

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
2 COMMISSION

3	WASHINGTON UTILITIES AND	)	
	TRANSPORTATION COMMISSION,	)	DOCKET NO. UT-950200
4		)	
	Complainant,	)	VOLUME 5
5		)	
	vs.	)	Pages 231 - 299
6		)	
	U S WEST COMMUNICATIONS, INC.,	)	
7		)	
	Respondent.	)	
8	-----	)	

9 A hearing in the above matter was held  
10 at 6:30 a.m. on September 28, 1995, at the  
11 Port of Seattle, Pier 69, 2711 Alaskan Way, Seattle,  
12 Washington before Chairman SHARON L. NELSON,  
13 Commissioners RICHARD HEMSTAD, WILLIAM R. GILLIS, and  
14 Administrative Law Judge TERRENCE STAPLETON.

15  
16 The parties were present as follows:

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

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

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

24 Cheryl A. Macdonald, CSR  
25 Court Reporter

00232

	I N D E X			
	WITNESSES:	D	C	EXAM
1				
2	HEINEMAN	241		
	FELLING	249		
3	GOODMAN	251		
	JACOBSON	256		
4	MARSHALL, SR.	259		
	MARSHALL, JR.	264		
5	BERG	266		
	WILKERSON	277	291	283
6	GILBERT	294		
	PHARAON	296		

7 EXHIBITS: MARKED ADMITTED  
8 (No exhibits marked.)

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00233

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

2 JUDGE STAPLETON: Let's be on the record.

3 This hearing will please come to order. This is a  
4 hearing before the Washington Utilities and  
5 Transportation Commission for the purpose of taking  
6 public testimony in docket No. UT-950200, which is a  
7 general rate increase filing by U S WEST  
8 Communications, Incorporated. Tonight's proceeding is  
9 being conducted by Terrence Stapleton, administrative  
10 law judge, and Chairman Sharon L. Nelson, Commissioner  
11 Richard Hemstad and Commissioner William Gillis.  
12 Today's date is September 28, 1995 and we are convened  
13 in Seattle, Washington. I will take appearances on  
14 behalf of the parties of the proceeding beginning with  
15 the company.

16 MR. SHAW: Thank you, Ed Shaw representing  
17 U S WEST Communications.

18 JUDGE STAPLETON: Commission staff.

19 MR. SMITH: Your Honor, my name is Steven  
20 W. Smith, assistant attorney general for the  
21 Commission staff.

22 JUDGE STAPLETON: Public counsel.

23 MR. TROTTER: My name is Donald T. Trotter,  
24 assistant attorney general for the public counsel  
25 section.

00234

1                   JUDGE STAPLETON: Mr. Trotter, would you  
2 please proceed with your opening statement.

3                   MR. TROTTER: Yes. As I just mentioned, my  
4 name is Don Trotter, and I'm an assistant attorney  
5 general representing the public counsel section of the  
6 attorney general's office, and our job is to represent  
7 the interests of ratepayers in hearings before the  
8 Commission. As you just heard, we have the three  
9 commissioners here tonight. They are appointed by the  
10 governor and serve -- are now in various stages of six  
11 year terms, and they are the decision makers in this  
12 case which is a rate filing by U S WEST to increase  
13 and decrease its rates with an overall revenue  
14 increase to the company of about \$205 million  
15 annually.

16                   Tonight is a public hearing to hear from  
17 ratepayers and other interested persons regarding the  
18 company's proposal, and I will outline that proposal  
19 momentarily. This is the fourth public hearing.  
20 We've been in Port Angeles, Tacoma and Vancouver.  
21 Next week we'll be in Eastern Washington, Yakima and  
22 Spokane, and then the final hearing of this nature is  
23 in Olympia in November. The evidentiary hearings of  
24 the parties where the Commission will hear the  
25 testimony and have offered the exhibits of expert

00235

1 witnesses on behalf of the parties here and other  
2 parties to this case will be October 30 through  
3 November 10 and a decision by the Commissioners is  
4 expected sometime in January of next year.

