

01157

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION

2 COMMISSION

3 WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,) DOCKET NO. UT-941464

4)
Complainant,) VOLUME 7

5)
vs.) Pages 1157 - 1350

6)
U S WEST COMMUNICATIONS, INC.,)

7)
Respondent.)

8 -----)
TCG SEATTLE and DIGITAL DIRECT)

9 OF SEATTLE, INC.,)

10 Complainant,)DOCKET NO. UT-941465

11 vs.)

12 U S WEST COMMUNICATIONS, INC.,)

13 Respondent.)
-----)

14

15 A hearing in the above matter was held
16 at 8:30 a.m. on June 23, 1995, at 1300 South Evergreen
17 Park Drive Southwest, Olympia, Washington before
18 Chairman SHARON L. NELSON, Commissioners RICHARD
19 HEMSTAD, WILLIAM R. GILLIS and Administrative Law
20 Judge LISA ANDERL.

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22

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24 Cheryl Macdonald, CSR

25 Court Reorter

01158

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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1 The parties were present as follows:
 U S WEST COMMUNICATIONS, by EDWARD SHAW,
2 MOLLY HASTINGS, WILLIAM O'JILE, DOUGLAS OWENS,
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1 P R O C E E D I N G S

2 JUDGE ANDERL: Let's be on the record. We
3 are convened in 941464, et al. Today is June 23,
4 1995. Before we went on the record this morning, Mr.
5 Walter Cook took the witness stand. We premarked his
6 direct testimony as Exhibit T-87 and his reply
7 testimony as Exhibit T-88. In addition we've marked
8 for identification an FCC tariff No. 5 from U S WEST
9 Communications for access service as Exhibit 89.

10 (Marked Exhibits T-87, T-88 and 89.)

11 JUDGE ANDERL: I will take care of those
12 exhibits in just a minute.

13 Whereupon,

14 WALTER COOK,
15 having been first duly sworn, was called as a witness
16 herein and was examined and testified as follows:

17 JUDGE ANDERL: First of all, with regard to
18 Exhibit 89, Mr. O'Jile, is it correct that U S WEST
19 stipulates to the admission of that proposed tariff
20 sheet?

21 MR. O'JILE: Yes.

22 JUDGE ANDERL: Exhibit 89 will be admitted.

23 (Admitted Exhibit 89.)

24 JUDGE ANDERL: Mr. Butler.

25

01163

1 DIRECT EXAMINATION

2 BY MR. BUTLER:

3 Q. Mr. Cook, could you please state your name
4 and business address for the record,.

5 A. My name is Walter L. Cook. My business
6 address is Suite 1200, 317 Southwest Alder, Portland,
7 Oregon 97204.

8 Q. Mr. Cook, had you prefiled written direct
9 testimony in this proceeding?

10 A. Yes.

11 Q. Is that written direct testimony what's
12 been marked for identification as Exhibit T-87?

13 A. Yes.

14 Q. Have you prefiled written reply testimony?

15 A. Yes.

16 Q. Is that what has been marked for
17 identification as Exhibit T-88?

18 A. Yes.

19 Q. Do you have any changes or corrections to
20 Exhibit T-87?

21 A. Yes. On page 5 the USWC charge, as I
22 understand it now, is .0328.

23 JUDGE ANDERL: That was line 15?

24 THE WITNESS: Correct.

25 Q. Are there any other changes or corrections

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1 to that exhibit?

2 A. Not that I am aware of at this time.

3 Q. Are there any changes or corrections to
4 your Exhibit T-88?

5 A. Not that I am aware of at this time.

6 Q. If I were to ask you the questions
7 contained in Exhibit T-87 would your answers be the
8 same as written therein?

9 A. Yes, they would.

10 Q. If I were to ask you the questions written
11 in Exhibit T-88 would your answers be the same as
12 written therein?

13 A. No? Yes, they would.

14 MR. BUTLER: Move admission of Exhibits T-87
15 and T-88.

16 JUDGE ANDERL: Any objection to those
17 documents? Hearing none, those two documents will be
18 admitted as identified.

19 (Admitted Exhibits T-87 and T-88.)

20 MR. BUTLER: Mr. Cook is available for
21 cross-examination.

22 JUDGE ANDERL: Mr. O'Jile.

23 CROSS-EXAMINATION

24 BY MR. O'JILE:

25 Q. Good morning Mr. Cook.

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1 A. Morning.

2 Q. My name is Bill O'Jile and I'm U S WEST's
3 lawyer in this proceeding and I've got a couple of
4 questions for you this morning. I understand from
5 your background you're a professional engineer?

6 A. Yes.

7 Q. And you consider yourself an expert
8 relating to telecommunications networks?

9 A. Yes, I do.

10 Q. Specifically do you consider yourself
11 knowledgeable and expert on the workings of
12 telecommunications switching devices?

13 A. Yes, I do.

14 Q. And is it your understanding that ELI has
15 installed a DMS 100/200 switch in Seattle?

16 A. Yes, that's my understanding.

17 Q. And that switch can be used as both a
18 central office switch and a tandem switch?

19 A. It has the potential to be used as both a
20 central office and tandem switch, that's correct.

21 Q. And you're knowledgeable on the workings of
22 that type switch?

23 A. As a system, yes, I am knowledgeable, yes.

24 Q. And are you aware of the fact that in the
25 Seattle area U S WEST has also has DMS 100 switches

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1 but also has AT&T 5E and 1E switches?

2 A. I have information to believe that would be
3 correct, that's right.

4 Q. Are you familiar with the workings of AT&T
5 5E and 1E switches?

6 A. As a system, yes.

7 Q. With that in mind, Mr. Cook, would you
8 agree that the switching function performed by those
9 switches that I mentioned, that the switching function
10 is identical regardless of whether the call is a local
11 call or a long distance call or a call terminated from
12 a cellular provider?

13 A. Yes, perhaps.

14 Q. Why do you qualify it?

15 A. Depending on the type of call the switches
16 may pass different information. In some cases all
17 that's passed is perhaps the called number. In other
18 cases information such as the originating ANI
19 information or other embedded fields may be passed
20 between switches.

21 Q. But the technical process of the delivering
22 of a call to the switch and the switching of that call
23 for delivery to the end user customer, would that
24 technical switching function at all change depending
25 on the type of call being terminated?

01167

1 A. In general, no.

2 Q. Would you also agree as a matter of just
3 basic economic principle that the transport of a call,
4 that transport function is identical regardless of
5 whether the call is initiated by -- excuse me --
6 terminated by a cellular provider or an interexchange
7 carrier or a local carrier?

8 A. Perhaps you could help me with what you
9 mean by transport. You mean the point to point
10 circuits or switching transfer, the transport?

11 Q. Yes, let me clarify. The process of either
12 moving a call from, say, a tandem switch to an end
13 office switch or from an end office switch to an end
14 user's location. Is that physical process of moving
15 the call, does it differ at all depending on whether
16 the call is local or long distance?

17 A. In general, no.

18 Q. Would you agree as a matter of engineering
19 principle that the processes of either switching a
20 call or transporting a call creates costs?

21 A. Yes. There's a cost associated with that.

22 Q. Let's turn to your direct testimony at page
23 2. I just wanted to ask you a background question if
24 I could. I was interested in your comment on line 15
25 and 16 that you had recently installed -- the company

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1 had recently installed a 10,000 port tandem switching
2 system for Sprint in San Jose, California. What is
3 Sprint going to use that tandem for?

4 A. I don't have direct information as to what
5 products they plan to switch through that device.

6 Q. Based on your knowledge of the industry,
7 sir, since the FCC has allowed alternative tandem
8 switching providers in I think it was 1994, has your
9 company seen an increase in the number of tandem
10 switches deployed by interexchange carriers and other
11 providers?

12 A. Yes.

13 Q. Let's turn to page 3 of your testimony, and
14 you speak at the bottom of page 3 on line 23 about the
15 ability to mutually exchange traffic. Do you see
16 that?

17 A. Which line?

18 Q. Line 23.

19 A. Yes.

20 Q. If you know, does ELI intend to charge long
21 distance carriers for local switching and transport
22 functions that are commonly referred to as access
23 charges?

24 A. Because that's not the area of my testimony
25 I would rather not answer. I'm not sure.

01169

1 Q. Would you be surprised if they didn't?

2 A. I hadn't thought of that. I suppose not, if
3 you look at the way the trend in the industry is today
4 for interLATA calling, toll calling.

5 Q. So you would expect that they would charge
6 access charges to long distance carriers wanting to
7 terminate calls to ELI customers?

8 A. It would be consistent with the way the
9 industry is today, yes.

10 Q. Would you expect based on your knowledge of
11 the industry that they will also charge cellular
12 providers to terminate calls on ELI's network?

13 A. I'm not as familiar with the arrangements
14 between cellular providers and local exchange
15 carriers. Most of my expertise is with interexchange
16 and local exchange carriers.

17 Q. But it's common at least for interexchange
18 carriers that there's not a mutual traffic exchange,
19 that there is a payment from the interexchange carrier
20 to the local company, correct?

21 A. Yes.

22 Q. Now, under your view of bill and keep, am I
23 correct that if a caller -- if an ELI customer in
24 downtown Seattle wanted to terminate a call to a U S
25 WEST customer in Bellevue, Washington that you believe

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1 that ELI should be able to deliver that call to U S
2 WEST either at the U S WEST end office or to drop it
3 off at the ELI end office or any other point that ELI
4 may designate?

5 A. Yes. That's my testimony.

6 Q. And then you would expect, then, that it
7 would be U S WEST's obligation to transport, or deliver
8 that call to the customer in Bellevue?

9 A. Yes.

10 Q. And that no compensation would flow from
11 ELI to U S WEST for those functions?

12 A. For the switching and transport that's
13 correct.

14 Q. Now, how large is ELI's network in Seattle,
15 if you know, sir?

16 A. Perhaps you could help me. Large in terms
17 of --

18 Q. Well, let's talk about large in terms of
19 square blocks or blocks or miles, route miles.

20 A. I would have to speculate to answer that.
21 I don't have that information with me.

22 Q. Would you generally agree that U S WEST's
23 network is probably a lot larger than ELI's for the
24 Seattle area?

25 A. Yes.

01171

1 Q. So that when U S WEST -- when a U S WEST
2 caller wants to terminate a call to an ELI customer,
3 as a basic general proposition the ELI will probably
4 have to transport that call a lot shorter distance
5 than U S WEST generally would have to; isn't that
6 correct?

7 A. I'm not sure in all cases that I agree.

8 Q. Well, it would certainly be true, wouldn't
9 it, that any time an ELI customer -- well, let's back
10 up. If you assume for the moment that ELI's network
11 is generally located in downtown Seattle and that U S
12 WEST's network is throughout the Seattle area, as a
13 general proposition, if a U S WEST customer wants to
14 terminate a call in to an ELI customer, an ELI switch
15 is in downtown Seattle, that general proposition, that
16 call is not going to go very far, correct, as far as
17 transport?

18 A. I think it would depend on where the meet
19 points were.

20 Q. And would you assume that ELI is going to
21 construct meet points in areas of greater Seattle to
22 meet U S WEST?

23 A. ELI has indicated it would like to connect
24 -- to construct meet points at technically efficient
25 locations, but I've heard testimony that perhaps

01172

1 competitive local exchange carriers may be required to
2 connect or to make meet points at U S WEST end offices
3 in which case ELI may have to carry the call further
4 in order to terminate the call.

5 Q. If they in fact connect at U S WEST end
6 offices.

7 A. In the scenario I described, yes.

8 Q. Do you know now whether ELI is connected at
9 U S WEST central offices throughout Seattle as is
10 Teleport?

11 A. My understanding is that ELI is connected
12 to some U S WEST end offices, yes.

13 Q. But not all?

14 A. That's my understanding, that's correct.

15 Q. Were you in the room yesterday when
16 Mr. Shaw cross-examined Mr. Roe from TCG?

17 A. Yes. I believe I was here for most of his
18 testimony.

19 Q. During the course of that cross-examination
20 it became evident that U S WEST and ELI had agreed to
21 some points of interconnection at TCG locations that
22 were other than the U S WEST central offices
23 throughout Seattle. Is it your testimony that those
24 type of mutual agreements between carriers should not
25 be allowed?

01173

1 A. You might need to clarify it. Did I
2 understand you to say that ELI was connecting to U S
3 WEST at TCG locations? That's what I heard.

4 Q. No. I'm sorry. My understanding of Mr.
5 Roe's testimony was that TCG was interconnecting with
6 U S WEST at TCG locations other than central office,
7 U S WEST central offices or TCG's switch throughout
8 Seattle, and my question to you, sir, is do you think
9 that those type of mutual arrangements between
10 carriers should be prohibited?

11 A. First let me answer that I don't recall
12 that particular part of his testimony. You've asked
13 me two questions essentially, so I just don't recall
14 that there were connections at locations other than
15 either TCG's or U S WEST's offices, but I do not --
16 and my testimony does not indicate that I think that
17 meet point at locations other than central offices
18 should be prohibited. In fact I support those types
19 of connections if they're technically efficient.

20 Q. But it's your testimony that as to
21 technical efficiency that that decision should rest
22 solely with the alternative carrier?

23 A. Yes, that's my testimony.

24 Q. And that the alternative carrier should be
25 able to unilaterally designate where it wants to

01174

1 interconnect with U S WEST?

2 A. That's my testimony, yes.

3 Q. Sir, do you know how many meet points ELI
4 is going to want to establish in Seattle with U S
5 WEST?

6 A. I couldn't answer at this time exactly how
7 many meet points.

8 Q. Is it possible that ELI may want to
9 establish meet points on a customer by customer basis?

10 A. I think there could be a situation where a
11 meet point would occur on a specific -- for a specific
12 customer, but I would think that would be highly
13 unusual. In most cases that would probably not be an
14 official use of ELI's network.

15 Q. Now, you speak, you quoted on page 3 of
16 your testimony, testimony from Dr. Cornell where she
17 claims that AECs should be able to pick the meet point
18 because that would be dictated solely by the desire to
19 minimize costs?

20 A. Could you help me --

21 Q. Sure. Page 3 -- excuse me. It's rebuttal
22 page 3, line 18.

23 A. Excuse me. I was searching for the text
24 and I didn't hear the whole question.

25 Q. Sure. I just wanted to direct your

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1 attention to that. I take it you agree with Dr.
2 Cornell's statement that you quoted on lines 16
3 through 18 about the entrants' selection will be
4 dictated solely by the desire to minimize costs?

5 A. That's correct.

6 Q. So, in other words, by using meet point
7 arrangements ELI could minimize the amount of
8 facilities that it would have to construct or lease
9 from third parties but instead rely on U S WEST to
10 have provided those facilities?

11 A. Yes. That would be possible.

12 Q. And under your scenario it would -- U S
13 WEST would have to provide those facilities to ELI
14 free of charge under a bill and keep arrangement?

15 A. Well, I would not agree that they are
16 provided free of charge.

17 Q. Would you agree that there would be the --
18 there would be no per minute charges associated with
19 the use of those facilities as indicated under your
20 proposal?

21 A. For local and EAS traffic that's correct.

22 Q. And what kind of charges would you expect
23 that ELI would pay U S WEST for the meet point
24 connections?

25 A. Well, when you asked if they would be

01176

1 provided free of charge I was assuming that each LEC,
2 each carrier, would recover its costs through its
3 charges to its own customers, so it's not as though
4 U S WEST would have to do something free that it would
5 not be compensated for.

6 Q. And U S WEST would just have to look to
7 its customers to recover its costs?

8 A. Yes, as it does today with its connections
9 between its independents and U S WEST.

10 Q. So, to sum up, the only issue here should
11 be the ability to minimize costs to the alternative
12 carrier and there should be no consideration if that
13 choice that minimizes ELI's costs maximizes or
14 increases U S WEST's costs?

15 A. That's the testimony. The concern is that
16 U S WEST would be in a position to perhaps require that
17 competitive LEC to construct facilities that would
18 make their offering services not cost-effective. I
19 think that in practice ELI engineers and hopefully U S
20 WEST engineers could reach agreement on what does make
21 sense from an engineering standpoint, what is
22 ultimately technically efficient.

23 Q. And we would hope that, too, sir, but under
24 your proposal if that doesn't happen then ELI should
25 have the right to dictate?

01177

1 A. That's my testimony, correct.

2 Q. And that is your understanding of U S WEST
3 and independent companies doing business today?

4 A. Frankly, I don't know how U S WEST and the
5 independents reach agreement on matters such as where
6 to meet, where meet points should take place.

7 Q. On page 10 of your direct testimony,
8 starting at line 18, you lay out three problems that
9 you see with the development of measured billing for
10 the exchange of local traffic?

11 A. That's correct.

12 Q. Are you familiar, sir, when the system of
13 access charges that apply between LECs and
14 interexchange carriers was developed?

15 A. You mean in general years of time or
16 specifically when?

17 Q. Yes.

18 A. I believe the system has undergone constant
19 evolution and it began when access charges were the
20 means by which interexchange carriers and LECs were
21 compensated. I would say probably the '83 to '85 time
22 frame is my recollection.

23 Q. So basically around the time of divestiture
24 the entire system of access charges was developed?

25 A. That's when the first attempts to develop

01178

1 the system to measure access charges began, yes.

2 Q. And sir, wouldn't you agree that at least
3 points 2 and 3 of your testimony at page 2 would have
4 applied to the system of access charges between LECs
5 and interexchange carriers at the time that that
6 system was developed in the early '80s?

7 A. That's correct.

8 Q. Are you generally available with how
9 carriers -- I'm sorry. Are you generally aware of how
10 carriers obtain facilities in a city like Seattle?

11 A. Specifically carriers, what class of
12 carriers?

13 Q. Any type of carriers. A local carrier,
14 interexchange carrier, a cellular carrier. In other
15 words, there are entities that have facilities
16 available for lease to such carriers?

17 A. Yes, I guess I'm generally familiar. It's
18 a pretty broad realm that you just described.

19 Q. Right. And I would take it that you would
20 agree that the entities that may make facilities,
21 fiberoptic type facilities available for lease in a
22 metropolitan area would include entities other than
23 the incumbent local exchange carrier serving that
24 area?

25 A. That's correct.

01179

1 Q. And so, would you agree as a basic
2 proposition that a new entrant coming in to design --
3 looking to design a system in a particular city would
4 probably have the choice of building itself, leasing
5 facilities from the incumbent LEC, or leasing
6 facilities from a third party other than the incumbent
7 LEC?

8 A. I agree with that statement.

9 Q. Sorry to take you backwards in your direct
10 testimony, but let's flip back just briefly to page 5
11 where you talk about U S WEST's proposal in this
12 proceeding. I just wanted to clarify one other point.
13 Your counsel directed you to line 15 where you change
14 the per minute of use charge to reflect Mr. Owens's
15 removal of the residual interconnection charge. But I
16 wanted to direct your attention to your discussion of
17 virtual colocation. I don't see it at this particular
18 page, but I think somewhere in your direct testimony
19 you suggested that there should be a leaseback
20 arrangement in virtual colocation terms.

21 A. Gosh. I think we would have to find the
22 section to make sure I understand your question.

23 Q. Well, I can't put my fingers on it so I
24 think I will move on. Flipping forward to page 9
25 you talk about measurement. On lines 4 and 5 you talk

01180

1 about the fact that in order for these devices to work,
2 and these devices I think you referred to as ancillary
3 devices on line 4, in order for these devices to work
4 the trunks would have to be one way, to be one
5 directional?

6 A. That's my testimony, correct.

7 Q. Have you studied the Hewlett-Packard system
8 that Mr. Owens discussed in his testimony?

9 A. I have some knowledge of the system.

10 Q. And is it your testimony that that system
11 requires one-way trunks in order to work?

12 A. That would not be my testimony.

13 Q. In fact that is an SS7-based system, isn't
14 it?

15 A. That's my understanding.

16 Q. And U S WEST has SS7 capabilities in the
17 Seattle area?

18 A. I'm not sure if the capability extends to
19 all of your end offices. I know there was a
20 deployment schedule. I haven't looked at it recently.

21 Q. And ELI has SS7 capabilities in its switch,
22 correct?

23 A. That's correct.

24 Q. And would you agree, sir, that it would be
25 technically possible for Northern Telecom or AT&T or

01181

1 any other switch vendor to develop software to enable
2 those end office switches to measure two-way trunk
3 groups?

4 A. In theory, I agree that switches can be
5 developed to measure traffic.

6 Q. Switches or software? Software for
7 switches.

8 A. State-of-the-art switches use software for
9 their operation, and I think in theory these
10 manufacturers would represent that their switches
11 could be programmed to measure traffic.

12 Q. And generally, do the switch manufacturers
13 respond to demand for new services and upgrade their
14 software accordingly?

15 A. My experience is that's mixed. Some of
16 them aren't as responsive as we would hope or their
17 attempts are not always as effective as we would have
18 hoped.

19 Q. But as a general proposition would you
20 agree that if, as a result of hearings like this
21 around the country, that commissions determine that
22 there's needed to be a way to measure traffic exchanged
23 between local providers and that that needed -- that
24 needed to be done for public policy reasons, would you
25 anticipate that switch vendors like AT&T and Northern

01182

1 Telecom would react to that and modify their switch
2 software accordingly?

3 A. That is a possibility, and I would expect
4 that perhaps within a five to seven-year time frame
5 they would be able to develop those measuring
6 capabilities that would be adequate for measurement of
7 local traffic.

8 Q. It's your testimony that it will take them
9 five to seven years to develop that and implement that
10 software?

11 A. Yes, that's my professional opinion.

12 Q. What do you base that opinion on?

13 A. 15 years of experience with switch
14 manufacturers in all forms of development of
15 functionality.

16 Q. Including measurement devices?

17 A. That's correct.

18 Q. Do you know how long it took the switch
19 manufacturers to modify the software that was needed
20 to measure for access charges in the early '80s?

21 A. Actually, they had to build new switches.

22 Q. Do you know how long it took them to build
23 the new switches?

24 A. Exactly -- varied by manufacturer. I think
25 it was, oh, maybe a three to five-year time frame for

01183

1 the switches that support the interexchange market as
2 we know it today.

3 Q. And when did that development start?

4 A. I haven't worked for manufacturers, and I
5 would surmise that the development probably began late
6 '70s, early '80s.

7 Q. So the development began in anticipation of
8 what we know now as access charges?

9 A. It's hard for me to be into the mind of the
10 manufacturers and what they knew, but what I did
11 observe was that all the manufacturers went through
12 several evolutions of devices, and the first devices,
13 as you're probably aware, are very unreliable. I can
14 think of the Danray switch by Northern Telecom that
15 could stay in service for perhaps a week without
16 crashing or Honeywell developed a switch called the
17 Action Roadrunner, which I got to run one of those,
18 and you had to go every day and push a button to make
19 it work, and then there was the Intecom switches where
20 eventually I was involved in a lawsuit where we found
21 the manufacturers for breach of contract, fraud and
22 breach of warranty. So I have a good recollection of
23 what went on in the early '80s with the manufacturers
24 attempting to support the interexchange carriers market
25 at that time.

01184

1 Q. Do you know for a fact, sir, that switch
2 manufacturers are not now looking at the issue of
3 billing for the exchange of local traffic?

4 A. I would expect that they are, yes.

5 Q. And would you expect that they may have
6 been looking at it for sometime?

7 A. I'm not certain. The volume of local
8 traffic presents a challenge to switch manufacturers
9 that goes beyond what they had to meet for measuring
10 toll traffic.

