50, 51, 52, C-53 and 54.)

25 Whereupon,

00521

1 BARBARA WILCOX,
2 having been first duly sworn, was called as a witness
3 herein and was examined and testified as follows:

4

5 DIRECT EXAMINATION

6 BY MR. OWENS:

7 Q. Please state your name and address for the
8 record, Ms. Wilcox?

9 A. Barbara M. Wilcox. My address is 1801
10 California Street, Denver, Colorado.

11 Q. Thank you. Are you the same Barbara M.
12 Wilcox who has caused to be prefiled in this case
13 exhibits denominated direct testimony and supporting
14 Exhibits BMW-1 through 8 and rebuttal testimony and
15 supporting Exhibits 1 through 8 that have been pre-
16 numbered as the administrative law judge has
17 described?

18 A. Yes.

19 Q. Do you have any additions, corrections or
20 changes to be made to any of those exhibits?

21 A. None other than the amendments that were
22 previously filed.

23 Q. Were all of these exhibits prepared by you
24 or under your direction or with regard to those that
25 are advertising of other companies collected by you or

00522

1 under your supervision?

2 A. Yes, they were.

3 Q. If I were to ask you the questions in
4 Exhibits T-1 and T-46, would your answers be as set
5 forth therein?

6 A. Yes.

7 MR. OWENS: I would offer Exhibits T-1, 2
8 through 9, T-46, C-47, 48, 49, 50, 51, 52, C-53 and 54
9 and Dr. Wilcox is available for cross-examination.

10 JUDGE ANDERL: Before I take ruling --
11 before I take objections and make a ruling on the
12 admissibility of those exhibits I think we did want to
13 cover with this witness which sheets she had revised
14 and what the revision date on those should be so that
15 everyone has what they need.

16 MR. OWENS: Thank you, Your Honor.

17 Q. Would you identify the revised page of your
18 exhibits, Dr. Wilcox?

19 A. Okay. If you will bear with me a moment, I
20 didn't realize I was going to need to do this. All of
21 the revisions are in my direct testimony. The first
22 revised page is page 28 and the latest revision is
23 dated 5-18-95. Also page 29 dated 5-18-95.

24 JUDGE ANDERL: Dr. Wilcox, I also have a
25 page 21 that was amended 5-18.

00523

1 THE WITNESS: Yes. Thank you.

2 A. Page 4, dated 5-18-95 and page 35, dated
3 3-10-95. And then on the exhibits, Exhibit BMW-6,
4 and this would be dated 5-18.

5 Q. That's Exhibit 7?

6 JUDGE ANDERL: Everyone with us so far?

7 All right.

8 A. This is Exhibit BMW-8, which I guess is
9 Exhibit 9.

10 JUDGE ANDERL: Yes.

11 A. Page 1 amended 5-18. Page 2, amended 3-10.
12 Page 3, amended 5-18. I believe that's it.

13 JUDGE ANDERL: There are no amended pages or
14 revisions in any of your rebuttal testimony or
15 exhibits?

16 THE WITNESS: No, there are not.

17 JUDGE ANDERL: Are there any objections to
18 any of these exhibits or testimony that Ms. Wilcox is
19 sponsoring?

20 I hear no objection. Those previously
21 identified exhibits will be admitted and we will take
22 up at 8:30 tomorrow morning with cross by staff.

23 (Admitted Exhibits T-1, 2 - 9, T-46, C-47,
24 48, C-49, 50, 51, 52, C-53 and 54.)

25 (Hearing adjourned at 5:25 p.m.)