5           You heard the introductions of some  
6 parties. Obviously U S WEST filed this case and the  
7 Commission staff is represented here. The Commission  
8 staff is comprised of accountant and economists, and  
9 they've done analysis of the company's filing. They  
10 are separate from the Commission in the sense that  
11 they can't talk to the Commissioners about the case,  
12 but they are employees of the Commission. Public  
13 counsel section has also presented witnesses in this  
14 case. We are independent of the Commission. We are  
15 not part of the Commission. We're part of the  
16 attorney general's office. There are also many other  
17 parties to the case including AT&T, MCI, Sprint, AARP  
18 and some large customer groups -- excuse me -- groups  
19 containing customers with large amounts of usage,  
20 business customers.

21           As I indicated at the outset, this is a  
22 request by U S WEST to increase its revenues, annual  
23 revenues, \$205 million. They intend to, if their  
24 proposal is accepted, increase to that level over a  
25 four-year period. A couple of the main proposals on

00236

1 how they intend to do that is to split the state into  
2 two zones, zone one and zone two, and in the  
3 explanatory materials that you probably got at the  
4 front, zone one is generally the urban areas and zone  
5 two is generally the rural areas although that's not  
6 always precisely how it works, and I would like to  
7 read to you what exchanges in the Seattle area are in  
8 zone one and then tell you the rate proposal that  
9 applies to that.

10                 The Seattle zone one exchanges, as  
11 identified by the company's proposal, are Auburn,  
12 Bainbridge, Bellevue, Des Moines, Issaquah, Kent,  
13 Maple Valley, Renton and Seattle. If you're in any  
14 one of those exchanges you would be in zone one and  
15 U S WEST is proposing to increase your current basic  
16 residential exchange rate from about \$10 a day to  
17 \$21.85 at the end of four years. If you are not in  
18 one of those exchanges and you're in the greater  
19 Seattle area you are in what is called zone two and  
20 your rate is proposed by the company to increase from  
21 currently \$9, \$10 a month up to \$26.35 a month, again,  
22 at the end of four years.

23                 This is a controversial proposal and the  
24 parties have opposed it. If you look at the back  
25 sheet of our, six page information letter you can see

00237

1 some alternative proposals. The staff's proposal is a  
2 \$10 statewide rate for residence. We're proposing  
3 \$8.41. The same zone concept applies to business  
4 customers, but the rate disparity isn't quite as much  
5 under the company's proposal. The zone one rate is  
6 \$29, proposed to go to \$29 a month and in zone two  
7 it's \$31 a month. Staff is proposing about a \$26  
8 statewide proposal. We're proposing about a \$21  
9 statewide rate. There are many, many other rate  
10 proposals.

11                   Just like to give you a few of the  
12 highlights that affect most residential and small  
13 business customers. The first is exchanges in  
14 directory assistance. Currently you get four  
15 allowance calls a month to directory assistance  
16 without extra charge and each additional one per month  
17 over that limit is a quarter. The company is  
18 proposing to limit that four calls down to one  
19 allowance call or free call and each additional would  
20 be 60 cents. Staff and our proposal is for the  
21 allowance to be two calls a month with each call  
22 additional 35 cents. The Commission issued an order  
23 to that effect last fall. It has not been implemented  
24 but that has been a decision of the Commission to be  
25 consistent with what public counsel and the staff is

00238

1 proposing.

2           The company also proposes to implement a  
3 late payment charge of 1.2 percent a month or 18  
4 percent annually on unpaid balances over \$45 per  
5 month. And that's on any service billed by the  
6 company on your phone bills. So that could be the  
7 total of your local charges plus any long distance and  
8 any other charges the company bills for on your phone  
9 bill. There currently is no late payment charge.  
10 There are some -- in addition to the increases we've  
11 talked about there are some decreases. The business  
12 line rate for some customers will be decreased and  
13 also the company is proposing some decreases in its  
14 toll or long distance service for the zone one  
15 customers, which would be the Seattle area primarily,  
16 as it applies to this area. The reductions would be  
17 about a dollar a month for the average residential  
18 customer and for the zone two average customer  
19 residence would be about \$1.80 a month reduction.