11 Q. But as a proposition generally the volume
12 in the toll market has increased exponentially since
13 1984, correct?

14 A. I don't know that -- an exponential
15 increase?

16 Q. Many times over.

17 A. In comparison to, say, population growth or
18 what?

19 Q. Just total minutes of use volume.

20 A. Yes. It's increased significantly since
21 1984.

22 Q. When you were discussing your experiences
23 with various switches that you experienced problems
24 with, were those switches that were purchased by
25 interexchange carriers or local exchange carriers?

01185

1 A. At the time in the early '80s or mid '80s,
2 the switches that I had experience with were purchased
3 by interexchange carriers. My understanding is that
4 local exchange carriers for whatever reason also
5 purchased those switches.

6 Q. Is it your testimony that local exchange
7 carriers at the time of divestiture had to exchange
8 out all of their switches in order to measure for
9 access charges, measure and bill?

10 A. My experience was as an employer or
11 contractor to interexchange carrier. I tried many
12 times, but I never did find out exactly what U S WEST
13 and other local exchange carriers did, but my general
14 understanding is that they installed access tandems, a
15 totally different type of switch as a result of the
16 divestiture and entry of competitors in the
17 interexchange carrier market.

18 Q. I found that issue on virtual colocation
19 and we'll turn to that last. It's on your rebuttal
20 testimony at page 5. That's T-88. You refer on line
21 13 to a leaseback mechanism, and the question to you
22 just as a matter of cleaning up the record, are you
23 aware that in Mr. Owens's rebuttal testimony he in
24 fact offers that leaseback arrangement?

25 A. That's my understanding, correct.

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1 MR. O'JILE: That's all I have, Your Honor.

2 JUDGE ANDERL: Mr. Potter, do you have

3 questions for this witness?

4 MR. POTTER: No, I do not.

5 JUDGE ANDERL: Mr. Smith?

6 MR. SMITH: No questions.

7 JUDGE ANDERL: Any of the intervenors? Mr.

8 Finnigan?

9 MR. FINNIGAN: No.

10 JUDGE ANDERL: Mr. Trotter? Commissioners?

11 CHAIRMAN NELSON: No.

12 COMMISSIONER HEMSTAD: No.

13 COMMISSIONER GILLIS: One real quick

14 question.

15

16 EXAMINATION

17 BY COMMISSIONER GILLIS:

18 Q. An engineering question I've been wondering

19 about and I think you would be a good person to ask.

20 Just thinking of the local loop portion only of the

21 network, it's generally constructed to serve both

22 terminating and originating calls, but if you were to

23 construct that local loop for some reason just to

24 serve calls that originate from a customer, would

25 there be any different equipment required?

01187

1 A. I don't believe so. Once you have a loop
2 really it's implied that it works both ways or could
3 just be used in one direction.

4 Q. So it would cost the same to build that
5 loop whether you're building it to terminate an
6 originating call or whether you're building it just to
7 originate a call, it doesn't matter?

8 A. I would agree. Most of the loops as I
9 think of them are used to bring dial tone to buildings
10 or to residences.

11 COMMISSIONER GILLIS: That's all I was
12 wondering. Thanks.

13 JUDGE ANDERL: Redirect.

14 MR. BUTLER: Yes.

15

16 REDIRECT EXAMINATION

17 BY MR. BUTLER:

18 Q. Mr. Cook, you had a discussion with Mr.
19 O'Jile about bill and keep in the situation where an
20 Electric Lightwave customer called a U S WEST customer
21 and the call was carried in part on U S WEST's network
22 and terminated to the U S WEST customer and no express
23 compensation was paid under the bill and keep system.
24 Would the reverse also be true, a U S WEST customer
25 called an Electric Lightwave customer and the call was

01188

1 carried by Electric Lightwave's network and terminated
2 to its customer?

3 A. That's correct. That's my testimony and
4 our proposal.

5 Q. Mr. O'Jile also asked you some questions
6 about the distance at which a call could be carried by
7 U S WEST's network versus Electric Lightwave's
8 network. I'll ask you to assume that this competitive
9 local exchange carrier had a network that consisted of
10 a fiber ring that circled Lake Washington and that
11 that competitive carrier interconnected with U S
12 WEST's network in a number of locations. For example,
13 that it connected with U S WEST's network in north
14 Seattle and it had customers in Renton at the south
15 end of Lake Washington.

16 A U S WEST customer calls this competitive
17 local exchange carrier customer -- a U S WEST customer
18 located in north Seattle calls the competitive local
19 exchange carrier customer in Renton. Wouldn't it be
20 possible that that call would traverse the U S WEST
21 network only in north Seattle and connect with the
22 electric -- or the competitive local exchange carrier
23 in north Seattle and be carried by the competitive
24 local exchange carrier network across its ring to its
25 customer in Renton?

01189

1 A. Yes. If there was a connection between U S
2 WEST and the competitive local exchange carrier in
3 north Seattle, I would assume that's where U S WEST
4 would hand the call to Electric Lightwave. It
5 wouldn't make sense for them to carry it to some other
6 point. They would carry it to the closest point that
7 that customer is located and then it would be ELI's
8 responsibility to carry the call around the ring,
9 around Lake Washington, to the customer in Renton.

10 Q. In that case would you agree that it's
11 possible that the call carried on the competitive
12 local carrier's network could bypass in fact a number
13 of U S WEST's central offices?

14 A. Yes, that's correct.

15 Q. You were asked some questions about the
16 development of software by switch manufacturers to
17 accommodate the measurement of local traffic. In your
18 experience, do switch manufacturers develop and
19 provide software upgrades to switches for free or do
20 they charge their customers?

21 A. There's always a charge for software and
22 the charges are substantial running into several
23 hundred thousand dollars often yearly.

24 Q. Mr. O'Jile asked you whether a new entrant
25 would have the option of building facilities, leasing

01190

1 them from the incumbent local exchange carrier or
2 leasing them from a third party. To your knowledge,
3 are third party facilities generally available for
4 lease on a ubiquitous basis including distribution
5 facilities?

6 A. No, they're not.

7 Q. Mr. O'Jile also asked you about your
8 familiarity with carrier access billing. Are you
9 aware of any problems with those systems specifically
10 with regard to accuracy?

11 A. Yes. I dedicated a good part of my
12 testimony to that. It's probably been the most
13 difficult aspect of operating an interexchange carrier
14 business, both in my experience as an employee of an
15 interexchange carrier and as consultant to
16 interexchange carriers, and because the access charges
17 represent such a large portion of their expense, it's
18 a monthly struggle to -- in a very short period of
19 time that they seem to have to be able to reconcile
20 the bills that come literally by the truckload in
21 boxes, and present it in a way that's very difficult
22 to match up calls. They're split up by billing
23 elements, so a particular call you got to go to six or
24 seven different reports and then if you get there you
25 find that the measurements are not correct or the

01191

1 charges are not correct, so it's kind of an atmosphere
2 of panic most of the time that the interchange
3 carriers are trying to figure out exactly what they
4 owe, and if they don't agree to be able to substantiate
5 what it is that should be paid.

6 It's a problem that's existed from the
7 beginning and it still exists today and it's why I'm
8 very concerned about the burden of measurement placed
9 on competitive local exchange carriers. We haven't
10 been able to get the interexchange measurement systems
11 right in 15 years, and now I see a proposal that
12 suggests we abandon what we have today and go to an
13 entirely new unproven knowledge that to my knowledge
14 isn't working, hasn't been tested anywhere in the
15 world, and every call that transits between networks is
16 going to be measured by this system. Just as a
17 professional, my judgment is this would be a very bad
18 decision and would really not support the entry of
19 competition into local exchange markets.

20 Q. In addition to costs associated with the
21 actual measurement of local traffic, would you agree
22 that there are also costs associated with billing and
23 collection.

24 MR. O'JILE: Your Honor, I would object as
25 being beyond the scope of my cross-examination. I did

01192

1 not go into billing and collection issues with this
2 witness at all.

3 JUDGE ANDERL: Mr. Butler.

4 MR. BUTLER: He did go into the subject of
5 the measurement of local traffic for purposes of
6 compensation. Billing and collection is an integral
7 part of the measurement and collection for that.

8 MR. O'JILE: Your Honor, he has addressed
9 this issue and the issue he just discussed in his
10 testimony. I think the record reflects ELI's position
11 on this issue and I don't believe there's a need to
12 burden these proceedings with this rehashing of their
13 position.

14 JUDGE ANDERL: Mr. Butler, I agree that
15 it's somewhat connected with the cross in terms of
16 connected with the whole issue of measurement, but is
17 there something specific in Mr. O'Jile's questions
18 that you're getting at?

19 MR. BUTLER: No, that's fine. I think it's
20 obvious. I have no further questions then.

21 JUDGE ANDERL: Any recross? Mr. O'Jile.

22

23 RE-CROSS-EXAMINATION

24 BY MR. O'JILE:

25 Q. Mr. Butler asked you a hypothetical about a

01193

1 competitive provider with a large network, and I won't
2 go through the intricacies of that hypothetical. But
3 would it be correct, sir, in areas that ELI's ring or
4 the competitive carrier's ring do not touch then the
5 competitive carrier would look to
6 U S WEST to deliver the call for it under your
7 proposal?

8 A. Yes. Those circumstances would occur.

9 MR. O'JILE: That's all I have.

10 JUDGE ANDERL: Thank you. Is there recross
11 from anyone else for this witness?

12 Seeing none then, thank you, Mr. Cook, for
13 your testimony. You may step down. ELI's next
14 witness.

15 MR. BUTLER: Mr. Ackley.

16 (Recess.)

17 JUDGE ANDERL: Let's be back on the record.
18 While we were off the record Mr. Ackley took the
19 stand. We marked his direct testimony as Exhibit T-90
20 for identification, and his reply testimony as Exhibit
21 T-91 for identification.

22 Whereupon,

23 SHERMAN ACKLEY,
24 having been first duly sworn, was called as a witness
25 herein and was examined and testified as follows:

01194

1 (Marked Exhibits T-90 and 91.)

2

3 DIRECT EXAMINATION

4 BY MR. BUTLER:

5 Q. Mr. Ackley, would you please state your
6 name and business address for the record.

7 A. Name is Sherman Ackley. My business
8 address is 8100 Northeast Parkway Drive, Vancouver,
9 Washington.

10 Q. Have you prefiled written direct testimony
11 in this proceeding?

12 A. Yes, I have.

13 Q. Is that prefiled testimony what has been
14 marked for identification purposes as Exhibit T-90?

15 A. Yes, it is.

16 Q. Have you prefiled written reply testimony
17 in this proceeding?

18 A. Yes, I have.

19 Q. And is that prefiled reply testimony what
20 has been identified as Exhibit T-91?

21 A. Yes, it is.

22 Q. Do you have any additions or corrections to
23 Exhibit T-90?

24 A. No, I do not.

25 Q. Do you have any additions or corrections to

01195

1 Exhibit T-91?

2 A. No, I do not.

3 Q. If I were to ask you today the questions
4 that are contained in Exhibit T-90 would your answers
5 be as written therein?

6 A. Yes, they would.

7 Q. If I were to ask you the questions that are
8 contained in Exhibit T-91, would your answers be as
9 written therein?

10 A. Yes, they would be.

11 MR. BUTLER: Move the admission of Exhibits
12 T-90 and T-91.

13 JUDGE ANDERL: Any objection to those
14 exhibits? Hearing none, Exhibits T-90 and T-91 will be
15 admitted as identified.

16 (Admitted Exhibits T-90 and 91.)

17 MR. BUTLER: Mr. Ackley is available for
18 cross-examination.

19 JUDGE ANDERL: Mr. O'Jile.

20 MR. O'JILE: Thank you, Your Honor.

21

22 CROSS-EXAMINATION

23 BY MR. O'JILE:

24 Q. Morning, Mr. Ackley.

25 A. Good morning.

01196

1 Q. My name is Bill O'Jile and I will be asking
2 you a few questions this morning on behalf of U S

3 WEST. Mr. Ackley, do you know who owns ELI?

4 A. Yes, I do.

5 Q. And who is that?

6 A. Citizens Utility, a holding company.

7 Q. Are you aware of the various holdings of
8 Citizens Utility Company?

9 A. Not all of them, no.

10 Q. In a general manner, are you?

11 A. Generally.

12 Q. Have you seen the 1994 Citizens Utility
13 annual report?

14 A. I just glanced at it briefly. I did not
15 read it.

16 MR. OWENS: May I approach the witness?

17 Q. Mr. Ackley, my co-counsel has handed you a
18 document, and I would like you to identify that
19 document for the record.

20 A. That's Citizens Utility's 1994 annual
21 report.

22 Q. And is this the annual report that you just
23 indicated you have looked at?

24 A. Yes. The cover is really all I've had
25 looked at.

01197

1 MR. O'JILE: Your Honor, I would like to
2 have an exhibit marked for identification by the
3 witness.

4 MR. BUTLER: Your Honor, I would like to
5 impose an objection at this point. This document is
6 not within the scope of Mr. Ackley's direct testimony,
7 and therefore should not be examined into at this
8 time.

9 JUDGE ANDERL: Mr. O'Jile, at the very
10 outset I think with the witness's testimony that all
11 he's ever looked at is the cover of this report, I
12 really don't know where you want to go with it.

13 MR. O'JILE: Can I lay some foundation?

14 JUDGE ANDERL: Please.

15 Q. Mr. Ackley, let's turn to your testimony,
16 direct testimony, on page 1, lines 14 through 17.
17 You indicate there that you've been involved in the
18 design and construction of new networks for ELI in
19 Sacramento, Salt Lake City, and Phoenix as well as the
20 design of the southwest fibernet long haul route
21 linking Phoenix and Las Vegas?

22 A. That's affirmative.

23 Q. Was your work on these networks during the
24 -- were these networks built during the course of
25 1994?

01198

1 A. Construction was started in 1993, and in
2 1994 I changed positions and so I am not familiar with
3 the finishing of the construction of those networks.

4 Q. Are you aware of how ELI funded the
5 construction of those networks?

6 A. No, I am not.

7 MR. O'JILE: May I approach the witness,
8 Your Honor?

9 JUDGE ANDERL: Yes. Do I need to give this
10 document an exhibit number yet?

11 MR. O'JILE: I'm going to ask him about a
12 portion of this document.

13 MR. BUTLER: Your Honor, I still have an
14 objection that this document and the subjects covered
15 by this document are beyond the scope of Mr. Ackley's
16 direct testimony which addresses only the issue of
17 number portability.

18 JUDGE ANDERL: I think without reading the
19 document, the Citizens Utility document, I think I have
20 to agree with Mr. Butler and sustain that objection.
21 If you want to I think you might offer this exhibit
22 through another witness, I would be happy to give it a
23 number.

24 MR. O'JILE: Why don't you give it a number
25 because we would certainly like to try to offer it

01199

1 through another witness.

2 JUDGE ANDERL: Then the Citizens Utility
3 194 annual report will be marked for identification as
4 Exhibit No. 92.

5 (Marked Exhibit 92.)

6 Q. Mr. Ackley, are you aware generally of the
7 fact that Citizens Utilities owns a number of local
8 exchange properties throughout the United States?

9 A. I am aware that Citizens Utilities has a
10 Telecom sector that owns telephone properties, yes.

11 Q. And in fact based on acquisitions made
12 during 1994 Citizens Utilities, ELI's parent company,
13 is one of the ten largest local exchange carriers in
14 the United States, isn't it?

15 MR. BUTLER: Again, Your Honor, I am
16 willing to indulge a little bit but this is beyond the
17 scope of the witness's direct examination.

18 JUDGE ANDERL: Are you moving towards
19 something specific in the witness's direct?

20 MR. O'JILE: Your Honor, I think that
21 generally the issues of ELI's financial position
22 vis-a-vis the ability of funds from a very well-heeled
23 parent company go to issues that this witness has
24 discussed as well as other ELI witnesses have
25 discussed. Now, Mr. Ackley is the first employee of

01200

1 ELI that has taken the stand. He is discussing an
2 issue of number portability which goes to -- which he
3 also makes some representations as far as financial,
4 the financial health of ELI and the need for number
5 portability. I believe that we should be afforded some
6 latitude to get some basic information about ELI on the
7 record from actual employees of ELI. And I am not
8 going to belabor this. I just would like to move on.

9 JUDGE ANDERL: That's what I was just going
10 to say. I think to the extent that you tie it in in
11 that way I will allow you some latitude. You're
12 right, this is the first employee witness, and I will
13 let you go into it, but only very briefly.

14 MR. O'JILE: Thank you, Your Honor.

15 Q. Mr. Ackley, the question before you is
16 whether, based on acquisitions during 1994, isn't it
17 correct that Citizens Utility is one of the larger
18 local exchange carriers now in the United States?

19 A. I do not know that for a fact. If you tell
20 me that, I would have -- I don't know.

21 Q. And during the course of your work with ELI
22 you have never been -- it's never been told to you or
23 never been represented to you that Citizens Utility is
24 providing funding to ELI for the construction of its
25 network?

1 MR. BUTLER: Your Honor, I have to object.
2 He's indicated that he is not in a position to know
3 this, doesn't know the situation with regard to
4 Citizens Utilities. It's not within the scope of his
5 employment. I think there's a lack of foundation, and
6 in addition it calls for hearsay.

7 JUDGE ANDERL: Well, I guess I'm going to
8 sustain the objection. I mean, Mr. O'Jile, you can
9 only go into it with this witness to the extent of his
10 knowledge, and I think it's pretty clear we're beyond
11 that.

12 MR. O'JILE: Your Honor, with all
13 due respect I think I asked him a foundational
14 question that asked him is he -- in his position has he
15 never been told that the networks that he is working on
16 constructing for ELI have been funded in whole or in
17 part by Citizens Utility. Now, Mr. Butler says that he
18 doesn't know that but the witness never had an
19 opportunity to answer that question.

20 MR. BUTLER: The direct form of the
21 question asks for hearsay. Asks him has he been told.

22 JUDGE ANDERL: Well, whether it's true or
23 not, though, is not at issue. It's just whether he's
24 aware of it. I guess I will allow it. Mr. Ackley,
25 have you ever been told?

1 THE WITNESS: In my role as an engineer you
2 submit projects for approval that request funding of
3 the corporate officers. I have not really been told
4 exactly where the sources of funds are.

5 MR. O'JILE: Thank you, Your Honor.

6 Q. Mr. Ackley, as you're sitting in the
7 witness chair today, can you tell us when we're going
8 to have a database number portability solution?

9 A. In trial stage or in full deployment?

10 Q. In full deployment.

11 A. That depends on U S WEST Communications's
12 cooperation in continuing the phase 2 and 3 of the
13 current Seattle trial, and whether U S WEST keeps on
14 schedule with the completion of the trial. In all
15 probability the technology could be ready for initial
16 deployment in early 1996.

17 Q. Well, were you in the room when Mr. Owens
18 testified about a trial that's ongoing in New York or
19 will be ongoing in New York during 1996?

20 A. I am aware that the New York Public Service
21 Commission and the industry there issued an RFP for
22 responses from companies to provide local numbers
23 portability and there were more than five companies
24 who offered to provide local number portability for
25 their trial beginning in first quarter of 1996.

01203

1 Q. And who did the New York Commission select
2 as the trial company?

3 A. They selected two companies, a proposal
4 from MCI Metro I've been told, although I don't know
5 that for a fact, and they have selected US Intelco
6 Services who is using the technology that we developed
7 here in Seattle.

8 Q. So, in New York during 1996 they're going
9 to trial both the Michigan solution and the Seattle
10 solution that's being tested right now by Intelco?

11 A. Correct.

12 Q. And is it not your testimony that this
13 Commission should look at both the results of the
14 Seattle trial and the New York trial before making
15 decisions on number portability?

16 A. My testimony says that the Commission
17 should order the industry in the state of Washington
18 to form a task force to look at all of the forms of
19 providing local number portability, to blend the
20 technologies together to form a cohesive comprehensive
21 low cost database technology for providing number
22 portability, and I believe that task force can
23 accomplish its job in less than six months if given
24 that deadline.

25 Q. What do you base that on, sir?

01204

1 A. My experience with how easy it is to
2 provide number portability.

3 Q. And where have you gained that experience?

4 A. In the Seattle trial.

5 Q. And that experience is -- how long have you
6 had those experiences?

7 A. We've been working on the system since last
8 October of 1994.

9 Q. And did you have any prior experience with
10 number portability?

11 A. Negative.

12 Q. So it's your testimony that it will take
13 six months for the industry to come together and to
14 hash out between three competing methods of number
15 portability a solution that can be implemented in the
16 following six months?

17 A. They're not competing technologies.
18 They're all variations.

19 Q. But would you agree that Michigan would
20 probably think its technology was superior to that of
21 Intelco or its solution was superior to that of
22 Intelco?

23 A. I think both of us have been working
24 together to bring the two together. Which method is
25 selected for particular metropolitan area depends upon

01205

1 the capabilities of the existing switch software of
2 the carriers involved in that local metropolitan area.

3 Q. Now, in New York they're going to actually
4 trial two different providers. Do you know why
5 they're waiting six or eight months in order to start
6 that trial?

7 A. No, I do not.

8 Q. And they're actually going to have two, the
9 two solutions up and running and so they will be able
10 to have a hands-on opportunity to see which one works
11 the best?

12 A. My understanding is they're basically going
13 to replicate the Seattle trial.

14 Q. But with two solutions instead of one?

15 A. Correct. And then the Seattle trial
16 database can do both types today.

17 Q. Practically speaking, Mr. Ackley, once a
18 decision is made on number portability solution
19 there's still a lot of work to be done, isn't there?

20 A. Only in terms of laying out the deployment
21 schedule, selection of the NXXs to be included in the
22 portable world, scheduling out how you're going to
23 activate the switches and how they're going to send
24 their calls to the database. It's basically an
25 implementation issue and the carriers just need to sit

01206

1 down and say here's my office A, office B, office C,
2 we'll handle the routing of calls and porting of
3 numbers from office A this way, from office B a
4 different way. For example, if you've got a number
5 1ESS machine, currently their ability to to do database
6 queries is limited, so that the route indexing proposal
7 that Jeff Owens made earlier would be an excellent way
8 for that switch to be able to forward calls out to a
9 tandem that could do a database query. It's all just
10 working out the implementation issues and sitting down
11 around a table. It's not rocket science. It's very,
12 very easy to do.

13 Q. How long did it take to work out those
14 implementation issues when 800 number portability was
15 rolled out?

16 A. 800 was a nationwide cut that required new
17 software to be developed for switches, a new service
18 management system bureau to be created, and a new
19 computer network to be built. It also required the
20 SS7 network to be expanded many times larger than it
21 was, so it was a gigantic program that basically built
22 the SS7 infrastructure. It basically built the
23 infrastructure for being able to do database queries
24 out of switches, so as a result of the work done on
25 800, even though it took some time to be able to

01207

1 deploy that network, that basically built the
2 infrastructure for the advanced intelligent network
3 capabilities that are there today. New applications
4 really are just adding another application program on
5 top of that, which utilizes all of the existing
6 infrastructure. The SS7 links the STPs, which are
7 currently under-utilized, and merely adding a database
8 computer bolted on the side and instructing the
9 switches to go query the database to find out where to
10 send a call.

11 Q. Is it your testimony that a service
12 management system will not be needed for local number
13 portability?

14 A. Not at all. A service management system
15 function will be required. Whether that function is
16 automated and the information is passed directly
17 between the carriers providing service in the local
18 area or whether a neutral third party bureau is
19 established really is something that's up to the
20 carriers involved in the local area as to how they
21 decide the best way to keep the databases
22 synchronized.

23 Q. Has that work been done yet?

24 A. Preliminary work on that has been done and
25 the functions have been identified, it's my

01208

1 understanding, in my discussions with the people at
2 US Intelco who are developing the service management
3 system.

4 Q. Now, in the 800 number portability world
5 Lockheed developed and manages the service management
6 system, right?

7 A. Yes.

8 Q. And as a practical matter is there going to
9 need to be a bid process in order to choose the
10 manager or coordinator of that service management
11 system?

12 A. I think that would be up to the industry
13 task force and the guidance of the Commission to make
14 that decision.

15 Q. And in order to do a bid there would have
16 to be a request for proposal type document developed
17 laying out the responsibilities of this entity?

18 A. That document would need to be prepared.
19 There's the Ameritech model that could be used in the
20 New York RFP that could be almost just copied and
21 issued.

22 Q. And then that service management system,
23 the databases would have to be developed and then all
24 the carriers would need to connect with that, correct?

25 A. The application program is already

01209

1 developed. The database does not have to be built.

2 Q. Has to be loaded, though, right?

3 A. No, it doesn't have to be loaded at all.

4 As you make numbers portable one number at a time the
5 numbers are added to the database one number at a
6 time. The database is turned on with the assumption
7 that all customers' telephone numbers are not
8 forwarded, that the customer number address is
9 connected to the network node address and only those
10 numbers that become portable get added to the database
11 as the service orders are processed to establish the
12 service for those new connections and so it's built
13 one number at a time on an ongoing basis.

14 Q. You explained some of the problems with
15 database -- or excuse me, you explain some of the
16 reasons why developing the 800 number portability
17 system took a long time but you never did answer my
18 question of how long that whole process took?

19 A. I was not involved in it so I really don't
20 know.

21 Q. So, Mr. Ackley, you testified that the
22 success of Seattle trial depends in large part on
23 cooperation of U S WEST?

24 A. That's affirmative. U S WEST is one of the
25 trial partners along with Teleport Group and General

01210

1 Telephone.

2 Q. Has U S WEST failed to cooperate in any way
3 thus far?

4 A. No, they have not failed thus far and
5 they've been performing in a very good faith effort to
6 help us do the testing work. You asked me how long it
7 would take. Phase 3 of the test is service
8 interaction testing in which we're going to examine
9 what impacts might be on existing services such as
10 CLASS. There are certain services such as CLASS
11 that are impaired today with remote call forwarding,
12 and the attempt is to examine that in a database
13 situation and try to find solutions to improve the
14 situation from today and we're all working very
15 cooperatively, so you asked me the time frame and the
16 time frame would be dependent on us being able to keep
17 our schedule, which is now targeted to complete by the
18 end of July.

19 Q. You mentioned the fact that the process of
20 developing the database you need to load port numbers
21 that need to be portable or numbers that will be
22 portable in order to create the database, correct?

23 A. I said you load the numbers that become
24 portable one number at a time as you process the
25 service orders.

01211

1 Q. How many potential telephone numbers does
2 ELI have available to it in Seattle?

3 A. Theoretical or practical?

4 Q. Well, how many NXX codes do you have?

5 A. I believe we have six NXX codes, most of
6 which are required as rate center NXXs so they can't
7 be totally filled unless we can fill them with demand
8 in that specific exchange.

9 Q. And you were here when Mr. Cook testified
10 about the type of switch that ELI has deployed, a DMS
11 100/200 switch?

12 A. Yes.

13 Q. What is the capacity of that switch?

14 A. Don't really know. Manufacturers give
15 certain quotes. It depends on whether it's full of
16 Centrex, business lines, CLASS services, ISDM
17 prime rate, ISDM. It all depends on what's on it.

18 Q. So you don't know what the capacity of the
19 switch is?

20 A. You would have to tell me the exact
21 quantity of the types of lines that's on it and we
22 would have to ask the manufacturer to do a
23 calculation.

24 MR. O'JILE: That's all I have.

25 JUDGE ANDERL: Thank you. Mr. Potter, do

01212

1 you have any questions for this witness?

2 MR. POTTER: Just a couple.

3

4 CROSS-EXAMINATION

5 BY MR. POTTER:

6 Q. Morning.

7 A. Good morning.

8 Q. Couple of questions, what you just
9 mentioned, rate center NXX. Could you explain what
10 that is, please.

11 A. ELI's service offerings in Seattle, our
12 exchanges exactly match the exchanges that exist
13 today, and for us to be able to process toll calls
14 with a correct toll rating center, we need to assign a
15 prefix for each exchange so that both the EAS calling
16 patterns for people that live in that exchange are
17 identical with the EAS calling patterns that's
18 furnished by U S WEST or GTE in this example.

19 I could say, for example, Kirkland, GTE has
20 prefixes for Kirkland. We have a prefix for Kirkland
21 and the calling scope of our Kirkland prefixes is
22 exactly identical. The V and H coordinates assigned
23 to that prefix is also identical.

24 JUDGE ANDERL: V and H?

25 THE WITNESS: Vertical and horizontal

01213

1 coordinates which are used for billing.

2 Q. Those coordinates in effect define a
3 physical geographical point?

4 A. That's correct.

5 Q. And those coordinates for the public
6 switched network throughout the country are in
7 documents available to all carriers, right?

8 A. Yes, they are. Generally they're published
9 in what's called the local exchange routing guide as
10 well as the toll homing arrangements to enable
11 carriers from all around the country to be able to
12 find the switch and route calls for it?

13 Q. And those coordinates can be used for toll
14 billing because they allow carriers to calculate how
15 many miles a given toll call is, correct?

16 A. Yes.

17 Q. And that's necessary because generally
18 speaking toll rates are set by mileage bands; is that
19 right?

20 A. Yes, they are.

21 Q. So, based on your statements a moment ago,
22 is it correct to state that it is Electric Lightwave's
23 position that it will establish, in effect, exchanges
24 that are co-extensive with the existing local exchange
25 carrier?

01214

1 A. Yes.

2 Q. And for each Electric Lightwave exchanges
3 then it will have a separate prefix; is that right?

4 A. Yes. Unfortunately, we would like not to
5 consume that many codes, but that has to be done for
6 toll billing purposes.

7 Q. As well as for distinguishing local and EAS
8 calls from toll calls for intercompany compensation
9 purposes, correct?

10 A. Correct.

11 Q. Do you know, has Electric Lightwave filed
12 any exchanges maps with the Commission that confirm in
13 a public notice sense that company is manufacturing
14 existing exchanges?

15 A. We have not filed maps, but we have filed
16 that we concur in the exchange boundaries of the
17 existing exchanges.

18 Q. That's in a tariff or price list filing?

19 A. I don't remember. I'm sorry, but I believe
20 so. I believe it's in a filing that we've made with
21 the Commission.

22 Q. Just a couple of questions on your number
23 portability work. I see your title is director of
24 special projects and I gather number portability is a
25 special project at Electric Lightwave?

01215

1 A. It's the special project now.

2 Q. When did you commence that special project?

3 A. Actually we started the initial design work
4 in May of 1994 before we contacted U S WEST that we
5 were going to interconnect with them, and our basic
6 assumption that the telephone number is an essential
7 facility and that the customer should be given control
8 of their telephone number not the telephone company.

9 Q. I just wanted the date and you gave that to
10 me.

11 A. Thank you, I'm sorry.

12 Q. Do you know when Electric Lightwave made
13 the business decision to enter the local exchange
14 service business?

15 A. I don't know that date.

16 Q. Do you know whether it was before or after
17 May '94?

18 A. It was before.

19 Q. And would it be fair to assume that when
20 Electric Lightwave decided to enter the local exchange
21 service business it decided that there was a
22 reasonable possibility that that would be a
23 financially viable business for it.

24 MR. BUTLER: I am going to have to object.

25 I don't see what the relevance of this is to the

01216

1 number portability testimony that he's offered.

2 MR. POTTER: Well, you will see it when I
3 ask my next question.

4 JUDGE ANDERL: Go ahead.

5 Q. Do you have my pending question in mind?

6 A. I think I've forgotten the question. Could
7 you repeat it, please.

8 Q. Would it be fair to assume that when
9 Electric Lightwave decided to enter the local exchange
10 service business Electric Lightwave had concluded that
11 it was reasonably possible that that would be a
12 financially viable business for it?

13 A. That would be true.

14 Q. Do you know what assumptions ELI had made
15 as to the availability or cost of local number
16 portability when it decided to enter the local
17 exchange service business?

18 A. No, I don't know that.

19 MR. POTTER: That's all my questions.

20 JUDGE ANDERL: Mr. Smith.

21 MR. SMITH: I just have a few questions.

22

23

24

25

1 CROSS-EXAMINATION

2 BY MR. SMITH:

3 Q. Mr. Ackley, Mr. O'Jile asked you about --
4 some questions about the database number portability
5 solution, and I believe you said that you recommended
6 that this Commission should direct the industry to
7 form a task force to deal with the issue and that it
8 could be resolved in six months. Was that your
9 testimony?

10 A. Yes, provided the Commission ordered us to
11 do it in six months. If the industry is left on its
12 own, industry committees and forums will take whatever
13 time is allotted, which would mean if there's no
14 deadline it will take five years.

15 Q. What would you recommend that this
16 Commission do if the industry task force does not
17 reach any consensus on a permanent solution?

18 A. I think it would be up to the task force to
19 attempt to reach a consensus. If a consensus cannot
20 be reached then if there were more than one point of
21 view they would be proposed as part of the task force
22 recommendation or proposal to the Commission, and it
23 could be resolved as part of the Commission review of
24 the report out of the task force as to which is in the
25 public interest to be deployed.

01218

1 Q. And in the interim, pending the outcome of
2 the task force, and with perhaps lack of consensus and
3 pending any trial results, do you have any
4 recommendation as to what this Commission should do as
5 a temporary solution to number portability?

6 A. Oh, yes. Immediately order in the U S WEST
7 proposal for interim number portability -- I can't get
8 the acronyms correct -- on the TS LRIC based on that
9 cost. It's absolutely essential for us to be able to
10 make telephones' numbers portable to even enter the
11 business in any meaningful way.

12 Q. Thank you.

13 JUDGE ANDERL: Do any of the intervenors
14 have questions for this witness. Mr. Finnigan.

15

16 CROSS-EXAMINATION

17 BY MR. FINNIGAN:

18 Q. Good morning.

19 A. Good morning.

20 Q. You are aware that GTE Northwest has opened
21 a WECA docket to look at the technical implementation
22 issues for interconnection?

23 A. Yes, I am.

24 Q. As part of that docket a subcommittee on
25 number portability has been formed; is that correct?

01219

1 A. Yes, it has, and I volunteered to be the
2 chairman of that committee and even in the advance of
3 Commission order here we're going to try to convene
4 that task force and start working on developing a
5 database plan and see how far and how fast we can get.

6 Q. So that subcommittee could be the task
7 force that you described in your testimony?

8 A. Given the appropriate input from the
9 Commission and direction that could be the
10 organization, yes.

11 Q. In looking at ELI's proposal for number
12 portability, it involves a query of the database; is
13 that correct?

14 A. It does, yes.

15 Q. And who would pay for the database query?

16 A. The database query would be paid for by the
17 companies who perform the database queries and who
18 benefit from number portability.

19 Q. Specifically let's say that there's a number
20 base -- excuse me, a portability database developed for
21 the Seattle/Everett area. Who would pay for the
22 database queries and how would that work?

23 A. The architecture is very open that we've
24 developed and it can be deployed in any of several
25 different ways. For example, if a carrier today has

01220

1 already deployed databases for their own internal
2 network advanced intelligent network services, number
3 portability is just another application program that
4 gets added to the database so that the cost to do it
5 and the way it would be queried would be almost
6 nothing.

7 For smaller carriers they may want to form
8 a co-op or purchase from a third party vendor of the
9 database queries. But since our system is designed
10 upon performing a database query upon entry to the
11 number portability area, carriers outside of that area
12 do not have to expend any funds, only the carriers in
13 Seattle would be involved with deploying the
14 capability.

15 Q. If I understand you correctly that means
16 that the local exchange companies that are involved in
17 porting of numbers would be the ones that would pay
18 for the data query; is that correct? Is that what I
19 understood you to say?

20 A. Yes.

21 Q. In the proposal that ELI has put forth, if
22 a customer switches from an existing local exchange
23 company to ELI, are there any limitations on their
24 switching back?

25 A. Oh, absolutely none. Number portability

01221

1 has to be on a completely neutral full reciprocity
2 basis.

3 Q. In looking at what has been described in
4 your attachment to your testimony as to the phases of
5 testing that have gone forward to date, if I look at
6 page 8 there are three phases, phase 1, phase 2 and
7 phase 3. This is in the attachment to your direct
8 testimony.

9 A. Okay.

10 Q. Did I understand you to say that phase 1
11 and phase 2 have been completed?

12 A. Phase 1 has been completed, and as we sit
13 here today the database is running with telephones'
14 numbers portable between ELI and U S WEST and between
15 ELI and Teleport so that we've executed number
16 portability on a service provider basis, and you can
17 actually make a call to those numbers and they will be
18 completed.

19 Phase 2 is to make sure that when you put a
20 large volume of calls on the network that the behavior
21 of the database is as predictable, and that test is
22 being done, hopefully as we're speaking, in General
23 Telephone's laboratories in Texas.

24 Phase 3 is the service interaction that is
25 scheduled to start right after the 4th of July in

01222

1 U S WEST laboratory in boulder.

2 Q. So as I understand it, phase 1 has been
3 completed. Phase 2 is going on in a laboratory
4 setting and phase 3 should soon go on in a laboratory
5 setting. Is that what you've said?

6 A. Yes. It was agreed upon by the participants
7 in the trial that we did not want to do phase 2, which
8 is loading up the SS7 network, in a live network. In
9 phase 3, U S WEST had a simulated network with
10 multiple switches in their laboratory so that we could
11 perform that testing without affecting customers that
12 are in service.

13 Q. And the last part of your answer is the
14 reason why it's being done in a lab test setting today
15 instead of using live traffic?

16 A. That's affirmative. We're being ultra
17 cautious in the testing.

18 Q. Also on page 8, the top of page 8, it says
19 that "this proved the concept works and that it will
20 work with northern Telecom, DMS 100/200 offices." Do
21 you know if it will work with DMS 10 offices?

22 A. I believe my last review of -- yes and no.
23 This is going to get complicated, I'm sorry. It will
24 work with Northern Telecom DMS 10 offices in that they
25 do not need to make a database query in order to port

01223

1 numbers out of the switch. They have the ability to
2 do what's called an intelligent network query, which
3 is what they use for 800, and we're in the testing
4 stages to use that technology. The last time I looked
5 at Northern Telecom's feature roll-out schedule for
6 DMS 10 shows that I think in the latter half of 1996
7 that those switches will have ANI 0.1 features
8 available to them so that it will become available to
9 those switches.

10 Q. As a software upgrade?

11 A. As a software upgrade, yes.

12 Q. You can appreciate why I ask about DMS 10's
13 given the small companies that I represent as opposed
14 to -- you understand that they normally use DMS 10 or
15 its equivalent rather than a DMS 100/200?

16 A. Yes, I understand that.

17 MR. FINNIGAN: No further questions.

18 JUDGE ANDERL: Thank you. Mr. Kopta, did I
19 see that you had some questions?

20 MR. KOPTA: Yes, thank you.

21

22 CROSS-EXAMINATION

23 BY MR. KOPTA:

24 Q. Morning, Mr. Ackley. My name is Greg Kopta
25 and I am representing TCG Seattle in this proceeding.

01224

1 I just have a couple of questions for you on page 4 of
2 your reply testimony. Specifically beginning at lines
3 10 and carrying through through lines 19. You
4 referenced U S WEST cost study for call forwarding
5 variable service. Are the costs of that service
6 reflected in that study?

7 A. I believe so.

8 Q. And do you recall what the costs are?

9 MR. O'JILE: Your Honor, I would object at
10 this point because I believe this to be friendly
11 cross.

12 MR. KOPTA: Well, Your Honor, Mr. Roe in
13 his testimony advocates that interim number
14 portability be provided as part of interconnection
15 without cost. This witness is advocating that there
16 be a cost imposed. I am simply exploring the
17 difference between the two different proposals.

18 JUDGE ANDERL: I will allow it. Do you
19 have the question in mind?

20 A. I believe U S WEST has filed some cost
21 material relative to call forwarding variable.

22 Q. And can you determine from that material
23 what U S WEST's costs are in providing that service?

24 A. Yes.

25 Q. Do you recall what those costs are for that

01225

1 service?

2 A. I believe that's confidential material.

3 Q. Is it on a percentage basis less than the
4 tariff rate?

5 A. Yes.

6 Q. And that number, too, would be
7 confidential?

8 JUDGE ANDERL: The percentage, you mean?

9 MR. KOPTA: The percentage.

10 JUDGE ANDERL: Yes, of course it would be.
11 We lawyers are bad with math but we're not that bad.

12 Q. Can you give me an order of magnitude?
13 Would that be permissible?

14 JUDGE ANDERL: I don't know. Does the
15 company object to that?

16 MR. BUTLER: We can discuss it with them,
17 whatever answer he's going to propose so they can make
18 an informed judgment before he says it out loud.

19 MR. TROTTER: Your Honor, I think some of
20 these figures are in the record or are proposed to be
21 in the record.

22 JUDGE ANDERL: Can we just refer to an
23 exhibit?

24 MR. KOPTA: Well, that's the other solution
25 is if that's already in the record or has been

1 proposed in any exhibit to be proposed.

2 Q. Do you know?

3 A. No, I don't know.

4 Q. Well, in lieu of that may I make a record
5 requisition for that number either from this
6 particular witness or from U S WEST.

7 MR. BUTLER: How about from U S WEST since
8 it's their cost?

9 JUDGE ANDERL: Why don't you guys talk
10 about it on the break.

11 MR. KOPTA: That's fine.

12 Q. Do the costs in this particular cost study
13 reflect TS LRIC costs?

14 A. That was one of the costs in their cost
15 study.

16 Q. Do any ELI customers currently utilize
17 interim number portability solutions?

18 A. Yes.

19 Q. Has ELI made a study of the extent to which
20 customers will use interim number portability?

21 MR. O'JILE: Your Honor, I would object to
22 this now. I think we're getting into issues of
23 unanimity of position between ELI and TCG and this
24 witness has nothing in his testimony about customer
25 reaction to number portability.

01227

1 JUDGE ANDERL: Mr. Kopta, I tend to agree.

2 MR. KOPTA: Well, what I'm attempting to
3 explore is the extent to which the cost at which
4 interim number portability is available would affect
5 the extent to which customers would opt for interim
6 number portability. I'm laying a foundation for that
7 by asking if ELI has conducted any studies with regard
8 to that. I mean generally whether they've conducted
9 any studies and then specifically whether they have
10 factored in cost differential.

11 JUDGE ANDERL: All right. Very briefly.
12 Go ahead.

13 Q. Has ELI conducted any general studies on
14 the extent to which customers will use interim number
15 portability?

16 A. I had our sales people review their sales
17 contact records in Seattle as part of an analysis of
18 why customers weren't signing up for our service. 86
19 percent of the sales contacts terminated as soon as
20 the customer found out they had to change their
21 telephone number so that for us interim number
22 portability is absolutely crucial.

23 Q. Was there any discussion as to whether
24 interim number portability would be a viable option,
25 and if so, at what price?

1 MR. O'JILE: Your Honor, same objection and
2 again feel this is getting into what customers told
3 ELI sales force and what they told Mr. Ackley. So
4 it's also hearsay.

5 MR. KOPTA: Well, again, I am trying to
6 explore whether there is any understanding on the part
7 of ELI through the customer contacts that the price of
8 interim number portability will affect the extent to
9 which customers will opt for that particular office.

10 MR. O'JILE: Your Honor, given Mr. Ackley's
11 response and the clarity and the citation to numbers
12 it's obvious that ELI and TCG have discussed this and
13 are eliciting friendly cross-examination, and I would
14 again renew my objection.

15 MR. KOPTA: Well, that's wholly improper.
16 I have not had any conversations with ELI. This is my
17 own line of cross developed independently. I take
18 umbrage at the accusations of U S WEST's counsel to
19 the contrary.

20 JUDGE ANDERL: Mr. Kopta, I think you're
21 really getting into an area that this witness doesn't
22 have direct knowledge of and it's second and third
23 hand information, so I think it's not providing a lot
24 of valuable information for the record. At this point
25 I'm going to sustain the objection.

01229

1 MR. KOPTA: Thank you, Your Honor.

2 Q. Do U S WEST customers pay U S WEST for a
3 particular number?

4 A. I'm not an expert in U S WEST's tariffs.
5 My understanding is they get one telephone number for
6 each business line. If they wish additional telephone
7 numbers they must pay a monthly fee to rent those
8 numbers from U S WEST.

9 Q. Is there a fee that they pay to U S WEST
10 that corresponds to the fee that they would pay if
11 they port that number using interim number portability
12 to ELI?

13 A. I don't really understand the question.
14 Could you phrase it again for me, please.

15 Q. Sure. It's your understanding that
16 customers of U S WEST pay U S WEST a monthly charge
17 for telephone service?

18 A. Yes.

19 Q. And as part of that monthly charge any fee
20 that that represents is the same thing that they would
21 pay to ELI if the number were portable?

22 MR. BUTLER: I object to the question as
23 being vague and ambiguous.

24 JUDGE ANDERL: I don't understand the
25 question.

01230

1 MR. KOPTA: Let me try and explain.

2 Q. Under your proposal a customer of U S WEST
3 that wants to port its number when it takes service
4 from ELI would pay a monthly service charge under the
5 interim number portability service option; is that
6 correct?

7 A. You mean -- did you say U S WEST customer
8 port a number from ELI?

9 Q. No. Port its number when it took service
10 from ELI.

11 A. When a customer took service from ELI would
12 the end user pay a number portability charge to U S
13 WEST, is that the question?

14 Q. Yes.

15 A. The answer is no, ELI would pay that charge
16 to U S WEST.

17 Q. So does ELI pass that cost along to the
18 customer?

19 A. No.

20 MR. KOPTA: Thank you. That's all I have.

21 JUDGE ANDERL: Cross from any other
22 intervenors? Ms. Weiske. Give her the microphone,
23 please.

24

25 CROSS-EXAMINATION

01231

1 BY MS. WEISKE:

2 Q. Mr. Ackley, I thought you said earlier -- I
3 apologize, I've got a bit of a cold and I'm having
4 trouble hearing -- that a database solution for
5 permanent number portability, that the costs
6 associated with that solution should only be incurred
7 by the carrier implementing the solution?

8 A. No.

9 Q. What did you say as to how those costs
10 would be recovered?

11 A. It would be recovered by the carriers who
12 benefit.

13 Q. And wouldn't all the carriers in the state
14 of Washington benefit from a permanent number
15 portability solution?

16 A. Those carriers that participate in a number
17 portability area would have of course benefit. If the
18 area gets expanded to cover the whole state eventually
19 then consumers are going to benefit first of all, but
20 then all of the carriers would also benefit, yes.

21 Q. I'm still a little confused. It's your
22 position if a database solution was only applied to
23 the city of Seattle and its surrounding areas that
24 carriers in other parts of the state and their
25 customers would not benefit from that solution?

01232

1 A. Yes, their customers would benefit from it.

2 Q. And if all the customers of the state would
3 benefit, like the state of Washington, isn't it
4 appropriate to consider allocating the cost to all of
5 those customers or the carriers depending if the
6 carriers are absorbing those costs?

7 A. That's beyond the scope of my
8 considerations here. I don't know.

9 Q. So you haven't considered what would happen
10 if the application of a real number portability
11 solution were applied to the entire state?

12 A. No. I think that's some of the things that
13 needs to be identified by the task force.

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

15 JUDGE ANDERL: Any other questions from the
16 intervenors? Mr. Trotter.

17 MR. TROTTER: Just a couple.

18

19 CROSS-EXAMINATION

20 BY MR. TROTTER:

21 Q. Turn to page 2 of your direct testimony,
22 Exhibit T-90 lines 15 through 17. You describe true
23 number portability, and you talk about capability of
24 an end user to keep their current phone number when
25 changing service providers and changing physical

01233

1 addresses or services. Do you see that?

2 A. Excuse me. I didn't quite get there as
3 quickly as you did.

4 Q. What page?

5 A. Exhibit T-90, page 2, lines 15 through 17.
6 Would you read that to yourself, please.

7 A. Okay.

8 Q. Like to focus on the changing physical
9 addresses aspect of that testimony.

10 A. Yes.

11 Q. Under your proposal, would a GTE -- would a
12 customer of GTE in Everett who subsequently moves to
13 Seattle and chooses to become a customer of U S WEST,
14 would their former telephone number from GTE be ported
15 to Seattle under your proposal?

16 A. Probably not initially but eventually, yes.

17 Q. And likewise, if that customer was a GTE
18 customer in Eastern Washington and moved to Seattle,
19 is your answer the same?

20 A. We're considering local number portability
21 within an NPA. The technologies that have been
22 explored do not totally exclude that once you can
23 solve the total rating problems.

24 Q. So right now you're focusing on area-code-
25 wide number portability?

01234

1 A. Yes, we are. In the beginning you need to
2 start small and grow big from there.

3 Q. And let's assume that customer from GTE in
4 Everett who moves to Seattle and their number is
5 ported, would you assume that normally the prefix that
6 that customer would dial from to a customer in Seattle
7 would be a toll call if they were still living in
8 Everett?

9 A. If the call was a toll call before the
10 number was ported it would still be a toll call after
11 the number is ported. One of the things we did in the
12 initial phase of the testing was to port a number out
13 of the local area to a toll area to make sure that the
14 switch would send the call to a recording to inform
15 the person that the call would be a toll call.

16 Q. Just so we're clear here, if that customer
17 from Everett moves to Seattle and ports the number and
18 wanted the call -- just a local call to the grocery
19 store on the corner, which would be a local call to
20 his new neighbor, that would be rated a toll call but
21 there would be a warning on the line?

22 MR. BUTLER: Excuse me. That's not what he
23 said.

24 Q. Then will you please just tell me what you
25 said.

01235

1 A. The geographic location of the customer in
2 whatever exchange he is physically located in would
3 determine the calling scope and the toll rating
4 irrespective of what customer number he has with him,
5 because his network node address is what is used to
6 ascertain what is a toll call and what is not a toll
7 call. It's unaffected from today.

8 Q. So just so I get it straight, so that
9 customer in my hypothetical who moves from Everett to
10 Seattle and calls a local call, that call will be
11 rated as a local call?

12 A. If the customer's ported a number from
13 Everett to Seattle, calls another customer in Seattle,
14 that would be a local call.

15 Q. On the prior answer -- then when does this
16 warning -- under what circumstances does the warning
17 come on the line?

18 A. Well, if that customer who ported a number
19 from Everett to Seattle calls Everett, that would be a
20 toll call because it is a toll route today, and the
21 warning would come on.

22 Q. I see. So that's just a situation where
23 that customer might think because their number is the
24 same as their old number that they have calling rights
25 that they had in that previous number?

01236

1 A. It would depend on what the local exchange
2 carrier informs the customer when they establish
3 service.

4 Q. Staying with the same hypothetical, if that
5 customer wanted to dial back to Everett, what dialing
6 would they use?

7 A. That will depend on their local service
8 provider. In the state of Washington we use the one
9 plus is implied consent so that the switch would
10 either return back to the customer an announcement
11 that says you must dial a one before this telephone
12 number or the carrier could be more cooperative than
13 that and send an announcement back to the customer and
14 say to inform the customer that this is a toll call,
15 would you please press the one button and the call
16 will go through so that they don't have to redial
17 again.

18 Q. Currently GTE is the designated toll
19 carrier in its territory and U S WEST is the
20 designated toll carrier in its territory; is that
21 right?

22 A. For the customers that they provide dial
23 tone to.

24 Q. So that same customer that moves from
25 Everett to Seattle, would they have to dial -- would

01237

1 they be recognized as a one plus customer of U S WEST
2 or a one plus customer of GTE?

3 A. Or a one plus customer of ELI.

4 Q. Thank you.

5 A. If they moved to Seattle they might become
6 an ELI customer in which case it would go to his
7 presubscribed carrier.

8 MR. TROTTER: That's all I have, thank you.

9 JUDGE ANDERL: Thank you, Mr. Trotter.

10 Questions from the commissioners.

11 CHAIRMAN NELSON: Yes.

12

13 EXAMINATION

14 BY CHAIRMAN NELSON:

15 Q. Mr. Ackley, I'm trying to understand ELI's
16 final position on what it's willing to pay U S WEST
17 and GTE for number portability. As I read your
18 testimony at page 4, rebuttal testimony, you're
19 standing by the \$3 per month for U S WEST on an
20 interim basis but something less for GTE?

21 A. Well, no. When I prepared my initial
22 direct testimony I was trying to analyze the U S WEST
23 costs for call forwarding variable and did not quite
24 understand the cost study correctly and put down a \$3
25 charge as an upper limit. The charge really should be

01238

1 whatever the cost is to provide the service.

2 Q. So whatever the cost studies show that's
3 the relevance of your footnote 4?

4 A. Yes.

5 Q. With respect to the trials under way, do
6 you think the technology and the arrangements that
7 you're developing will head off slamming in the local
8 exchange like we've experienced in the interexchange
9 carrier loop or will there be incentive for slamming
10 of customers? Do you know what I mean by that term?

11 A. I understand what the term slamming means.
12 In the interexchange carrier business in a local
13 market for one customer to change from one service
14 provider to another, the service provider has to wire
15 their facilities up to the customer's premise and make
16 physical jumper changes. They incur substantial costs
17 to do that so I think there would not be an incentive
18 to slam.

19 CHAIRMAN NELSON: Thank you very much.

20 That's all I had.

21

22 EXAMINATION

23 BY COMMISSIONER HEMSTAD:

24 Q. I wanted to focus on the interim solution
25 for portability. In your direct testimony at page 8,

01239

1 at line 3 and 4 you say "ELI is requesting USWC offer
2 a new service at new rates and new terms and
3 conditions. Furthermore the Commission should order
4 USWC to offer an acceptable interim solution for the
5 local number portability."

6 Is it your understanding that that would
7 involve off-the-shelf technology? In other words,
8 you're talking about -- you don't like their call
9 forwarding or direct in route dialing solutions but
10 this would be a call forwarding solution but simply
11 priced differently?

12 A. It would be priced differently and have
13 different information. U S WEST in their proposed
14 interim number portability tariff language that I
15 believe Jeff Owens attached, it would be an adequate
16 service for interim number portability for a 12- to
17 18-month time frame. The problem is ordinary call
18 forwarding is that on caller ID, the calling party
19 number is not forwarded, and they're proposing for
20 this new service to forward to us calling party ID so
21 that we could make CLASS services work. So it is
22 definitely a new service from what they sell to retail
23 end users and what they've proposed, and as we had
24 agreed with Mr. Owens in his testimony earlier it
25 would be an adequate service if put immediately.

01240

1 COMMISSIONER HEMSTAD: That's all I have.

2 COMMISSIONER GILLIS: I have no questions.

3

4 EXAMINATION

5 BY JUDGE ANDERL:

6 Q. Mr. Ackley, let me just ask you, when you
7 talk about true number portability then you are
8 talking about service provider and geographic
9 portability within an area code; is that right?

10 A. And within a metropolitan area. Generally
11 for switches to find a database to query, it's easier
12 for them to find the database if the database can be
13 identified by the NPA, which is like, 206, so that they
14 would know for all calls going to the 206 area where
15 to go look to get a database query. It's convenient
16 to pick that scope. It needs to cover a metropolitan
17 area even if the metropolitan area has two area codes.

18 Q. So what about the situation where somebody
19 would move from Olympia, which is now a 360 area code,
20 to Seattle or Tacoma which is a 206 area code? Does
21 your local number portability solution include Olympia
22 in the metropolitan area to where there would be local
23 number portability?

24 A. Location portability where you cross --
25 leave the exchange, needs some additional technical

01241

1 work so that we can convey the appropriate information
2 to the toll service providers so that toll billing is
3 done correctly. We need to keep location portability
4 within an exchange in a very short run until we can
5 work those issues through. The technology that we've
6 developed does not preclude that, however, and as the
7 domain grows you could have Western Washington-wide or
8 statewide number portability five or some X numbers
9 years down the road.

10 JUDGE ANDERL: Thank you. Mr. Potter, you
11 want to ask a question before we go to redirect?

12 MR. POTTER: Yes, I'm sorry. You didn't
13 see my hand earlier but just one follow-up question on
14 Mr. Trotter's hypothetical if you don't mind.

15

16 CROSS-EXAMINATION

17 BY MR. POTTER:

18 Q. If you recall, that's a customer in Everett
19 moving to Seattle and taking his Everett number with
20 him. Do you remember that?

21 A. Yes, I do.

22 Q. You talked about that customer calling back
23 to Everett. Let's assume that he has an acquaintance
24 in Everett that didn't realize he moved to Seattle
25 that has his Everett phone number and is going to call

01242

1 him. That would be billed as a toll call, correct?

2 A. The way it's been tested so far that would
3 be, yes.

4 Q. And the way you're developing your
5 proposal, would this warning that you talked about be
6 given to the person calling from Everett who thinks
7 he's making a local call but would actually be making
8 a toll call?

9 A. Oh, absolutely.

10 MR. POTTER: Thank you.

11 JUDGE ANDERL: Redirect.

12 MR. BUTLER: No.

13 JUDGE ANDERL: Any further --

14 MR. O'JILE: I've got a few follow-up
15 questions from other counsel.

16

17 CROSS-EXAMINATION

18 BY MR. O'JILE:

19 Q. You talked about with Mr. Smith from the
20 staff on the process of consensus in a workshop, the
21 need for consensus, the need for consensus in order to
22 develop a proposal on number portability to bring to
23 the Commission?

24 A. We discussed consensus. I'm not sure that
25 we agreed that consensus was necessary.

01243

1 Q. Just to explore a minute, do each of the
2 three solutions use different hardware or systems as
3 their core? For instance, the solution being trialed
4 in Seattle uses a Stratus system. Do the AT&T and MCI
5 solutions also use a Stratus system?

6 A. I don't know what they use and it doesn't
7 make any difference who manufactures the computer. A
8 computer is a computer. They all conform to BellCorp
9 TR 1284 specifications for signal control points.

10 Q. So it's your testimony that it doesn't make
11 any difference which system is used or the system
12 manufacturers or sponsors of various systems and
13 solutions won't have any interest in having their
14 particular piece of hardware or solution picked?

15 A. Whatever system is picked should be
16 available from a variety of manufacturers.

17 Q. Have cellular providers and interexchange
18 carriers participated thus far in the Seattle trial?

19 A. The cellular providers not yet.

20 Q. Interexchange carriers?

21 A. We don't have an interexchange carrier who
22 has done a database query yet, no.

23 Q. And won't an IXC have to do a database
24 query in order to deliver a call to Seattle?

25 A. No, they will not.

01244

1 Q. Wouldn't it be more efficient for that IXC
2 to make a database query rather than going through the
3 local exchange company?

4 A. Well, I guess it would depend on who the
5 access -- what kind of charges the access tandem
6 provider would charge for doing that query. More
7 likely as not the interexchange carriers would want to
8 query to the database so that they can send the call
9 directly to the service provider without having to
10 send it through a second or a third service provider.

11 Q. You responded to a question from one of the
12 counsel that there was no cost involved in doing those
13 queries. Is that a correct statement?

14 A. I don't believe I said that.

15 Q. There is a cost, isn't there, to do a
16 query? The process of creating a query creates a
17 cost, doesn't it?

18 A. There are costs to perform queries, yes.

19 Q. Turning to your testimony on page 4, I
20 believe this is the section that you discussed with
21 counsel for TCG, page 4 of your rebuttal testimony
22 where you talked about the flat monthly fee for call
23 forwarding variable?

24 A. Yes.

25 Q. This is the retail call forwarding service,

01245

1 correct, offered by U S WEST?

2 A. Yes.

3 Q. Have you studied the trunking costs for the
4 unbundled call forwarding product that would be needed
5 for the interim number portability solution.

6 A. I don't understand what you mean by
7 trunking costs.

8 Q. Do you understand that U S WEST is going to
9 -- in providing the interim number portability
10 solution -- is going to use its off-the-shelf retail
11 variable call forwarding product to provide that
12 number portability?

13 A. My understanding is they will use the
14 software in the switch that's used to provide that
15 retail product.

16 Q. But it would be a different type of -- it
17 will use the software in the switch but it will be a
18 different -- different functions will be needed in
19 order to make it work as an interim number portability
20 solution?

21 A. Only in the information that's programmed
22 to be forwarded and in the number of simultaneous
23 calls.

24 Q. Do you understand Mr. Owens's testimony to
25 state that the cost studies for that number

01246

1 portability solution are currently under development
2 at U S WEST?

3 A. I understand Mr. Owens's testimony to state
4 that, yes.

5 Q. Thank you.

6 MR. O'JILE: That's all I have.

7 JUDGE ANDERL: Anything further for this
8 witness?

9 Okay. Thank you, Mr. Ackley, for your
10 testimony. You may step down. We'll take a morning
11 recess and be back with ELI's last witness.

12 (Recess.)

13 JUDGE ANDERL: Let's be back on the record.
14 While we were off the record Stacey Waddell took the
15 stand as we marked her prefiled testimony for
16 identification as Exhibit T-93.

17 (Marked Exhibit T-93.)

18 Whereupon,

19 STACEY WADDELL,
20 having been first duly sworn, was called as a witness
21 herein and was examined and testified as follows:

22

23 DIRECT EXAMINATION

24 BY MR. BUTLER:

25 Q. Ms. Waddell, would you please state your

01247

1 name and business address for the record.

2 A. Stacey S. Waddell, 8100 Northeast Parkway
3 Drive, Suite 150, Vancouver, Washington.

4 Q. Ms. Waddell, have you prefiled written
5 direct testimony in this proceeding?

6 A. Yes, I have.

7 Q. Is that prefiled written direct what has
8 been marked for identification as Exhibit T-93?

9 A. Yes, it is.

10 Q. Do you have any additions or corrections to
11 that testimony?

12 A. Yes. I would like to make a deletion to my
13 testimony. Beginning on page 5, line 12, continuing
14 through the top of page 6, line 2.

15 Q. Could you briefly explain why you wanted to
16 make that deletion?

17 A. I think in going back over my notes I was
18 not able to find specific information that
19 substantiated what I was saying there. I think that
20 it's possible given the circumstances that we may have
21 made an assumption there.

22 Q. Are there any other additions or
23 corrections?

24 A. No.

25 Q. With the deletion that you've just

01248

1 mentioned if I were to ask you the questions written
2 in Exhibit T-93, would your answers be as written
3 thereof?

4 A. Yes, they would.

5 MR. BUTLER: Move the admission of Exhibit
6 T-93.

7 JUDGE ANDERL: Any objection? Hearing none,
8 Exhibit T-39 will be admitted as identified.

9 (Admitted Exhibit T-93.)

10 MR. BUTLER: Ms. Waddell is available for
11 cross-examination.

12 JUDGE ANDERL: Mr. Shaw.

13 MR. SHAW: Thank you.

14

15 CROSS-EXAMINATION

16 BY MR. SHAW:

17 Q. Ms. Waddell, on page 1 I see that you state
18 that you are responsible for the deployment of
19 switched local exchange services and other associated
20 products in the Seattle marketplace. I also note that
21 you work out of Vancouver, Washington. Are you also
22 responsible for ELI's deployment of services in the
23 Portland marketplace?

24 A. No, I'm not.

25 Q. That is a different employee of ELI?

01249

1 A. Yes.

2 Q. Now, I take it the thrust of your testimony
3 is that in your view that ELI should be treated by U S
4 WEST exactly like an independent local exchange
5 company. Am I correct in that reading?

6 A. No. You're not correct. The purpose of my
7 testimony is to say that we feel that there are
8 resources -- let me back up a moment. That the type
9 of interconnection that we are engaging in with U S
10 WEST is more similar to that of a local exchange
11 company's interconnecting with each other and
12 therefore we would like to have made available to us
13 the resources within U S WEST that have experience
14 with interconnecting on that basis.

15 Q. At the bottom of page 2, line 18, you
16 relate that U S WEST has insisted on treating ELI as
17 something other than a local exchange carrier, and
18 then the next question your testimony infers that
19 we've treated you as something other than a local
20 exchange carrier. Is it your testimony that you are a
21 local exchange carrier and should be treated just like
22 a local exchange carrier by U S WEST in its dealings
23 and provisions of services to you?

24 A. Yes.

25 Q. And so I take it from that that you

01250

1 consider Electric Lightwave to be no different in the
2 state of Washington than GTE or United or PTI or any
3 of the other 22-some local exchange companies other
4 than U S WEST, correct?

5 A. For the purposes of the provisioning of the
6 services that is correct. We are attempting to
7 provide the same services that U S WEST and GTE
8 provide today.

9 Q. Now, you heard Mr. Ackley's testimony that
10 ELI is 100 percent owned by Citizens Utilities and do
11 you agree with that?

12 A. To the best of my knowledge, that's true.

13 Q. And Citizens Utilities is providing local
14 exchange services then in the state of Washington via
15 ELI; is that correct?

16 A. Yes. That would be true.

17 Q. Now, are you familiar since you live down
18 in Vancouver and work for ELI of Citizens Utilities
19 operations in the state of Oregon?

20 A. The only knowledge I have is I believe they
21 purchased some exchanges within the last 12 or 18
22 months in Oregon.

23 Q. And in fact Citizens Utilities purchased
24 exchanges from General Telephone and operates or is
25 intending to operate those exchanges as a local

01251

1 exchange company in the state of Oregon --

2 MR. BUTLER: Excuse me. I object. I think
3 that's an incorrect statement of fact.

4 MR. SHAW: I'm just following up on her
5 last answer, Your Honor. I think it's a
6 straightforward question.

7 JUDGE ANDERL: If it is incorrect and the
8 witness knows that then that would be her answer I
9 guess. Ms. Waddell?

10 A. I have very limited knowledge of Citizens'
11 operations either in Oregon or other states.

12 Q. If ELI is a local exchange company and the
13 exchanges that Citizens is operating in Oregon is a
14 local exchange company, why is Citizens operating
15 local exchange companies under two different corporate
16 names, Citizens Utilities and Electric Lightwave?

17 MR. BUTLER: Object for lack of foundation.

18 JUDGE ANDERL: I think the witness did
19 testify that her knowledge is very limited. I don't
20 know if this is the scope or not. Can you answer that
21 question, Ms. Waddell?

22 THE WITNESS: No, I cannot.

23 Q. I believe you have testified that you
24 consider ELI to be a local exchange company just like
25 any other local exchange company doing business in the

1 state of Washington?

2 A. Yes.

3 Q. And I presume that you have no basis to
4 believe that ELI's operations in Oregon are any
5 different than any other local exchange company in
6 Oregon, correct?

7 MS. PROCTOR: Excuse me, Your Honor, I
8 don't know whether the rest of us can object. I don't
9 know whether the rest of us have been paying attention
10 but I thought we were still in Washington. We're all
11 pressed for time. I don't know what Oregon has to do
12 with what's going on here in Washington.

13 JUDGE ANDERL: What's the relevancy,
14 Mr. Shaw?

15 MR. SHAW: Your Honor, the entire thrust of
16 her testimony is that U S WEST has done something
17 wrong in not treating ELI exactly like a local
18 exchange company. I'm trying to explore with the
19 witness whether in fact she works for a local exchange
20 company like any other local exchange company. I
21 think that's totally within the purview of
22 cross-examination.

23 JUDGE ANDERL: But what does that have to
24 do with Oregon operations?

25 MR. SHAW: It has to do with Oregon

01253

1 operations in that ELI operates as, I believe she has
2 testified, a local exchange company, just like in
3 Washington, in Oregon and also through its parent
4 Citizens Utilities operate other local exchange
5 companies in Oregon.

6 MR. BUTLER: Number one, she did not
7 testify that parent company operates in the local
8 exchange company in Oregon, to her knowledge. She
9 said she didn't know what was going on there. There
10 aren't any facts or evidence to indicate that fact, and
11 further, her testimony is specifically directed to her
12 experience in dealing with U S WEST in the state of
13 Washington. It does not address anything to do with
14 the state of Oregon, so to the extent to which she's
15 made any statements about what she thinks the way in
16 which she should have been dealt with by U S WEST
17 relate entirely to Washington only.

18 JUDGE ANDERL: I think I have to agree with
19 that. I'm going to sustain the objection as to
20 questions about the Oregon operations.

21 Q. Does Citizens Utilities in Washington
22 operate any other local exchange companies other than
23 ELI?

24 A. I do not know.

25 Q. You talk about services that you are

01254

1 charged with managing. You provide, ELI, provide toll
2 service?

3 A. Yes, we do.

4 Q. You provide interLATA toll service?

5 A. Yes, we do.

6 Q. Do you provide that through Citizens' long
7 distance company, Citizens Long Distance?

8 A. No, we do not.

9 Q. Do you have any association with Citizens
10 Long Distance?

11 A. Association, no. We are aware of who
12 Citizens Long Distance is and have had conversations
13 with Citizens Long Distance. There's no association
14 relative to our providing toll services.

15 Q. Does Citizens Long Distance provide toll
16 service in the state of Washington?

17 A. I do not know.

18 Q. If Citizens annual report says, "the
19 company intends to provide authorized intrastate toll
20 services in Arizona, Montana, Nevada, Oregon and
21 Washington," is that statement referring to ELI or
22 Citizens Long Distance?

23 MR. BUTLER: Excuse me. I object, Your
24 Honor. There's been no foundation that she has seen
25 this report or knows anything about it.

1 JUDGE ANDERL: Mr. Shaw, do you want to lay
2 some foundation for this, please.

3 Q. Did you hear Mr. Ackley identify
4 this Citizens Utilities annual report?

5 A. Yes.

6 Q. And have you seen that annual report that's
7 laying on the table beside you?

8 A. No, I have not, not beyond the cover here.

9 Q. Do you know whether the Citizens Utilities
10 company intends to provide authorized intrastate toll
11 services in Arizona, Nevada, Montana, Oregon and
12 Washington?

13 A. Inter?

14 Q. Intrastate toll services.

15 A. I have no knowledge of Citizens Long
16 Distance's plans to provide service.

17 Q. You do know that ELI provides intrastate
18 toll services in Washington?

19 A. We do provide that service to our local
20 telephones of customers if they request it.

21 Q. Now to talk about interLATA toll services
22 or interstate toll services. Do you provide to your
23 customers of choice of interLATA and interstate toll
24 services?

25 A. Yes, we do.

01256

1 Q. And you give the customer its choice of
2 which of the many carriers it wishes to use for those
3 services?

4 A. Yes.

5 Q. But for intraLATA toll services ELI itself
6 provides those services on a one plus basis?

7 A. No, that's incorrect. We provide customers
8 with a choice also of their intraLATA toll provider.

9 Q. Do you provide any services in Washington
10 that U S WEST does not provide?

11 A. InterLATA toll services.

12 Q. Do you offer your customers a variety of
13 voice, video and data service options not available
14 from the incumbent local exchange carrier U S WEST?

15 A. I'm not completely familiar with all of the
16 services that U S WEST offers in the state of
17 Washington.

18 Q. So you don't know whether it's true or not
19 whether you offer your customers a variety of voice,
20 video and data service options not available from the
21 incumbent local exchange carrier?

22 A. Correct, I don't know if we're offering,
23 for example, video teleconferencing and U S WEST is
24 not offering video teleconferencing. I don't know.

25 Q. Do you know of any service other than

01257

1 interLATA toll that you are offering that U S WEST
2 doesn't offer?

3 A. No, I do not.

4 Q. Do you offer your customers an opportunity
5 for a one stop shopping telephone service providing a
6 single simple bill for local long distance and
7 cellular telephone service?

8 A. It is our intention to migrate towards
9 being able to offer that service to customers. We do
10 we offer that today, no.

11 Q. Is it your intent to migrate to offering
12 your customers a one stop shopping telephone service
13 providing a single simple bill for local long distance
14 and cellular telephone service using the affiliated
15 companies of Citizens Utilities?

16 A. Not to my knowledge.

17 Q. You don't know whether that's the case or
18 not?

19 A. No. My focus at the present is providing
20 the local exchange services.

21 Q. Now, Citizens Utilities was the first
22 company to provide local exchange service in
23 competition with another local exchange company in the
24 state of Washington, was it not?

25 MR. BUTLER: I object to the misstatement

01258

1 of facts. Citizens Utilities isn't providing service.
2 She hasn't indicated she knows anything about Citizens
3 Utilities operations. Her knowledge is restricted to
4 Electric Lightwave which is a separate corporation.
5 It's a subsidiary but it is a corporation, separate
6 entity in and of itself.

7 MR. SHAW: Very well, substitute ELI if you
8 wish.

9 A. Would you ask the question again, Mr. Shaw.

10 Q. Yes. Was ELI the first local exchange
11 company to offer service in competition with another
12 local exchange company in the state of Washington?

13 A. I believe we were. I know that TCG is also
14 in the marketplace offering these services and,
15 frankly, which of us was there first I'm not sure.

16 Q. Now, after you received your authority from
17 this Commission, you started providing service in
18 Seattle from your switch in Portland, did you not?

19 A. Started testing services from our switch in
20 Portland. We were not offering services for sale.

21 Q. You never provided any services to retail
22 customers out of your Portland switch?

23 A. We never collected any revenue from
24 services provided from our Portland switch.

25 Q. Now, Mr. Owens for U S WEST testified about

01259

1 initially homing U S WEST's facilities on the Oregon
2 switch. Is your testimony that that was just for
3 testing?

4 A. Yes. We were anxious to begin establishing
5 services and testing facilities and that was part of
6 that testing.

7 Q. And U S WEST cooperated with ELI in
8 providing it at no cost facilities from Seattle to
9 Portland so you could perform those tests and drills;
10 is that correct?

11 A. I don't recall any facilities that U S WEST
12 provided between Seattle and Portland.

13 Q. Did you need to test connectivity in
14 Seattle out of your Portland switch?

15 A. Yes, but we were using a third party for
16 that connectivity between Seattle and Portland. The
17 only piece we were asking U S WEST for was between U S
18 WEST and this third party in the Seattle LATA.

19 Q. And did U S WEST cooperate in providing
20 those facilities to that third party at no charge to
21 ELI?

22 A. I wouldn't characterize it as cooperating.
23 We requested and continued to request and continued to
24 be very specific about what we needed and, yes, U S
25 WEST did provide that.

01260

1 Q. And then when you got your switch installed
2 in Seattle, those facilities were rehomed on your
3 Seattle switch at no charge, correct?

4 A. No charge to my knowledge. I am not
5 absolutely aware of that.

6 Q. Now, you got your switch installed and
7 turned up November 23, 1994, is that correct, in
8 Seattle?

9 A. Approximately then.

10 Q. You do not know the exact date that your
11 switch was operational in Seattle?

12 A. Well, there's different definitions of
13 operational. We were testing it for some time and I
14 know that that's approximately when it could be
15 considered fully operational.

16 Q. And you have agreed, have you not, that U S
17 WEST had installed to your satisfaction as of the date
18 you wanted to turn up your switch November 23, 1994
19 all of the interconnection services that you ordered
20 from U S WEST?

21 A. Yes, that's correct. All of the facilities
22 that we had requested.

23 Q. Which amount to numerous, over 100,
24 signaling system 7 two-way local and EAS
25 interconnection trunks?

01261

1 A. That's correct.

2 Q. And 24 two-way intra and interLATA toll
3 interconnection trunks?

4 A. Yes. I need to correct something I said a
5 moment ago. There were some facilities that we have
6 requested to the operator services tandem and that
7 order was placed on hold.

8 Q. Did U S WEST install and deliver on ELI's
9 timetable and to ELI's satisfaction 48 signaling
10 system 7 two-way combination toll trunks?

11 A. It was not done according to the original
12 schedule that Electric Lightwave had requested, but
13 it was completed.

14 Q. So if ELI is agreed that it ordered and U S
15 WEST installed to ELI's satisfaction as of November
16 23, 1994 the facilities that I've just listed, you
17 would not quarrel with that statement, in other words,
18 that ELI has ordered and U S WEST installed to its
19 satisfaction as of November 23 the facilities that
20 I've just mentioned.

21 A. I would agree with that statement.

22 Q. And additionally, there's been two CAMA, C
23 A M A, trunks installed for the purposes of E911
24 interconnection?

25 A. That's correct.

1 MR. SHAW: Your Honor, could I have an
2 exhibit marked?

3 JUDGE ANDERL: All right. The next exhibit
4 in line is Exhibit No. 94. It's a two-page document
5 which appears to be excerpt from a telephone
6 directory.

7 MR. SHAW: Your Honor, what was this marked
8 as?

9 JUDGE ANDERL: 94.

10 (Marked Exhibit 94.)

11 Q. Ms. Waddell, handing you a copy of what's
12 been marked for identification as Exhibit 94 which I
13 will represent to you as two pages out of the new U S
14 WEST telephone book and particularly page 5 of the
15 telephone book. Have you seen that before?

16 A. Yes, I have.

17 Q. And Electric Lightwave is listed in Seattle
18 White Pages telephone book as an alternative local
19 exchange company along with General Telephone of the
20 Northwest?

21 A. Yes. We contacted U S WEST Direct and
22 requested that they place this information in their
23 White Pages.

24 Q. And U S WEST did that at no charge,
25 correct?

01263

1 A. That's correct.

2 Q. And in the new Seattle Yellow Pages, the
3 same listing is contained?

4 A. I'm not sure of that.

5 Q. If I represent to you that it is would you
6 have any reason to disagree with that?

7 A. No.

8 MR. SHAW: Your Honor, move the admission
9 of the exhibit.

10 JUDGE ANDERL: Any objection? hearing
11 none, this document will be admitted as identified,
12 Exhibit 94.

13 (Admitted Exhibit 94.)

14 Q. Ms. Waddell, are you aware that U S WEST
15 has changed the name of its vendor services group you
16 reference in your testimony to the Interconnect
17 Services Group?

18 A. I didn't receive any specific notification
19 of that, but I think I have heard the group referred
20 to in that manner.

21 Q. And you've been informed that it's U S
22 WEST's intent to augment that renamed group as a group
23 dedicated to providing facilities and interaction with
24 ELI and other like companies?

25 A. U S WEST has informed us that that is --

1 that vendor services group was the group that they
2 wanted us to interface with for the purposes of
3 interconnecting, and I have heard that they changed
4 their name.

5 Q. To Interconnect Services Group. Do you
6 agree with that?

7 A. If you say so, yes, I will agree that, I
8 will accept that.

9 Q. Have you been told that that group is a
10 specialized group to focus on and deal with the needs
11 of companies like ELI?

12 A. No. I wouldn't say that I've been told
13 that. When we began interconnecting with U S WEST
14 they were referred to as Vendor Services Group. That
15 was a group that we were directed to interface with.
16 Apparently subsequent to that they've had a name
17 change but there was no discussion, further
18 discussion, about what their purpose was.

19 MR. SHAW: I have nothing further. Thank
20 you.

21 JUDGE ANDERL: Thank you, Mr. Shaw. Mr.
22 Potter, do you have questions for this witness?

23 MR. POTTER: No, I do not.

24 JUDGE ANDERL: From staff?

25 MR. SMITH: No.

1 JUDGE ANDERL: From any of the other
2 intervenors? From public counsel? Commissioners?

3 COMMISSIONER HEMSTAD: No.

4 COMMISSIONER GILLIS: No.

5 JUDGE ANDERL: Redirect?

6 MR. BUTLER: No.

7 JUDGE ANDERL: Thank you, Ms. Waddell, for
8 your testimony. You may step down.

9 Does that conclude ELI's presentation?

10 MR. BUTLER: Yes, it does.

11 JUDGE ANDERL: Parties have told me that
12 the next witness will be Mr. Gillan from IAC. Let's
13 go off the record while he takes the stand.

14 (Recess.)

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

16 While we were off the record Mr. Gillan took the
17 witness stand on behalf of the Interexchange Access
18 Coalition. We premarked his direct testimony as
19 Exhibit T-95. His curriculum vitae which is attached
20 to that is Exhibit T -- I'm sorry not T, just regular
21 96. His rebuttal testimony is T-97 and a two-page
22 confidential exhibit which are actually pages 20 and
23 21 of his direct testimony with confidential numbers
24 in them is Exhibit C-98.

25 (Marked Exhibits T-95, 96, T-97 and C-98.)

01266

1 Whereupon,

2 JOSEPH GILLAN,

3 having been first duly sworn, was called as a

4 witness herein and was examined and testified as follows:

5 JUDGE ANDERL: Mr. Mutschelknaus, I see

6 they're handing you a microphone.

7

8 DIRECT EXAMINATION

9 BY MR. MUTSCHELKNAUS:

10 Q. Mr. Gillan, please state your name and

11 business address for the record.

12 A. My name is Joseph Gillan and my address is

13 P.O. Box 541038, Orlando, Florida 32854.

14 Q. By whom are you employed?

15 A. Self-employed.

16 Q. Who will you be appearing on behalf of

17 today?

18 A. Appearing here on behalf of the

19 Interexchange Access Coalition.

20 Q. Purpose of your appearance?

21 A. To testify on U S WEST's proposed

22 restructure of local transport prices, particularly

23 their discriminatory nature.

24 Q. Did you prepare written direct testimony

25 for prefiling in this docket consisting of 35 pages of

01267

1 text and one exhibit?

2 A. Yes.

3 Q. Did you also prepare -- is that the

4 testimony that's been marked T-95?

5 A. Yes.

6 Q. Did you also prepare written rebuttal

7 testimony for prefiling in this docket?

8 A. Yes.

9 Q. Consisting of 12 pages and no exhibits?

10 A. Yes.

11 Q. Has that been marked as T-97?

12 A. Yes.

13 Q. Do you have any -- was that testimony

14 prepared by you or under your direction?

15 A. Yes.

16 Q. Do you have any additions, deletions or

17 corrections to your prefiled testimony?

18 A. The prefiled direct testimony, there were a

19 number of changes made.

20 Q. Are the changes you're referring to the

21 exhibit that has now been marked as C-98?

22 A. Yes.

23 Q. And also the replacement page 34?

24 A. That's correct.

25 Q. Did you prepare C-98?

01268

1 A. Yes.

2 Q. Did you also prepare replacement page 34?

3 A. Yes.

4 Q. Can you tell us why you changed those and
5 what the changes are in general? Please do not refer
6 to any specific numbers in C-98.

7 A. In general my testimony addressed the
8 discrimination that's present in U S WEST's proposed
9 prices. In order to measure that discrimination we
10 had to compare their prices to their cost studies. At
11 the time the original direct testimony was prepared we
12 only had some obsolete or what have now turned out to
13 be obsolete cost studies prepared by U S WEST, so from
14 the time that we prepared the testimony to today U S
15 WEST updated its DS1 and DS3 cost studies. In
16 addition they changed their actual prices as well, so
17 the revised pages were performed to address that
18 problem in the earlier testimony caused by U S WEST's
19 old cost studies.

20 Q. So, are the two pages included as C-98
21 intended essentially to replace pages 20 and 21 of
22 your direct testimony?

23 A. Yes. Those pages document the degree of
24 discrimination in U S WEST's proposal and then page 34
25 again using the updated cost information proposes a

1 set of nondiscriminatory prices.

2 Q. Do you have any other changes to your
3 testimony?

4 A. No, I do not.

5 Q. With those revisions, if I asked you the
6 same questions today, would your answers be the same?

7 A. Yes.

8 Q. Is the information contained in your
9 prepared testimony true and correct to the best of
10 your information and belief?

11 A. Yes, it is.

12 MR. MUTSCHELKNAUS: Your Honor, I would
13 move the admission of T-95, Exhibit 96, T-97 and C-98.

14 JUDGE ANDERL: Thank you. Is there any
15 objection to those exhibits?

16 Hearing none, those documents will be
17 admitted as identified.

18 (Admitted Exhibits T-95, 96, T-97 and C-98.)

19 MR. MUTSCHELKNAUS: Thank you, Your Honor.
20 Like to ask one more question of the witness.

21 JUDGE ANDERL: Okay.

22 Q. Mr. Gillan, have you had a chance to review
23 the stipulation between the IXC intervenors that was
24 filed in this docket this morning?

25 A. Yes.

01270

1 Q. Were you involved in the preparation of
2 that stipulation?

3 A. Yes, I was.

4 Q. Are you prepared to agree to all the
5 principles espoused therein on behalf of the
6 Interexchange Access Coalition?

7 A. Yes, I am. And in fact in the fifth
8 principle which calls for equal contribution, we've
9 actually proposed rates, should the Commission get
10 down to that point in the stipulation, that could be
11 implemented to effect that principle.

12 Q. Did those principles espoused in that
13 stipulation now constitute your recommendation of to
14 this Commission?

15 A. Yes, they do.

16 MR. MUTSCHELKNAUS: Thank you, Your Honor.
17 No further questions. Witness is available for
18 cross-examination.

19 MR. OWENS: Your Honor, like to enter the
20 appearance at this session of the hearing of Molly
21 Hastings for U S WEST.

22 JUDGE ANDERL: Ms. Hastings, go ahead.

23

24 CROSS-EXAMINATION

25 BY MS. HASTINGS:

01271

1 Q. Good morning, Mr. Gillan.

2 A. Good morning.

3 Q. Did I just understand you to indicate that
4 U S WEST has provided revised and updated cost studies
5 in this docket in connection with its LTR filing?

6 A. Yes.

7 Q. Could you share with me the names of the
8 members of the organization that you're here to
9 represent today?

10 A. The Interexchange Access Coalition is a
11 group of smaller interexchange carriers that at
12 present its membership is LDDS World Com
13 Communications, Cable and Wireless, LCI International,
14 and Long Distance USA.

15 JUDGE ANDERL: Mr. Gillan, could you pull
16 the microphone a little closer.

17 Q. When you refer to LDDS do you mean the
18 combination of LDDS and WilTel?

19 A. Yes. It's LDDS World Com which is -- has a
20 subsidiary WilTel and has also during the course of the
21 IAC group acquired Metromedia as well.

22 Q. Is Allnet a member of the IAC?

23 A. No, they are not.

24 Q. Is Alascom a member of the IAC?

25 MR. MUTSCHELKNAUS: Your Honor,

1 clarification, did counsel mean Alaska Com?

2 MS. HASTINGS: Yes.

3 JUDGE ANDERL: Get a spelling, please.

4 MS. HASTINGS: A L A S C O M.

5 A. No, it is not.

6 Q. Mr. Gillan, are you generally familiar with
7 documents that come out from the Federal
8 Communications Commission Common Carrier Bureau that
9 talk about competition?

10 A. Generally.

11 Q. And might you be aware of a document that
12 was issued by the Federal Communications Commission
13 Common Carrier Bureau in the spring of 1995 dealing
14 with common carrier competition?

15 A. I don't remember them by issue date. Could
16 you give me a title or something?

17 Q. Well, they're called Common Carrier
18 Competition. That's the title of the brochure.

19 A. Are these from the industry?

20 Q. No, these are from the FCC. They're just
21 reports, periodic reviews of the industry.

22 A. The question was are they issued by the
23 industry analysis division of the Common Carrier
24 Bureau? Is that what you're referring to, the market
25 share reports?

01273

1 Q. It's prepared by the Common Carrier Bureau
2 itself.

3 A. I would have to see one of these documents
4 to follow you at this point.

5 MS. HASTINGS: Happy to approach the
6 witness.

7 A. Just for clarification, when you started
8 this and you asked me if I'm familiar with Common
9 Carrier Bureau reports on competition, I thought you
10 meant generally the topic that they have addressed
11 through orders and things, not necessarily a specific
12 report.

13 Q. Are you familiar with that type of
14 document?

15 A. I have not seen this document before.

16 Q. But do you have any reason to believe it's
17 not issued by the Federal Communication Commissions
18 Common Carrier Bureau?

19 A. No, no. It looks quite official. Can I
20 keep it?

21 Q. I have a few questions for you about it.

22 A. Then I would like to keep it.

23 Q. Turn to the third page there, it's double
24 sided. Can you look at the members of your
25 organization that you mentioned there, and could you

1 share with me in the case of WilTel and LDDS what
2 their total revenues in 1994 as reported by the common
3 carrier division were?

4 A. As separately or together?

5 Q. Why don't you do them separately for me.

6 A. LDDS showed \$2.2 billion. WilTel was .9
7 billion. Said differently, 2 billion 221 million,
8 LDDS; 917 million for WilTel.

9 Q. And then I marked in pencil there a couple
10 of others. Could you read those to me? Those are
11 ones you said were your members. Could you read me
12 their revenues for 1994?

13 A. Cable and Wireless \$655 million; LCI
14 International, \$453 million.

15 Q. Thank you. Mr. Gillan, turning to page 9
16 of your testimony, basically pages 9 and 10, starting
17 at about line 20, you talk about generally -- if I can
18 get you there.

19 JUDGE ANDERL: Sorry, is this the direct?

20 MS. HASTINGS: This is the direct, yes.

21 JUDGE ANDERL: Page 9.

22 Q. Page 9 starting at about line 20 and then
23 going over to page 10 until about line 11. You talk
24 generally in terms of smaller interexchange carriers
25 and larger interexchange carriers. Do you see that

01275

1 reference?

2 A. Yes.

3 Q. Do your members utilize tandem switch
4 access?

5 A. Predominantly, yes.

6 Q. And do your members utilize DS1 transport
7 for switched access?

8 A. In some areas they may have some of it, but
9 the predominant mechanism they use is tandem switched
10 transport which is the option that any carrier with
11 small traffic volumes would use or even a large
12 carrier if it's going to an end office or a rural area
13 would use that option.

14 Q. But if I understand you correctly, some of
15 your members do use the DS1 transport for switched
16 access?

17 A. Certainly. I would expect that to be true.

18 Q. Do some of your members use the DS3
19 transport for switched access?

20 A. There may be instances today where they
21 have obtained that option in some very large
22 metropolitan areas where they have particularly large
23 traffic concentrations. It would be a rarity or an
24 oddity in the way they run their operations.

25 Q. Do your members price their services to

01276

1 their end user customers at TS LRIC?

2 A. No, they do not.

3 Q. Do your members, to your knowledge, provide
4 calling plans to their customers?

5 A. Yes. The retail service pricing would have
6 calling plans and would generally be priced above TS
7 LRIC. We're talking here about wholesale services,
8 carrier access services. I want to make sure that you
9 understand that I view there's a significant
10 difference between how you would price in a retail
11 marketplace services that you offer to end users and
12 how you price a necessary industry input like access
13 that the entire industry depends on to provide
14 service.

15 Q. I don't think that's the question I asked.
16 I think I asked --

17 JUDGE ANDERL: Did you get an answer?

18 MS. HASTINGS: I'm not sure I did. I got a
19 rambling but I don't think I got an answer.

20 Q. Do your members price their services to
21 their end users at TS LRIC was my question.

22 A. I thought I answered that at the beginning,
23 no, they do not.

24 Q. Mr. Gillan, do your members price their
25 services to each customer on a per unit of cost basis

01277

1 that doesn't vary based on the amount of service the
2 end user purchases?

3 A. I believe the answer to that question is
4 no, but again, we're talking about now retail not --

5 Q. No is a perfect answer. No is great. Mr.
6 Gillan, I was intrigued by your entire testimony
7 because it seemed to cast aspersions on what I had
8 understood to be sort of the economics of America in
9 general, which is that I walk into a grocery store and
10 if I buy a can of pop it costs me 75 cents and if I
11 buy 24 cans of pop it costs me considerably less per
12 can of pop. I just thought that was the way American
13 business ran, that the more you bought perhaps the
14 less it was on a per unit basis. Do I misunderstand
15 economics?

16 A. Evidently, although I don't think you
17 understand America perhaps.

18 Q. That's fine.

19 A. This goes back to the question of
20 incredible distinction we have here between how retail
21 pricing might occur in a marketplace and what type of
22 pricing you need to apply and pricing rules you need
23 to apply when you establish a wholesale input price
24 for an essential facility such as access service.
25 That's the distinction here.

01278

1 Q. I think that's enough. We have an answer.

2 MR. MUTSCHELKNAUS: Your Honor, she asked
3 him a question. She posed a general question and
4 asked him for his general reaction. He's giving it.
5 She doesn't like the reaction and is trying to cut off
6 the answer. I don't think it's appropriate.

7 JUDGE ANDERL: I think his response has
8 already been responsive and if you want to follow up
9 on it you certainly can on redirect.

10 Q. Do you have an opinion, Mr. Gillan, where
11 U S WEST would recover its profit if it doesn't
12 recover it in access services?

13 A. It should recover it in its retail prices,
14 and in fact if the Commission decides to put some
15 contribution in access service that might be an
16 appropriate public policy decision. It's not one I
17 favor, and there's a lot of reasons that evidently if I
18 get into right now you might be concerned, but the
19 issue, really, here is if you're going to go out and
20 price above cost and you're pricing an input that all
21 long distance carriers have to use do you get to do
22 that in a way that distorts and damages interexchange
23 competition or do you have some responsibilities in
24 that marketplace. So even if you were to recover some
25 profit in access service, the real question is are you

01279

1 entitled to recover different amounts from different
2 long distance carriers just based on their size or
3 some other parameter.

4 MS. HASTINGS: That's all I have.

5 JUDGE ANDERL: That's all the questions for
6 this witness? Well, let's go ahead and break now and
7 we'll talk about scheduling. We'll be back at 1:15
8 and pick up with any additional cross.

9 (Lunch recess at 12:00 noon.)

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01280

1

AFTERNOON SESSION

2

1:30 p.m.

3

JUDGE ANDERL: Let's be back on the record
4 after our lunch break. When we recessed at noon U S
5 WEST had just concluded its cross of Mr. Gillan. Are
6 there other parties who have cross for this witness?
7 I see no response. Mr. Trotter, none from you either?

8

MR. TROTTER: That's correct.

9

JUDGE ANDERL: All right. Questions from
10 the bench for Mr. Gillan?

11

CHAIRMAN NELSON: Do you have some?

12

COMMISSIONER GILLIS: I have none.

13

JUDGE ANDERL: Mr. Mutschelknaus, did you
14 have redirect?

15

MR. MUTSCHELKNAUS: Yes. Just a few
16 things.

17

18

REDIRECT EXAMINATION

19 BY MR. MUTSCHELKNAUS:

20

Q. Mr. Gillan, Ms. Hastings asked you about a
21 report recently released by the FCC that describes the
22 current status of the common carrier competition. Do
23 you recall that?

24

A. Yes.

25

Q. Have you obtained a full -- I believe she

01281

1 showed you an excerpt?

2 A. That's correct.

3 Q. And have you now obtained a full copy of
4 that report?

5 A. Yes.

6 Q. One of the things Ms. Hastings asked you
7 was to run through several members of the IAC and
8 report their revenues as reported in that document.
9 Do you recall that?

10 A. Yes.

11 Q. Is there another member of IAC on that
12 list?

13 A. Yes, there was.

14 Q. Who is that?

15 A. US Long Distance who had an annual revenue
16 of \$136 million.

17 Q. Does that document also say anything about
18 the market share that AECs have in the access market?

19 A. Yes, it does.

20 Q. What does that report show?

21 A. It gives the figures for 1993 for the total
22 interstate access market with revenues of
23 approximately just over \$23 billion which shows what
24 a couple of hundred million is worth these days. The
25 CAPs have of that \$23 billion approximately \$94

01282

1 million.

2 Q. Ms. Hastings also asked you about her
3 perceived ability to obtain a volume discount when
4 buying cans of soda pop. Do you recall that?

5 A. Yes, I do.

6 Q. Is purchasing access like purchasing a can
7 of soda?

8 A. No, not at all.

9 Q. How does it differ?

10 A. Well, the real difference here is when
11 you're talking about access you're talking about how
12 much a carrier for the monopoly network -- how do they
13 price the use of that network for other providers that
14 are attempting to provide retail services. Despite
15 U S WEST characterizations, fundamentally there's only
16 one monopoly network out there for access transport.
17 That's certainly true for the tandem switch product
18 that small carriers use. There are no competitive
19 alternatives for U S WEST service for that transport
20 option. If you are small you have one place to go,
21 and I make that assertion fully aware of the
22 characterization that U S WEST has attempted to paint
23 on a service that ELI offers, which is not a
24 competitive alternative to U S WEST network at all and
25 in fact essentially just repackages U S WEST network

01283

1 for other long distance companies to use.

2 What we have here is a situation where
3 small interexchange carriers have no choice whatsoever
4 but to use U S WEST network and U S WEST has come to
5 the Commission seeking flexibility to decide in
6 whatever manner they want how much contribution to
7 extract from customers that have no competitive
8 choices. That would be doubly damaging if it weren't
9 for the fact that each of these customers competes
10 against each other as well. You simply can't have a
11 system where some interexchange carriers make very low
12 contribution payments to U S WEST while other
13 interexchange carriers are forced to make very much
14 higher ones and yet they compete against each other in
15 the same market for customers. That's true today, and
16 becomes absolutely critical in the future if U S WEST
17 re-enters the long distance business and can decide to
18 give the most favored access prices to its own
19 affiliated long distance company.

20 Q. Is using Pepsi as an example, is Pepsi an
21 essential facility?

22 A. No. Pepsi is not an essential facility.

23 Q. Would you regard tandem switching as
24 essential facility?

25 A. Yes. I absolutely would.

1 Q. Is Pepsi a monopoly offering?

2 A. No.

3 Q. Would you regard tandem switching as a
4 monopoly offering?

5 A. Yes. Tandem switch transport is, yes.

6 MR. MUTSCHELKNAUS: I have nothing further,
7 Your Honor.

8 JUDGE ANDERL: Any recross?

9 MS. HASTINGS: Nope.

10 JUDGE ANDERL: From any other party?

11 Thank you, Mr. Gillan, for your testimony.

12 You may step down. Mr. Mutschelknaus, does that
13 conclude IAC's presentation?

14 MR. MUTSCHELKNAUS: Yes, it does. Thank
15 you very much.

16 JUDGE ANDERL: Ms. Lehtonen.

17 MS. LEHTONEN: Sprint would would like to
18 call Sue McCanless.

19 (Discussion off the record.)

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

21 While we were off the record Ms. McCanless took the
22 stand. We marked for for identification prefiled
23 testimony as Exhibit T-99 and the confidential Exhibit
24 SJM-1 attached thereto, which was just substituted
25 today is Exhibit C-100 and that consists of four pages.

01285

1 Actually looks like two documents each number numbered
2 pages 1 and 2.

3 MS. LEHTONEN: That's correct.

4 (Marked Exhibits T-99 and C-100.)

5 Whereupon,

6 SUSAN MCCANLESS,

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

8 herein and was examined and testified as follows:

9

10 DIRECT EXAMINATION

11 BY MS. LEHTONEN:

12 Q. Good afternoon, Ms. McCanless. Could you
13 please state your name and address for the record?

14 A. My name is Susan McCanless. My business
15 address is 7171 West 95th Street, Overland Park, Kansas
16 66212.

17 Q. What is your position or what company do
18 you work for and what is your position and
19 responsibilities in that company?

20 A. I work for Sprint Communications Company
21 LP. I'm manager of regulatory, state regulatory
22 affairs and we deal with regulatory initiatives in the
23 states.

24 Q. Did you cause testimony to be filed in this
25 proceeding now identified as Exhibit T-99 and Exhibit

1 C-100?

2 A. Yes, I did.

3 Q. Do you have any changes to that testimony?

4 A. Yes, I do. On the exhibit -- actually it's
5 corrected now. It was incorrect on the first one.

6 Q. Could you briefly explain why you made that
7 correction?

8 A. Okay. On the first exhibit, the first page
9 at the bottom of SJM-1 the original testimony says,
10 "see SJM-1 page 3." It's now been corrected to say
11 page 2.

12 Q. Are those the only changes that were made?

13 A. Yes.

14 Q. What was the reason for these changes?

15 A. Well, that change was just a correction,
16 and then the revised document that we put in was due
17 to the U S WEST cost studies that were not available
18 when I filed this testimony.

19 Q. With those changes, do you now adopt this
20 testimony as true to the best of your knowledge?

21 A. Yes, I do.

22 MS. LEHTONEN: Your Honor, I move that
23 Exhibits 99 and C-100 be entered into the record.

24 JUDGE ANDERL: Ms. McCanless, on this
25 confidential exhibit on each of the page 1s at the very

01287

1 bottom a number has been deleted in pen or pencil and a
2 new number has been inserted?

3 THE WITNESS: Right.

4 JUDGE ANDERL: I don't know if I can say
5 those or not. I don't know how much of this is
6 confidential. The DS3 contribution, is that the
7 confidential number?

8 THE WITNESS: Yes.

9 JUDGE ANDERL: Did you do that?

10 THE WITNESS: Yes, I did.

11 JUDGE ANDERL: Is it correct as changed?

12 THE WITNESS: It's correct as changed.

13 JUDGE ANDERL: On each of the two
14 documents?

15 THE WITNESS: Yes, it is.

16 MS. LEHTONEN: Again, I would request that
17 Exhibit 99 and C-100 be entered into the record.

18 JUDGE ANDERL: Any objection from any
19 party?

20 MR. SHAW: No, Your Honor. We haven't had
21 a chance to examine this revised document and I will
22 not object to its entry today, but just if I could
23 reserve the right to direct any errors to the
24 attention of the record after we have a chance to look
25 at them.

01288

1 JUDGE ANDERL: Certainly. Exhibits T-99
2 and Exhibit C-100 will be admitted.

3 (Admitted Exhibits T-99 and C-100.)

4 MS. LEHTONEN: Thank you. The witness is
5 available for cross-examination.

6 JUDGE ANDERL: Ms. Lehtonen, if you would,
7 so that the record is clear, will you cover the
8 stipulation with this witness or were you going to do
9 it with Mr. Purkey?

10 MS. LEHTONEN: I will do it with this
11 witness. I'm not sure I know what to ask.

12 Q. Ms. McCanless, are you here to represent
13 Sprint's signature and participation into the
14 stipulation that was filed in this proceeding today?

15 A. Yes, I am.

16 Q. And are you available for cross-examination
17 on this?

18 A. Yes.

19 Q. Is this your recommendation to the
20 Commission to adopt the recommendations in this
21 stipulation?

22 A. Yes, it is my recommendation.

23 Q. On behalf of Sprint?

24 A. On behalf of Sprint.

25 MS. LEHTONEN: Thank you very much.

01289

1 JUDGE ANDERL: Mr. Shaw, will you be doing
2 the cross of this witness?

3 MR. SHAW: Yes, thank you.

4 JUDGE ANDERL: Go ahead.

5

6 CROSS-EXAMINATION

7 BY MR. SHAW:

8 Q. Ms. McCanless, in exchange for brownies
9 from an unnamed source I've promised to be very brief.
10 We had asked you on discovery what Sprint had done to
11 optimize their network to take advantage of the LTR
12 restructure at the federal level and now proposed at
13 the state level. Do you remember that question in
14 Sprint's answer?

15 A. Yes, I do.

16 Q. And I believe that you said in that answer
17 that you performed network optimization in response to
18 the LTR restructure and you continually optimize your
19 network. Is that a general summary of your response?

20 A. Yes. We optimize our network in response
21 to LTR but also just in response to changes in the
22 marketplace, yes.

23 Q. And the LTR restructure initiated at the
24 federal level was a major change for the way access is
25 provided, was it not?

01290

1 A. Yes, it was.

2 Q. And Sprint as the third largest, I believe,
3 interexchange carrier in the country has taken
4 advantage of that restructure in order to optimize its
5 network?

6 A. We have restructured in response to that --
7 to the local transport restructure, yes.

8 Q. And you will restructure your network even
9 more if this Commission adopts it at the state level,
10 I take it?

11 A. We continually optimize our network based
12 on new tariff filings and services provided by
13 alternatives in the marketplace.

14 Q. Are you familiar with shared use in which
15 both private line and switched transport services can
16 be put on the same DS1 or DS3 facility?

17 A. Yes, I am.

18 Q. And Sprint as an aggressive network
19 manager, makes the maximum use of shared use, does it
20 not?

21 A. In my experience obviously that's true,
22 yes.

23 Q. And it just makes sense if you're going to
24 purchase or lease a large capacity DS1 or DS3 you're
25 going to pack it with as much as you can, both private

01291

1 line and switched on the same facility, correct?

2 A. Well, that depends on the characteristics
3 of the end office to which we're serving, based on
4 that facility. Some of our end offices we have very
5 little special access, let's say, and so we would have
6 to fill that with as much switched access as we
7 possibly would have. It would really depend on an end
8 office by end office situation.

9 Q. I take it you would agree with me that as a
10 general proposition that technological possibility of
11 shared use makes it possible for Sprint or any other
12 carrier to maximize its use of high capacity services?

13 A. Yes, that's true.

14 Q. Are you familiar with hubbing of private
15 line or special access facilities?

16 A. Yes, I am. I want to make sure, are you
17 talking about you've extended DS3 out to an end office
18 and then MUX it there, take the DS1s out from there
19 to customers or other end offices that are served by
20 that local office.

21 Q. That general idea that you can hub together
22 individual private line or direct trunk circuits into
23 a hub, conceptually just like the airlines work,
24 consolidate that traffic at that hub and then
25 transport it onto your POP on a high capacity service.

01292

1 A. I think we're on the same definition.

2 Q. And do you utilize hubbing whenever
3 possible?

4 A. I'm not sure you can say whenever possible.
5 We utilize hubbing.

6 Q. And that allows Sprint to make more use of
7 high capacity services such as DS3, does it not, that
8 kind of network technology?

9 A. I'm sorry, can you say that question one
10 more time.

11 Q. Hubbing like shared use enables a carrier
12 like Sprint to make more use of large high capacity
13 services like DS3?

14 A. Again, it would just depend on the
15 characteristics of our traffic in a certain area. It
16 would depend on where you're talking about. If you're
17 just saying typically does the volume of your switched
18 and special access allow you to hub, that's true, but
19 for Sprint it would depend on definitely exactly what
20 area you're talking about, what LSO, what area, what
21 LATA.

22 Q. Maybe you better define LSO for the record.

23 A. Local serving office.

24 Q. We do have general agreement, I take it,
25 though, that by consolidating traffic a carrier like

01293

1 Sprint can use high capacity services such as DS3?

2 A. Yes.

3 Q. In fact Sprint uses DS1 and DS3 as well as
4 tandem switching in its network does it not?

5 A. Sprint uses -- the majority is DS1 and DS3
6 but they do use DS3 also, but not to the extent we use
7 DS1 and tandem switching.

8 Q. Do you recall Mr. Gillan's testimony where
9 he tended to categorize carriers into large, medium
10 and small?

11 A. I don't remember specifically Mr. Gillan
12 referring to that, but I know that that's been
13 referred to, the IXCs in the industry.

14 Q. Am I correct that Sprint is generally
15 recognized as the third largest interexchange carrier
16 in the country behind AT&T and MCI?

17 A. That's my understanding.

18 Q. Would you characterize Sprint to be a
19 large carrier?

20 A. No, I would not. I would characterize
21 Sprint to be a medium carrier.

22 Q. So there's only one large carrier in the
23 country and everything else pales in comparison to
24 AT&T. Is that what you're suggesting?

25 A. Respectfully said. Yes. AT&T has

01294

1 definitely got the vast majority of the market share.

2 Q. So the large category used by Mr. Gillan
3 has a membership of one in your opinion?

4 A. Yes, in my opinion.

5 Q. How large would Sprint have to be in terms
6 of, let's say, investment to be a large carrier in
7 your opinion?

8 A. I really can't answer that question, I'm
9 sorry.

10 Q. How close to being a large carrier is
11 Sprint, in your opinion?

12 A. Well, if you're saying how close is Sprint
13 to AT&T, is that what your question is?

14 Q. Yes.

15 A. I don't think we're close at all.

16 Q. Are you saying that you would not be a
17 large carrier unless you were the same size as AT&T is
18 today?

19 A. No, not at all. You're speaking relatively
20 because you could consider Sprint a large carrier to
21 some of the carriers that Mr. Gillan spoke of, but
22 Sprint compared to AT&T, we are not a large carrier.

23 Q. Is LDDS, a client of Mr. Gillan's, the
24 fourth largest interexchange carrier in the country?

25 A. If he said that. I don't remember him

1 saying that and I don't know that to be a fact.

2 Q. I don't represent that he did say that.

3 I'm asking whether you know that.

4 A. No, I don't know that.

5 MR. SHAW: Thank you.

6 JUDGE ANDERL: Thank you, Mr. Shaw. Mr.

7 Potter.

8 MR. POTTER: No.

9 JUDGE ANDERL: Do any of the other parties
10 have cross for Ms. McCanless? Show of hands? I see

11 no response. Questions from the bench for Ms.

12 McCanless.

13 CHAIRMAN NELSON: No.

14 COMMISSIONER HEMSTAD: No.

15 COMMISSIONER GILLIS: No.

16 JUDGE ANDERL: Is there redirect?

17 MS. LEHTONEN: No.

18 JUDGE ANDERL: Thank you, Ms. McCanless.

19 You may step down. Next witness.

20 MS. LEHTONEN: Sprint calls Richard Purkey
21 to the stand.

22 (Recess.)

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

24 While we were off the record Mr. Purkey took the

25 stand. We identified his reply testimony as Exhibit

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1 T-101 and his confidential exhibit RAP-1 as Exhibit
2 C-102.

3 (Marked Exhibits T-101 and C-102.)

4 Whereupon,

5 RICHARD PURKEY,
6 having been first duly sworn, was called as a witness
7 herein and was examined and testified as follows:

8

9 DIRECT EXAMINATION

10 BY MS. LEHTONEN:

11 Q. Good afternoon, Mr. Purkey.

12 A. Afternoon.

13 Q. Could you please state your name and
14 business address for the record.

15 A. My name is Richard Purkey, P U R K E Y. My
16 business address is 1850 Gateway Drive, Seventh Floor,
17 San Mateo, California.

18 Q. And who do you represent?

19 A. I represent Sprint Communications Company
20 LP.

21 Q. And could you state your position and your
22 responsibilities?

23 A. Yes. I'm the director of state regulatory
24 west for Sprint.

25 Q. Did you cause testimony to be filed in this

01297

1 proceeding identified as T-101 and RAP C-102?

2 A. Yes, I did.

3 Q. Do you have any changes to make to that
4 testimony?

5 A. I have one small change to make on page 12
6 of T-101. At the end of line 3 carrying over to the
7 beginning of line 4 few extra words in here that can
8 be deleted. Delete "establishes" at the end of line 3
9 and the words "compensation rates" at the beginning of
10 line 4.

11 Q. With those changes do you adopt this
12 testimony as true to best of your knowledge?

13 A. Yes, I do.

14 MS. LEHTONEN: Move that Exhibits T-101 and
15 RAP-1 C-102 be admitted into the record.

16 JUDGE ANDERL: Any objection from any
17 party?

18 MR. SHAW: I have an objection to a portion
19 of T-101. Direct your attention to page 15, going on
20 to the top of page 14 through line 5. The thrust of
21 this is to suggest that the testimony of a witness on
22 behalf of another company in another state before
23 another commission suggests probative evidence in this
24 proceeding, despite admitting that the data is not
25 directly comparable to Washington, data at line 18 and

1 19 going over on page 16. This is obvious hearsay.
2 Apparently the testimony is offered for the truth of
3 it. We cannot possibly cross-examine Dr. Meitzen's
4 testimony before the Maryland Public Service
5 Commission. Testimony on its face admits that it's not
6 comparable to Washington data, and it's just not
7 probative of anything and I move that it be struck.

8 JUDGE ANDERL: Does Sprint have any
9 response?

10 MS. LEHTONEN: Yes, Your Honor. I think
11 that it's fairly clearly referenced in this testimony
12 that this does pertain to a Maryland proceeding. It's
13 not represented as pertaining to Washington. U S WEST
14 itself has offered up experiences in a number of other
15 states regarding the issues in this proceeding, and I
16 think that it can be taken for what it is.

17 JUDGE ANDERL: To the extent that this
18 information is supplied directly in response to a
19 question, "Do you have any independent evidence?" and
20 then this information is then supplied from a witness
21 who provided testimony before the Maryland Commission,
22 I think it's pretty clear that it's been offered for
23 the truth of the matter contained therein and that U S
24 WEST I believe would be prejudiced by not being able
25 to cross-examine this individual. I am therefore

01299

1 going to grant the motion to strike. That would be
2 from line 6 on page 15 -- I'm just going to strike the
3 whole question and everything. So that will be line 6
4 through line 5 on page 16.

5 MR. SHAW: Thank, Your Honor. I have no
6 objection to the remainder of the two exhibits.

7 MS. LEHTONEN: Witness is available for
8 cross-examination.

9 JUDGE ANDERL: Documents will be admitted
10 and, Mr. Shaw, are you going to do the cross?

11 (Admitted Exhibits T-101 and C-102.)

12 MR. SHAW: Yes, thank you.

13

14 CROSS-EXAMINATION

15 BY MR. SHAW:

16 Q. Mr. Purkey, Sprint does business in the
17 state of Washington in the form of United Telephone
18 Company also, does it not?

19 A. Sprint Corporation has a subsidiary that
20 does operate local exchange services in the state of
21 Washington. It's Sprint United of the Northwest.

22 Q. And you anticipated my next question. You
23 have started branding your local exchange service as
24 Sprint service. You now call it Sprint United; is
25 that correct?

01300

1 A. Well, the company names have changed and
2 have Sprint and utilize the Sprint logo, that is, the
3 corporate logo, on things like directories and other
4 materials, yes.

5 Q. Sprint family of corporations and
6 associations are appearing in this proceeding in five
7 ways: Sprint Communications Company LP, Sprint United,
8 Sprint United as a member of WITA, and TCG. I guess
9 that's four. Would you agree with that?

10 A. No. I think those parties are all -- I
11 believe are parties to the proceeding.

12 Q. Yes.

13 A. And there are, as I understand it,
14 ownership interests of Sprint Corporation in a joint
15 venture of which, as I understand it, the assets of
16 TCG will be contributed to that venture. So there's
17 an ownership interest there, yes. And Sprint United
18 of the Northwest I believe is a participant in the
19 proceeding, and I believe they are a member of WITA.

20 Q. Did you hear Mr. Roe's testimony that he
21 anticipates that TCG may be doing business in the
22 state of Washington in the future under the Sprint
23 brand name?

24 A. I wasn't here for that testimony.

25 Q. Do you understand that to be the case, that

01301

1 that is the business plan?

2 MS. LEHTONEN: Objection. I believe the
3 testimony of Mr. Roe was that he did not know whether
4 or not it would be in the Sprint name or what name it
5 would be in.

6 MR. SHAW: That's not my recollection.
7 That he had heard that it was being proposed to be the
8 Sprint name but he didn't know whether that was going
9 to be the ultimate outcome.

10 MS. LEHTONEN: I think the record can stand
11 for itself.

12 JUDGE ANDERL: Well, I think so. I thought
13 he recalled he said he thought it might be Sprint but
14 he wasn't sure.

15 Q. Let me restate the question, Mr. Purkey.
16 Do you know whether or not Sprint and its partners in
17 TCG are planning to do business in the city of Seattle
18 as a local exchange company under the brand name
19 Sprint?

20 A. No, I don't. Perhaps if I can explain. I
21 am aware that the Sprint venture with several cable
22 companies does intend to enter the local exchange
23 business and market telecommunications services under
24 the name Sprint. At least that's what I understand
25 from public statements that have been made. Exactly

01302

1 how that relates to the business plans of TCG in
2 Seattle, I'm not certain.

3 Q. Are you aware that TCG has statewide
4 authority from this Commission to provide local
5 exchange service?

6 A. I understand that, yes.

7 Q. Is Sprint planning on competing with Sprint
8 United in Poulsbo or in the lower Yakima valley with
9 local exchange service?

10 A. As I understand -- is the question --
11 Sprint Communications Company LP will not compete with
12 the Sprint United of the Northwest in those areas for
13 local exchange service as far as I am aware.

14 Q. Does Sprint have a difficult job
15 reconciling its corporate strategies between its
16 traditional local exchange company, its interexchange
17 company and its venture with TCG and the cable
18 companies on advocating to this Commission or any
19 other public body what the new terms and conditions
20 should be for a competitive environment?

21 A. I think any company in the environment that
22 we are in in the telecommunications industry has a
23 difficult time reconciling its business interest and
24 plans, its understanding of what the
25 telecommunications marketplace will look like and the

01303

1 policy considerations that come before commissions as
2 it relates to provision of telecommunications
3 services. I do know from personal experience that
4 within the company we oftentimes do have to grapple
5 with the policy issues that come before commissions
6 looking at it from several different perspectives,
7 that of an incumbent local exchange company, that as a
8 long distance provider and as an entity that has an
9 ownership interest in entering into the competitive
10 local service market in areas currently served by
11 incumbent local exchange companies. We also have
12 cellular service interests as well around the country,
13 so, yes, on any given issue we tend to wrestle with it
14 looking at it from a variety of perspectives from our
15 interests in participating in those markets.

16 Q. If the Commission were to adopt your
17 recommendations here and your testimony, I take it you
18 would have no objection to U S WEST competing with
19 Sprint United in the city of Poulsbo on the same terms
20 and conditions that you're suggesting that TCG should
21 be able to compete with U S WEST in Seattle. Wouldn't
22 that be correct?

23 A. I don't think I have a particular position
24 to advocate that that shouldn't occur. I think there
25 are issues to be dealt with in terms of the current

01304

1 incumbent local exchange companies, the relationships
2 they have and issue for this Commission to address as
3 to whether that's appropriate or not, I'm not here to
4 represent Sprint United of the Northwest, and to the
5 extent that there may be issues that may be addressed
6 by the Commission, I think they would bring them
7 forward in the proposal. I don't have a particular
8 reason to say no, though, at this point.

9 Q. Whatever interconnection terms and
10 conditions the Commission prescribes between Sprint,
11 TCG and U S WEST in Seattle, you certainly wouldn't
12 argue that there should be different terms and
13 conditions prescribed for U S WEST competing with
14 Sprint in Poulsbo, do you?

15 A. I'm sorry, you're going to have to -- I got
16 stuck in your question when you said Sprint, TCG, and
17 I just have trouble with that particular
18 characterization so I kind of missed the last part of
19 the question. If you could restate it.

20 Q. Well, you're not quarelling with the fact
21 that Sprint the corporation is a major shareholder or
22 owner of the TCG efforts in the city of Seattle, are
23 you?

24 MS. LEHTONEN: Objection, Your Honor. I
25 think it's already been stated for the record that

01305

1 Sprint has a minority interest in the joint venture
2 and that the joint venture is a separate entity from
3 Sprint.

4 JUDGE ANDERL: Could you restate that,
5 Mr. Shaw.

6 MR. SHAW: I didn't say majority. I said
7 substantial.

8 Q. Do you agree that Sprint is a substantial
9 owner of the consortium that TCG operates in?

10 A. I understand that Sprint is a 40 percent
11 owner of a venture with TCI, Comcast and Cox. That's
12 currently being called the Sprint Telecommunications
13 Venture. And it's further my understanding that TCG
14 will be or is intended to be contributed to that
15 entity. I guess the place where I might be having
16 trouble or where we may be having trouble coming to
17 agreement on is I'm not sure that that actually has
18 occurred yet. There is, as I understand it, from
19 press releases and other things that I've read that
20 there is -- TCG is owned, as I understand it, by TCI,
21 Comcast, Cox and a fourth company named Continental,
22 and I think there are issues to be resolved of
23 ownership. I'm not sure yet whether TCG has --
24 definitively been determined that TCG is going to be
25 contributed. I think that is the plan. I just don't

01306

1 know it for sure, and that's the hesitancy I have. I
2 think the definite plan of the announced Sprint
3 Telecommunications Venture is that the TCG will be
4 contributed to the assets of that joint venture and at
5 that point Sprint would own a substantial interest in
6 the operations of TCG the parent company that I think
7 has an interest in the operations of TCG in Seattle.
8 Again, exactly the nature of those financial
9 relationships I'm not 100 percent sure of.

10 Q. Thank you very much. That was helpful.
11 With that understanding I'll return to my question.
12 Sprint, with its standing in the TCG cable
13 relationship as you've just related would not advocate
14 different rules that should apply for competition in
15 interconnection between TCG and Sprint and U S WEST
16 in Seattle than it would for U S WEST and Sprint
17 United in Poulsbo, would it?

18 A. Again I'm stumbling over the inclusion of
19 one -- one additional Sprint in there. To answer your
20 question, I think the question that you're asking, I
21 think the answer to that is no, I don't think I would
22 advocate a different set of relationships as it
23 relates to TCG's operations with U S WEST in current
24 U S WEST serving territory than I would for U S WEST
25 should it choose to enter on a competitive basis into

01307

1 the operating service territory of GTE or United
2 territories or other independent territories.

3 Now, there are financial relationships in
4 relation to exchange of EAS facilities between those
5 companies. I'm not suggesting anything different
6 there. You included one other Sprint in that and to
7 the extent you're talking about Sprint Long Distance
8 where we pay for interconnection based on access
9 charges, then the interconnection arrangement is
10 different for toll access charges, and that would be a
11 different set of circumstances.

12 Q. United Telephone Company providing local
13 exchange service in Poulsbo is known as Sprint United
14 today as we sit here?

15 A. I believe it's known as Sprint United of
16 the Northwest, but it may be Sprint United. I'm not
17 sure.

18 Q. Are you aware in your regulatory work for
19 Sprint the long distance entity that the cable
20 companies that are your partners in the TCG venture
21 are joint marketing Sprint telephone service and cable
22 service?

23 A. I don't have personal knowledge of that,
24 no.

25 Q. You have not heard or read or been informed

01308

1 of any joint marketing between Sprint and TCI, Cox,
2 Comcast?

3 A. I read the newspaper article that you
4 distributed and was marked as an exhibit earlier in
5 the proceeding, and I'm generally aware that there is
6 an intent of the Sprint Telecommunications Venture
7 based on the announcements that were made at the time
8 the venture was announced publicly that they intend to
9 market long distance, local services, wireless
10 services, cable services together, yes.

11 Q. And you don't have any reason to dispute
12 the accuracy of the report in the news magazine
13 article that's been marked as Exhibit 81 that you said
14 that you had read earlier?

15 A. Of my personal knowledge, no.

16 Q. Do you consider Sprint United of the
17 Northwest to be carrier of last resort in the Poulsbo
18 service area in the state of Washington?

19 A. Well, I guess I have to admit that I'm not
20 quite sure that United of the Northwest serves the
21 Poulsbo area, but I am willing to accept that it does
22 and with that basis it's the current incumbent local
23 exchange company in that service territory. I would
24 agree to that.

25 Q. On page 33 of your testimony, the last of

01309

1 your testimony, you recommended that incumbent
2 telephone companies should be restricted from exiting
3 markets or market segments until alternatives become
4 available, i.e., being the carrier of last resort. I
5 presume from that you mean that all incumbent
6 telephone companies including Sprint's affiliates are
7 the carrier of last resort in their service
8 territories?

9 A. Yes.

10 Q. And so if U S WEST were to put a trunk
11 across Bainbridge Island over to Poulsbo and market
12 exclusive to Poulsbo business customers of Sprint
13 United, Sprint United would continue to be the
14 carrier of last resort in Poulsbo and would have to
15 serve all the carriers -- or all the customers that
16 U S WEST chose not to serve, wouldn't it?

17 A. Yes.

18 Q. Do you agree that Sprint United in the
19 state of Washington -- if a carrier were to do that,
20 that is, come in and selectively serve just its
21 business customers and its high density customers --
22 would have a need to rebalance their rates in order
23 that their high density profitable customers were not
24 siphoned off to the detriment of their low density
25 customers that were left for Sprint United to serve?

01310

1 A. There's a lot in that question. Generally
2 speaking, I believe that rates should reflect the cost
3 of providing service. To the extent that your
4 question asks whether I think companies should be able
5 to present proposals to the Commission and request
6 rebalancing of their rates, to the extent that that's
7 justified by the cost of providing those services,
8 Sprint has no objection to that.

9 Q. Do you have any opinion on whether Sprint
10 United's residential rates in the state of Washington
11 are below cost?

12 A. No, I don't.

13 Q. Would you expect that they are?

14 MR. TROTTER: Objection, no foundation.

15 JUDGE ANDERL: Sustained.

16 Q. To the extent that your recommendations and
17 your testimony conflict with that, recommendation of
18 TCG, considering that Sprint is apparently going to be
19 a substantial owner of TCG, how should the Commission
20 resolve those conflicts between those two
21 recommendations?

22 A. I'm not sure there is a conflict in the
23 testimony. I am here, as I indicated at the beginning
24 of my testimony, representing Sprint Communications
25 LP, the long distance division. As a long distance

01311

1 division prior to the announcement of any ownership
2 interests in a joint venture with cable companies that
3 might involve TCG, Sprint announced publicly its
4 support for the -- to move quickly to the
5 implementation of competition in local service
6 markets. We testified to that fact before Congress
7 well in advance of any announcement of the joint
8 venture.

9 To that end that is the nature of my
10 testimony here is to recommend, too, as a long
11 distance carrier that it would be in our interests,
12 given that we currently rely on the incumbent local
13 exchange companies for all of our access services, to
14 see the development of a competitive alternative to
15 incumbent local exchange companies like U S WEST for
16 our access services, so I made recommendations that I
17 believe would help move towards the development of
18 competition in the local services market. I've made
19 certain recommendations to that effect. Other parties
20 to the proceedings have, including TCG. I'm not sure
21 I am aware of a particular conflict in those
22 statements.

23 Q. Does Sprint and its family of companies
24 unanimously urge bill and keep compensation for the
25 exchange of local traffic between local exchange

01312

1 companies both that compete with each other and that
2 don't compete with each other?

3 A. Well, in my testimony on behalf of Sprint
4 Communications Company LP, I have not advanced a
5 categorical assertion that bill and keep is the
6 necessary way to go. What I've suggested is that
7 whatever compensation methodology is developed for
8 terminating calls between alternative change carriers
9 and incumbent local exchange carriers that that
10 compensation methodology has to recognize the
11 circumstances in the market and that it has to be
12 competitively viable.

13 I advanced several other general principles
14 that I think the Commission should follow when
15 examining different proposals for call termination.
16 That, as well as being competitively viable, that they
17 not be based on interexchange carrier access charges
18 that have been established in the past at rates
19 substantially above cost. That they not seek to
20 develop support for universal service goals but should
21 rather be based upon the bond cost, and so I've
22 recommended several principles the Commission should
23 pursue. Those principles don't lead to a necessary
24 conclusion that the only possible alternative would be
25 a bill and keep solution.

01313

1 Q. I take it from that answer you have no
2 objection to local exchange companies like Sprint
3 United charging for local interconnection based on
4 cost but above cost to provide some contribution to
5 the common expenses of the company?

6 A. Well, I think what I said is that
7 compensation arrangements should be adopted that are
8 reasonable that recover the costs of interconnection
9 and which are economically viable, and if -- in a bill
10 and keep solution that have been proposed by some
11 parties in this proceeding, if that is the arrangement
12 between carriers to pay for the cost of
13 interconnection on your network of another carrier's
14 traffic by an in kind payment of them completing your
15 calls that need to be completed on their networks,
16 then that may very well be a reasonable cost-based
17 method for compensation.

18 You mentioned TCG. TCG has a proposal, as
19 I understand it, in this proceeding to have bill and
20 keep when terminations are at the end office but look
21 at a flat port capacity charge for calls terminated at
22 the tandem to account for switching and transport if
23 there's an interoffice transport required. So, again,
24 that's another proposal. That may very well be
25 cost-based and allow the companies to recover the costs

01314

1 that they incur. Those are certainly options that this
2 Commission should look at very carefully and to assess.
3 It should allow companies to recover the costs that
4 they experience for interconnection.

5 Q. So I take it you do advocate that U S WEST
6 should be able to compete with Sprint United in the
7 state of Washington for local exchange service on a
8 bill and keep basis if that connection is at the end
9 office?

10 A. No. I don't think that's what I've
11 advocated. I'm not very familiar with the
12 interconnection arrangements between independent
13 telephone companies and U S WEST. I'm not sure what
14 the costs are involved in the exchange, nor have I
15 advocated that bill and keep is necessarily the only
16 way to determine -- the only appropriate way to set up
17 interconnection payment arrangements between
18 companies. I have no objection to that being
19 considered but think U S WEST and the companies
20 involved would need to look at that.

21 Q. Are you aware that U S WEST is the
22 designated intraLATA toll carrier for its territory
23 and the independent territory including Sprint United
24 with the exception of GTE company?

25 A. That's my understanding, yes.

01315

1 Q. And through its payments of access charges
2 to Sprint United and before that its payments of
3 settlements it has provided for many years support to
4 maintain Sprint United's local exchange rates lower
5 than they otherwise could be?

6 A. I don't know that to be the case. What I
7 understand is for intraLATA toll service U S WEST is
8 the toll carrier and it pays United of the Northwest
9 access charges for carrying that traffic.

10 Q. And billing and collection charges.

11 MS. LEHTONEN: Excuse me. I would like to
12 object. I think Mr. Purkey has made it clear that
13 he's testifying on Sprint Communications Company the
14 long distance division, and has very little knowledge
15 of the operations of the local telephone company, and
16 Mr. Shaw keeps asking questions regarding the
17 operations of the local phone company and I don't
18 think there's a proper foundation. This is not the
19 witness to ask those questions to.

20 JUDGE ANDERL: Mr. Shaw, I don't think the
21 witness has a lot of personal knowledge about this.

22 MR. SHAW: Well, I can only ask him what he
23 does know, I guess. If he doesn't know, he doesn't
24 know. I think it's totally relevant given his
25 testimony to the effect that U S WEST isn't entitled

01316

1 to any access charges. I'm just wondering why his
2 corporation's companies are entitled to access charges,
3 but if he doesn't know why that's the case, so be
4 it.

5 JUDGE ANDERL: Do you have a lot more
6 questions along these lines?

7 MR. SHAW: No, I don't.

8 JUDGE ANDERL: I will let you go ahead.

9 Q. Do you recall the question?

10 A. No, I don't. Sorry.

11 Q. Payment of access charges by U S WEST as
12 the designated intraLATA toll carrier keeps Sprint
13 United's local exchange rates much lower than they
14 otherwise would be in its service territory in the
15 state of Washington?

16 A. I don't know the answer to that question.

17 Q. Do you have any opinion on whether
18 legislation would be needed in the state of Washington
19 to accomplish your recommendation for a long-term
20 solution for universal service? Directing your
21 attention to page 22 when you talk about -- where you
22 talk about the need for competitively neutral
23 universal service contribution system, do you recall
24 your testimony in that regard?

25 A. Yes, I do.

01317

1 Q. And again, my question, do you have any
2 opinion on whether legislation is needed in the state
3 of Washington to accomplish a scheme like that?

4 A. Did you say page 22 of my testimony?

5 Q. Page 26 is what I should have said. Sorry.

6 A. I do not know whether legislation would or
7 would not be required to implement the universal
8 service policy program proposal that I broadly
9 outline, the goals that should be sought in such a
10 program. I just don't know the answer to that
11 question.

12 Q. And you don't have any idea how long it
13 would take to set up such a new system to preserve
14 universal service in the state of Washington?

15 A. No, I do not, nor am I sure at this point
16 that one is needed.

17 Q. And you say that on behalf of all the local
18 exchange companies in the state, including the ones
19 affiliated with your company?

20 A. Yes.

21 MR. SHAW: Thank you. I have nothing
22 further.

23 JUDGE ANDERL: Thank you. Mr. Potter.

24 MR. POTTER: No questions.

25 MR. FINNIGAN: I have just one question.

01318

1

2

CROSS-EXAMINATION

3 BY MR. FINNIGAN:

4 Q. In light of Mr. Shaw's last questions you
5 were answering if you were speaking on behalf of all
6 the local exchange companies in the state of
7 Washington. Just for the record you're not appearing
8 as a witness for the Washington Independent Telephone
9 Association, are you?

10 A. No, I am not. When I answered that
11 question I understood -- I did not understand him to
12 be asking whether I was speaking on behalf of all of
13 the local exchange companies, but whether my proposal
14 and recommendations that I have made would apply
15 throughout the state regardless of whether it applied
16 to U S WEST or other independents.

17 JUDGE ANDERL: Anything else for this
18 witness? From the commissioners any questions?

19

20

EXAMINATION

21 BY COMMISSIONER GILLIS:

22 Q. I had a clarification question for you. On
23 page 11 of your testimony you have a set of principles
24 that you're recommending to the Commission for
25 reasonable level of compensation. The bullet down on

01319

1 page 9 you say, "Compensation should not be tied to
2 existing local telephone company price structures in a
3 manner designed to force new market entrants to mimic
4 existing price structure."

5 A. Well, generally speaking what I mean here
6 is that the compensation method, whatever that might
7 be proposed, should not require the incumbent carriers
8 to follow the same mold. If the interconnection
9 terms adopted are usage-based they would tend to force
10 a usage-based structure on the end user services that
11 are provided by the company. To that point you should
12 look at the costs of interconnection and the market
13 structures that are there and not necessarily impose a
14 pricing scheme or mechanism for interconnection that
15 predetermines what kind of service will be provided by
16 the alternative local exchange company.

17 The proposal by U S WEST is to follow a
18 practice of using interexchange carrier access
19 charges. Interexchange carrier access charges
20 historically before local transport restructure are
21 based on a per minute of use basis that's consistent
22 with the marketplace for toll because historically
23 toll has been billed on a basis of per minute of use
24 charges. I would encourage you to look at structures
25 and costs that are incurred by the companies to

01320

1 terminate traffic and to adopt structures as well as
2 possible that are neutral as to how the carriers that
3 have to pay those charges will ultimately offer their
4 services.

5 Q. One more at the top of that page. Bullet
6 up there you suggest compensation should reward rather
7 than penalize greater investment in infrastructure
8 development by local telephone company competitors.
9 Is that all local telephone company competitors?

10 A. Yes. I think that's all local telephone
11 company competitors including the incumbent local
12 exchange company. I think here one of my primary
13 concerns was that you not -- kind of follows on from
14 one of the earlier points that the compensation
15 methodology needs to be economically viable. You do
16 not want to create a compensation structure on a high
17 per minute of use basis that for incoming carriers to
18 be able to provide service would set the compensation
19 rate at such a high level as to prevent them from
20 entering certain portions of the market, like the
21 residential market. So when you design a compensation
22 methodology it should not set rates at such high
23 levels for interconnection when that may result in
24 precluding entry of carriers into segments of the
25 market like the residential market if rates are

01321

1 relatively lower and on a flat payment per month basis
2 in that particular market segment.

3 Q. Would you agree that in a competitive
4 market an inefficient provider is generally penalized
5 and an efficient provider is generally rewarded for
6 investments?

7 A. Yes.

8 Q. Do you think that the compensation rules
9 that we establish for interconnection should also
10 reflect that principle? Should we be seeking to
11 encourage efficiency, in other words?

12 A. I think in the long run, yes.

13 Q. I'm trying to reconcile with the statement.
14 What I remember reading in the statement is that
15 you're suggesting that competition is an end rather
16 than a means. That's how I read that statement.
17 Creating incentives for competitive infrastructure
18 development, that you see that as the value. Am I
19 reading that wrong?

20 A. Well, I think a competitive marketplace
21 does create incentives which are going to encourage
22 the development of services that people want, and that
23 tends to have, as a benefit, an encouragement of
24 innovation, product innovation that usually involves
25 spending and investment and creating advances in the

01322

1 networks and the technology service provides. So, you
2 know, I think competition does that and I think if you
3 create structures that encourage competition in the
4 long run, that will occur.

5 Q. But not everybody is going to be rewarded,
6 right?

7 A. Not everyone is going to be rewarded. The
8 competitive market there's no guarantee that anyone
9 who enters the market will stay.

10 COMMISSIONER GILLIS: Thank you.

11 JUDGE ANDERL: Thank you. Redirect for
12 this witness.

13 MS. LEHTONEN: No redirect.

14 JUDGE ANDERL: Anything further for this
15 witness?

16 Thank you, Mr. Purkey, for your testimony.
17 You may step down. Does that conclude Sprint's
18 presentation?

19 MS. LEHTONEN: Yes, it does.

20 JUDGE ANDERL: Department of Defense/
21 Federal Executive Agencies, your first witness.

22 MR. GANTON: Mark Langsam, he's got one
23 exhibit.

24 JUDGE ANDERL: Let's go ahead and take our
25 afternoon recess, too. Be back at 3:00.

01323

1 (Recess.)

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

3 MR. GANTON: Do you want to mark Mr.

4 King's testimony now?

5 JUDGE ANDERL: We'll do it in a minute.

6 While we were off the record Mr. Langsam took the

7 witness stand and we marked his testimony as Exhibit

8 T-103.

9 (Marked Exhibit T-103.)

10 Whereupon,

11 MARK LANGSAM,

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

13 herein and was examined and testified as follows:

14

15 DIRECT EXAMINATION

16 BY MR. GANTON:

17 Q. Good afternoon. Would you please state

18 your name and address for the record?

19 A. My name is Mark Langsam. My address is

20 care of GSA-KE, 18th and F Streets Northwest,

21 Washington DC, 20405.

22 Q. In what capacity are you testifying here

23 today?

24 A. Employee of the General Services

25 Administration representing the federal executive

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1 agencies as consumers of telephone service in the
2 state of Washington.

3 Q. Did you cause to be filed direct testimony
4 marked as Exhibit T-103 in this case?

5 A. Yes, I have.

6 Q. And was this testimony prepared by you or
7 under your supervision?

8 A. Yes.

9 Q. Do you have any additions, deletions or
10 corrections to this testimony?

11 A. Yes. On page 2 and 3 I have some minor
12 corrections. On page 2 at line 5 my business address
13 needs to be corrected to that as I've stated on the
14 record. And beginning at line 9 I am now an industry
15 economist in the information and technology service of
16 the General Services Administration. That needs to be
17 noted there.

18 JUDGE ANDERL: Title again?

19 THE WITNESS: Title is just industry
20 economist in the information technology service.
21 We're in the process of becoming.

22 JUDGE ANDERL: Still of the GSA?

23 THE WITNESS: Right.

24 A. On page 3, line 14, phrase Commonwealth of
25 Massachusetts should be changed to state of

1 Washington.

2 JUDGE ANDERL: What was that again?

3 THE WITNESS: Page 14 on line 3.

4 Q. Mr. Langsam, if I asked you the same
5 questions contained in your testimony now, considering
6 these changes, would your answers be the same?

7 A. Yes, they would.

8 MR. GANTON: Your Honor, move Exhibit T-103
9 be entered into the record, please.

10 JUDGE ANDERL: Any objection? Is there any
11 objection? I hear none. Exhibit T-103 will be
12 admitted.

13 (Admitted Exhibit T-103.)

14 MR. GANTON: Witness is available for
15 cross-examination.

16

17 CROSS-EXAMINATION

18 BY MR. SHAW:

19 Q. Mr. Langsam, when you say you're
20 representing the federal executive agencies you're not
21 here to represent what federal telecommunications
22 policy is to this Commission, are you?

23 A. Absolutely not.

24 Q. So you're not here speaking on behalf of
25 President Clinton or Vice-President Gore or the

1 Speaker of the House or the majority leader of the
2 Senate?

3 A. Absolutely not.

4 Q. When you say on the bottom of page 3 that
5 "The federal executive agencies are probably the
6 largest user of telephone services in the state of
7 Washington," do you know that as a fact?

8 A. No, I don't. But I say that probably. I
9 don't know whether we are or we are not the largest.

10 Q. Do you have any idea at all how much
11 telecommunications the federal government consumes in
12 the state of Washington?

13 A. I looked at it a couple of years ago.
14 I have not looked at the figure since.

15 Q. Federal government, as you related on page
16 14, procures telecommunications like everything else
17 it procures, by and large on a competitive bid basis,
18 correct?

19 A. Telecommunications is an exception. Local
20 exchange service, as it's now offered in the state of
21 Washington we procure on a monopoly basis. I believe
22 to the best of my knowledge our only supplier is U S
23 WEST in the territories -- in the area that U S WEST
24 serves, to the extent that we get local exchange
25 service from other parts of the state it would be from

01327

1 the local exchange probably there.

2 Interstate telecommunications service we
3 procure on a competitive basis strictly. Equipment --
4 customer premise equipment is procured competitively,
5 PBXs and key systems and the associated equipment
6 services with that is procured competitively, but
7 basic dial tone is still procured as if it was offered
8 as a monopoly in the state of Washington. At least it
9 is to this day.

10 Q. You competitively procure through FTS 2,000
11 and Centrex most of your telecommunications services
12 across the country, do you not?

13 A. That represents a large part of it but we
14 also procure dial tone and message unit.

15 Q. Would you just briefly for the record
16 define and describe FTS 2,000, the government's
17 integrated telephone system that it procures
18 competitively?

19 A. FTS 2,000 is an interstate
20 telecommunications network which provides service to
21 federal executive agencies. The service is provided
22 from within a LATA to other LATAs by the FTS 2,000
23 system. In each LATA, the network itself is a series
24 of what would be best classified as virtual private
25 line networks supplied by AT&T and Sprint. I'm not

01328

1 really sure how much more detail you want. Probably
2 if you could ask me more and more questions I can
3 supply more and more detail until you can satisfy
4 them.

5 Q. I think that's good enough for our purposes
6 here this afternoon. And in the context of FTS 2,000
7 you competitively procure large Centrex systems for
8 intrastate service also, do you not?

9 A. No, we do not. FTS 2,000 does not involve
10 itself with the provision of Centrex or Centrex-like
11 services or PBX services or any customer premise
12 equipment type services, no.

13 Q. Together with FTS 2,000 the government
14 procures competitively large Centrex systems from
15 carriers throughout the country including the state of
16 Washington, does it not?

17 A. No. The procurements are separate and it's
18 separately done and separately administered. Trying
19 to be sort of forthright as we can. Within our own
20 organization FTS 2,000 is a separate program. The
21 procurement of Centrex services and PBXs is procured
22 separately from the FTS 2,000 services.

23 Q. In any event, large Centrex systems are
24 competitively procured by the federal government,
25 correct?

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1 A. Yes. Centrex and PBXs are.

2 Q. Are you familiar that the state of
3 Washington like many western states has large federal
4 reservations in it such as Fort Lewis and the national
5 parks like Rainier and Olympic?

6 A. Yes.

7 Q. Federal government could for the
8 telecommunications services it needs for those large
9 federal reservations in the state of Washington
10 competitively procure all of its telephone service,
11 could it not?

12 A. Including what? Be somewhat more specific.

13 Q. Dial tone, for instance, for the Fort Lewis
14 reservation, you could request proposals from any and
15 all potential providers to provide you telephone
16 service on that federal reservation which would be
17 interconnected with the public switched network?

18 A. Practically or legally? It's an important
19 distinction to me as an employee of the General
20 Services Administration.

21 Q. Well, let's take it in two pieces. Legally
22 you would agree that you can do that in the state of
23 Washington?

24 A. Obviously, within the context of this
25 proceeding --

01330

1 Q. Practically, also you can do that?

2 A. Practically --

3 Q. By simply putting out an RFP could you in
4 the --

5 A. Practically we're about five years away
6 from that, from making that decision.

7 Q. That's certainly not the fault of the
8 vendors, that's just a decision the federal government
9 hasn't yet made to do?

10 A. It's a decision we've made based on our
11 perception of the state of the market as it exists now
12 in its ability to meet our needs.

13 Q. Until you put out such an RFP you don't
14 know what vendors will likely respond, do you?

15 A. I don't think that's a true statement.

16 Q. Are you familiar with the RFP the city of
17 Seattle put out to invite competitive proposals to
18 provide broad band telecommunications services in the
19 city of Seattle?

20 A. This is the first I've heard of it.
21 Perhaps if you could make arrangements to send me
22 a copy of it I would be well interested in reading it.

23 Q. If you will accept subject to your check
24 that the city of Seattle has done that, you would
25 agree that that is pretty persuasive evidence that any

01331

1 large governmental entity like the federal government
2 could do the same for any large geographic areas that
3 it controls, could it not?

4 A. I have no way of realistically answering
5 the question.

6 Q. As we talked briefly about FTS 2,000 with
7 large private line network across the nation, would
8 you consider the federal government in essence to be a
9 very large operator of telecommunications network in
10 the United States including Washington?

11 A. Yes. We're a large customer and user of
12 telecommunications.

13 Q. Larger than many, many telephone or
14 telecommunications companies in the country?

15 A. I think the size of the FTS 2,000 network
16 is probably larger than some of the interstate
17 telecommunications companies, yes.

18 Q. Now, that large governmental network is
19 connected with the public switch network including in
20 the state of Washington, is it not?

21 A. Absolutely.

22 Q. Now, would you expect that as an operator
23 of a large governmental network that you should be
24 able to use the public switch network for free to
25 terminate calls off net of the government network?

01332

1 A. Can you restate the question?

2 Q. Yes. As we've agreed that the federal
3 government is an operator of the large
4 telecommunications network, would the federal
5 government --

6 MR. GANTON: Excuse me. Did you understand
7 that to be operator, include operator?

8 THE WITNESS: I'm using the two of them as
9 synonyms. I'm not really sure if there is a
10 distinction in your mind.

11 Q. Does in fact the federal government operate
12 a large private network that spans the entire United
13 States including the state of Washington?

14 A. No. We contract for the services. Someone
15 else operates them on our behalf. We have a contract.
16 We have actually many contracts with AT&T and Sprint.
17 They operate the FTS 2,000 network according to the
18 terms of that contract on our behalf.

19 Q. Would you generally agree with me.
20 Description that that is a private network dedicated
21 to the federal government?

22 A. Oh, absolutely.

23 Q. Would the federal government expect that
24 that large private network should be able to use the
25 public switch network to terminate off net calls from

01333

1 that network for nothing?

2 A. That's an arrangement between -- it's an
3 arrangement that AT&T and Sprint have in operating that
4 network on our behalf. We pay them a fee to carry the
5 calls from end to end, from one end of the network to
6 the other, and whatever the internal expenses or
7 billing procedures are, that's their responsibility.

8 Q. Perhaps you misunderstood my question. My
9 question was for calls terminated off net, a call
10 originated on the federal government network and
11 terminated off net on the public switched network,
12 would the federal government expect that termination
13 of that off net call should be for free?

14 A. I don't quite understand what you mean by
15 free. We pay -- we pay a fee. We pay AT&T to carry
16 the call from point of origination to the point of
17 termination. So we are paying for the call. I mean
18 we don't get it for nothing.

19 Q. I didn't ask you whether you did. I said
20 would you expect that that would be appropriate for an
21 off net call to be terminated on the public switched
22 network for free?

23 A. I'm confused by your question. We pay for
24 the call. I don't expect to get any part of the
25 service for free. I pay someone to carry the call.

01334

1 MR. GANTON: He's answered the question
2 that it's a contractual relationship and what the
3 contractor -- what the arrangements are made are up to
4 the contractor.

5 JUDGE ANDERL: That's fine, Mr. Ganton. I
6 think he did just answer the question.

7 Q. Does the federal government pursuant to
8 your testimony on page 14 expect to operate a network
9 that "may cover local and long distance service,
10 switched and private"?

11 MR. GANTON: Can I ask what line you're at?

12 MR. SHAW: Yes. 12.

13 Q. Do you see my reference of --

14 A. Yes, I do.

15 Q. Does the federal government expect in the
16 future to operate one of these networks that may cover
17 local and long distance service switched and private
18 line, voice and data services?

19 A. It's the possibility of that that makes
20 this particular proceeding so vitally important to us
21 and I think to all commercial users of
22 telecommunications. To the extent that the
23 intercompany charges are settled it's between
24 different networks that create the network of networks
25 that will be most useful to us and other people, that

01335

1 form of billing, that form of interconnection, the
2 economics of the interconnection must neutral so that
3 any provider in the market can design that service
4 which is most efficient and meets the needs of any
5 particular customer in the market. To the extent that
6 the relationship in the settlement between the
7 connecting carriers tends to skew the market or
8 predispose certain types of relationships, it would
9 prevent us from obtaining the most efficient
10 telecommunications systems and the most efficient
11 networks to serve our needs. That's why this
12 proceeding is so important to us and that's why we're
13 here.

14 Q. Directing your attention to line 9 on page
15 14, are you predicting that the federal government is
16 going to buy and operate virtual networks that provide
17 on a combined basis local and long distance switched
18 and dedicated service?

19 A. It's a possibility. I have no idea if it
20 will come into being.

21 Q. So you expect that that is a strong
22 possibility that the federal government will become
23 its own telephone company and demand to interconnect
24 on the same terms and conditions as existing
25 telecommunications companies connect?

01336

1 A. Absolutely not. Let me say no as many
2 times as necessary. We have no intention, no desire,
3 no plans to become our own telephone company. Period.
4 Do I need to say that again? I want to make that
5 perfectly clear to everybody in this room.

6 JUDGE ANDERL: It's noted for the record.

7 A. I don't want any confusion on this point.

8 Q. So when you say the federal government will
9 buy virtual networks, you don't mean that they will buy
10 virtual networks, you mean they will take services from
11 virtual networks?

12 A. The way we do now. I think virtual network
13 is a term of art I think created by AT&T as a market --
14 as a part of the marketing of its private line services
15 and it's come into general use.

16 Q. As an industry economist in the GSA, are
17 you in a position to know what the future plans of the
18 federal government are?

19 A. No more than anybody else.

20 Q. God help us.

21 MR. SHAW: Nothing further.

22 JUDGE ANDERL: Mr. Potter.

23 MR. POTTER: No questions.

24 JUDGE ANDERL: Staff? From any other
25 intervenor?

01337

1 MR. FINNIGAN: One question.

2

3 CROSS-EXAMINATION

4 BY MR. FINNIGAN:

5 Q. I was a little confused by your response to
6 Mr. Shaw about needing to develop RFPs and taking some
7 time before you could competitively bid for services
8 on federal reservations. Were you aware that about a
9 year and a half ago United Telephone was told to
10 remove their facilities from the barracks at Bangor
11 and were replaced with bundled cable and telephone
12 offering?

13 A. No. This is the first I've heard of it.

14 JUDGE ANDERL: From any other intervenor?
15 From the commissioners?

16 COMMISSIONER HEMSTAD: No.

17 COMMISSIONER GILLIS: No.

18 JUDGE ANDERL: Any redirect?

19 MR. GANTON: No.

20 JUDGE ANDERL: Thank you, Mr. Langsam, for
21 your testimony. You may step down. Next witness.

22 MR. GANTON: Mr. Charles King.

23 JUDGE ANDERL: Let's be off the record
24 while he takes the stand.

25 (Recess.)

01338

1 JUDGE ANDERL: Let's be back on the record.
2 While we were off the record Mr. King took the stand.
3 We also marked his exhibits. His direct testimony is
4 Exhibit T-104. His Exhibit CWK-1 is Exhibit 105 and
5 his rebuttal testimony is Exhibit T-106.

6 (Marked Exhibits T-104, 105 and 106.)

7 DIRECT EXAMINATION

8 BY MR. GANTON:

9 Q. Good afternoon, Mr. King. Would you please
10 state your name and business address?

11 A. My name is Charles W. King. Business
12 address is it 1220 L Street Northwest, Suite 410,
13 Washington DC, 20005.

14 Q. Did you cause to be filed in this
15 proceeding exhibits now marked as Exhibit T-104, 105
16 and 106 respectively, direct testimony exhibit CW -1
17 and rebuttal testimony?

18 A. Yes, I did.

19 Q. Was this testimony and exhibits prepared by
20 you or under your supervision?

21 A. Yes, they were.

22 Q. Do you have any additions, deletions or
23 corrections to this testimony and exhibits?

24 A. There are some minor typos in the direct
25 testimony which are so minor I think they can be read

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1 over. They're not worth taking the time to correct.

2 Q. If I asked you the same questions contained
3 in your testimony, would the responses be the same?

4 A. Yes, they would.

5 MR. GANTON: Your Honor, move the exhibits
6 T-104, 105 and 106 be entered into the record.

7 JUDGE ANDERL: Is there any objection to
8 those documents?

9 MR. SHAW: Your Honor, we were never
10 favored with a copy of the rebuttal testimony. I
11 don't know why not. I just wondered if counsel would
12 have one if I could have just a minute to look at it.

13 MR. GANTON: Yes. I have no explanation
14 for why you didn't get one.

15 JUDGE ANDERL: The witness seems to use his
16 rebuttal testimony primarily to address
17 recommendations by GTE's and WITA's witnesses. Did
18 those parties get copies of that?

19 MR. POTTER: Yes.

20 MR. FINNIGAN: Yes.

21 MR. POTTER: Two, as a matter of fact.

22 MR. SHAW: I agree with your
23 characterization, Your Honor. I am prepared to go
24 ahead and I will not object.

25 JUDGE ANDERL: Those three previously

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1 identified exhibits will be admitted then.

2 (Admitted Exhibits T-104, 105 and T-106.)

3 JUDGE ANDERL: Are you ready to go ahead

4 with cross, Mr. Shaw?

5 MR. SHAW: Yes.

6

7 CROSS-EXAMINATION

8 BY MR. SHAW:

9 Q. Mr. King, is there any doubt that a
10 combination of access charges, toll charges, and
11 charges to business customers operate to subsidize
12 residually priced residential service in the
13 traditional revenue requirements mode of regulation in
14 the telecommunications industry in this country, in
15 this state?

16 MR. TROTTER: I will object to the
17 question. Friendly cross.

18 MR. SHAW: Well, I don't consider this
19 witness very friendly to of U S WEST.

20 JUDGE ANDERL: I think that I will allow
21 Mr. Shaw his cross on this.

22 A. Certainly all the evidence that I've
23 examined supports that conclusion, yes.

24 Q. And in fact that's been one of the primary
25 public policy goals of regulation for many, many years

01341

1 to guarantee that result by, in rate spread decisions,
2 to allocate on a fully distributed cost basis
3 generally the cost of the company to those services to
4 protect and promote low cost affordable residential
5 service. Would you agree with that?

6 A. That's correct.

7 Q. And would you agree that in competitive
8 environment it is critical to re-examine that long
9 honored regulatory approach and adjust it as necessary
10 to accommodate that competitive environment?

11 A. Yes. I believe I make that point in my
12 testimony.

13 Q. And you do not oppose U S WEST's request to
14 rebalance its rates from the old monopoly environment
15 in order to accommodate the new competitive
16 environment?

17 A. Yes. I make that point I believe on pages
18 8 and 9 of my direct testimony. Without, I might
19 add, without endorsing the specific, certainly the
20 general, proposition that there needs to be a
21 rebalancing is what I support.

22 Q. I understand. Keeping our discussion at
23 the policy level, for the moment, you do not know --
24 strike that. The rebalancing U S WEST's rates or any
25 other large local exchange carrier's rates to

01342

1 accommodate the new competitive environment is likely
2 to require increases in residential rates, is it not,
3 assuming the revenue requirement has not changed?

4 A. If you mean residential basic exchange
5 rates, the answer is yes. I hasten to add that
6 particularly with respect to rural and small town
7 residences often there is a need offset at least to
8 some extent in the form of reduced toll charges
9 because that's also part of the rebalancing, and since
10 rural customers are heavy users of toll, frequently the
11 net impact on such users is relatively minor because
12 while their monthly rates have gone up the variable
13 rates that they pay for long distance service go down.

14 Q. If this Commission or any other state
15 Commission would decide that that rebalancing would
16 produce unreasonable or unaffordable residential rates
17 that in its view might threaten classic universal
18 service considerations, would you agree that the
19 Commission will need to identify alternative funding
20 mechanisms to keep the rates lower than they otherwise
21 would need to be?

22 A. I not only agree but I recommend it. I
23 recommend specifically identifying the degree to which
24 subsidies are required to support universal service,
25 the isolation of those funds as being tagged for

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1 universal service and the collection of funds to
2 compensate the carriers for that universal service
3 through separate and identifiable charges.

4 Q. Now, you have not studied the statutory
5 authority of this Commission, I take it, on what tools
6 it has available to it to undertake such a
7 restructure?

8 A. That's a job for you lawyers.

9 Q. Okay, good. You do not know, then, whether
10 or not this Commission could set up a third party
11 administered fund that was competitively neutral that
12 would pay specific support monies to companies that
13 qualified for universal service support?

14 A. At the bottom of page 11 you will see a
15 footnote where I can see the possibility that that may
16 or may not be something within the statutory authority
17 of the Commission at present. Obviously, the
18 Commission, if it lacks the statutory authority could
19 go to the legislature, sure, and seek it.

20 Q. You would have no idea whether the
21 legislature of the state of Washington in this
22 political climate is going to be willing to set up any
23 new tax programs to support any telephone rates in the
24 state, do you?

25 A. If you call it a tax program, it probably

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1 isn't going to work. We need another term.

2 Q. Would you agree that somebody is going to
3 call it a tax program when the debate arises over
4 whether such a program should be set up?

5 MR. MACIVER: Object to the form of that
6 question. I don't know how this witness is going to
7 predict what somebody is going to call something in
8 the future that may come before the legislature.

9 MR. SHAW: If the witness knows.

10 A. Well, the idea of reciprocal service funds,
11 reciprocal funds to support service, universal
12 service, is something that has been accepted for some
13 years at the federal level. I don't know that anyone
14 has called it a tax even though arguably it might be
15 called that, but the universal service fund has been a
16 reality as an FCC administered program for some years.

17 Q. Are you aware that in successfully
18 obtaining a court reversal of this Commission's
19 attempt through rulemaking to set up a community
20 calling fund to help support residential service rates
21 when toll revenues were lost through expanded EAS, the
22 argument was made that the Commission had imposed a
23 tax on the companies that had to pay into that fund?

24 A. Well, I'm not aware of that.

25 Q. Would it surprise you that such an argument

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1 would be made?

2 A. I really can't comment on that.

3 Q. What we do know is that you cannot predict
4 at all how long it could take if ever to successfully
5 obtain a legislative program to set up some sort of a
6 new universal service fund in the state of Washington?

7 A. Well, I don't think either of us can.

8 Q. And given that uncertainty, would you agree
9 with me that the only tool that the Commission has
10 clearly at hand, if it is concerned about the impact
11 of a competitive environment on primarily rural and
12 low density residential rates, is to prescribe an
13 access charge mechanism like it prescribed 15 years
14 ago at divestiture to provide support for local
15 exchange company NTS costs?

16 A. I don't know how -- if the Commission's
17 hands are tied with respect to intercompany transfers,
18 I'm not persuaded that the access charge mechanism
19 will resolve it that well either.

20 Q. It is one tool that the Commission can use
21 to provide revenue streams to any local exchange
22 company that has a universal service obligation
23 however the Commission identifies it. Would you agree
24 with that?

25 A. In effect to overcharge for access, is that

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1 what you're saying, and thereby generate revenue for
2 maintaining universal service? That's the concept,
3 correct.

4 Q. That's long been the concept of access
5 charges, has it not?

6 A. Yes.

7 Q. And that support has been generated by
8 assigning an inordinate amount of the nontraffic-
9 sensitive expense of a company to the responsibility
10 of access charges, has it not?

11 A. That's been done, yes.

12 Q. In your Exhibit 105 from FCC data it
13 demonstrates the NTS revenue requirement per loop of
14 the telephone companies that operate in the state of
15 Washington?

16 A. Yes.

17 Q. And that NTS revenue requirement per loop
18 has long been allocated between various services in
19 order to keep residential service from having to pay
20 or meet that entire revenue requirement per loop, has
21 it not?

22 A. Yes. I don't know whether you had an
23 intrastate cost pooling arrangement. That was
24 predominantly the way this problem was dealt with in
25 the period prior to the creation of access charges.

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1 Access charges are really a phenomenon of the last 15,
2 20 years.

3 Q. Generally sensitive as -- generally since
4 divestiture when it was no longer possible for the
5 Bell system to provide settlements?

6 A. That's correct.

7 MR. SHAW: That's all the questions I have.

8 Thank you.

9 JUDGE ANDERL: Thank you, Mr. Shaw. Mr.
10 Potter.

11 MR. POTTER: I have no questions.

12 JUDGE ANDERL: Commission staff.

13

14 CROSS-EXAMINATION

15 BY MR. TRAUTMAN:

16 Q. Mr. King, have you examined any U S WEST
17 cost of service studies filed in the state of
18 Washington that demonstrate that residential service
19 as a whole is subsidized?

20 A. I have in past years. I believe -- yeah,
21 these were cost studies of a rate case some years back
22 and I'm talking about five or six, seven years ago.

23 Q. So have you examined any cost studies filed
24 in the currently pending rate case, UT-950200?

25 A. I've gotten a couple of boxes of material,

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1 and I have yet to wade into them, so the answer is not
2 yet, but presumably I will shortly.

3 MR. TRAUTMAN: No further questions.

4 JUDGE ANDERL: From any other party?

5 Mr. MacIver. You need a microphone.

6 MR. MACIVER: I don't think so. I can make
7 myself heard.

8

9 CROSS-EXAMINATION

10 BY MR. MACIVER:

11 Q. I just have one question. Would you please
12 refer to page 13 of your testimony, lines 3 through 6.

13 A. Yes, sir.

14 Q. Mr. King, if support for universal service
15 is needed, do you believe that that support should be
16 generated solely by entrants into the local exchange
17 market?

18 A. No. It should be spread, as my statement
19 says there on page 13, on the intrastate services of
20 all participants in local exchange service. And that
21 would be both the new entrant and the incumbent
22 carriers.

23 Q. Thank you.

24 MR. MACIVER: No further questions.

25 JUDGE ANDERL: Mr. Trotter.

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CROSS-EXAMINATION

3 BY MR. TROTTER:

4 Q. The data in your Exhibit 105 is based on
5 each company's books of account as prescribed by the
6 FCC; is that correct?

7 A. Yes. Those data come from part 32 and part
8 69, I believe, of the FCC rules that establish
9 accounting procedures for isolating and allocating
10 costs between interstate and intrastate and then among
11 the various constituent proponents of service. This
12 is --

13 Q. Thank you.

14 A. This is both interstate and intrastate.

15 Q. So it's the combined?

16 A. Yes. This is the unseparated. If you look
17 at the heading "unseparated nontraffic-sensitive
18 revenue requirement."

19 MR. TROTTER: Thank you.

20 JUDGE ANDERL: Any questions for Mr. King
21 from the commissioners?

22

23

EXAMINATION

24 BY CHAIRMAN NELSON:

25 Q. Good afternoon. With respect to your

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1 testimony at page 10, Mr. King, you refer to at page
2 16 to lifeline service and I'm curious to know whether
3 you understand in Washington state we have -- we funded
4 the Lifeline Link-Up program with a specific excise tax
5 on subscriber lines?

6 A. I was not aware of that.

7 Q. Well, you might check into it if you're
8 going to be testifying in the general rate case.

9 A. Yes.

10 Q. Thank you.

11 COMMISSIONER HEMSTAD: I don't have any
12 questions.

13 JUDGE ANDERL: Mr. Gillis.

14 COMMISSIONER GILLIS: I don't have any
15 questions.

16 JUDGE ANDERL: Redirect for this witness?

17 MR. GANTON: No redirect.

18 JUDGE ANDERL: Anything else for Mr. King?

19 Thank you, Mr. King. You may step down. I would like
20 to thank all of the attorneys for their cooperation
21 this week. We're done ahead of schedule. It's
22 quarter to four and we'll be back at 9:00 on Monday
23 morning and start with staff's presentation. Thank
24 you again. We're off the record.

25 (Hearing adjourned at 3:50 p.m.)