20           That's a broad overview of the case, and  
21 again the six page letter that we provided for  
22 informational purposes contains a description of these  
23 and other issues. Two issues that aren't before us  
24 tonight are the conversion of the area code to 360  
25 outside the Seattle and Puget Sound area and also



00239

1 cellular service is not regulated by the Commission  
2 and so that's not an issue tonight. But there are  
3 plenty of issues other than those two, of course, and  
4 I attempted to outline some of those on the second  
5 page of the sheet.

6 I will just draw your attention to those  
7 briefly. You are not required to address any of  
8 these issues but they may stimulate some ideas for  
9 your testimony tonight. The first is residential  
10 rates and the zone pricing. Is that something that  
11 you think is sensible? What is the impact of that  
12 rate change on you? Do you have any thoughts on that?  
13 Service quality is another issue. Are you getting  
14 adequate service from the company? Can service be  
15 better? Have you been having problems or are you  
16 satisfied? Privacy listings is another issue in this  
17 case. Currently if you want an unlisted or a  
18 nonpublished telephone number you pay the company for  
19 that service. And that service currently is priced  
20 above its cost and the company wants to charge more  
21 for that, and the issue kind of splits on whether  
22 customers who want to be private have some privacy  
23 from telemarketers or abusive calling or harassing  
24 calls or whatever, they shouldn't have to pay a  
25 premium for that. The other side of the coin, that

00240

1 the more customers that are on the system and  
2 available through the white pages the more valuable  
3 the system is to everyone. So those are competing  
4 interests you may want to comment on. We also talked  
5 about just before the directory assistance rates and  
6 again there are many other issues that you may address  
7 if you like.

8                   So let me thank you at the outset for  
9 commenting. The process tonight is, as alluded to by  
10 the presiding officer, I will call your name from the  
11 list that was out front that you signed up on. You  
12 will come up here and you will be sworn in. You will  
13 be asked to swear or affirm that your testimony is  
14 true and correct to the best of your knowledge and I  
15 will ask you some foundation questions, your name,  
16 probably ask you to spell your last name so the  
17 reporter gets it right, your address, whether you're a  
18 customer of the company and if you're speaking on  
19 behalf of a group or on your own behalf and then you  
20 can proceed to make your own statement. This isn't a  
21 forum where you can ask questions on the record and  
22 hope to get answers, but I'm confident that after  
23 there's a break or at the end of the hearing tonight,  
24 any of us would be happy to respond to specific  
25 questions you may have. You're free to ask rhetorical

00241

1 questions, but this isn't a question and answer type  
2 of forum. It's here for you to give your position  
3 statement, address your concerns to the Commission.  
4 So, with that --

5 JUDGE STAPLETON: Call your first witness.

6 MR. TROTTER: I will call our first  
7 witness. R. J. Heineman.

8 Whereupon,

9 R. J. HEINEMAN,

10 having been first duly sworn, was called as a witness  
11 herein and was examined and testified as follows:

12

13 DIRECT EXAMINATION

14 BY MR. TROTTER:

15 Q. Would you please state your name and spell  
16 your last name.

17 A. Heineman, spelled H E I N E M A N, initials  
18 R. J.

19 Q. What is your address?

20 A. Post Office Box 12729, Seattle, Washington,  
21 98111.

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

23 A. I am.

24 Q. Are you speaking on your own behalf  
25 tonight?

00242

1 A. On my own.

2 Q. Please proceed.

3 A. I didn't realize I put my name on the wrong  
4 list but I'm glad I did. I want to address the  
5 Utility Commission. I'm more concerned about you good  
6 people than the telephone company. I'm amazed so few  
7 people showed up. I have attended in the past  
8 meetings of that type and they were held at the  
9 Seattle Center, which is more convenient for a senior  
10 citizen and other folks to attend this meeting. I  
11 respectfully ask the Commission to hold another  
12 meeting which is more convenient for the general  
13 public. The general public is very much disgusted  
14 what the telephone company is trying to do. When I  
15 look at it there's more people from U S WEST and other  
16 companies and there's hardly any from the general  
17 public or hardly any my age group, and the reason is  
18 they don't want to come down here like I did because  
19 I'm a tough mean old guy, take the bus and get off on  
20 First and Wall and walk all the way down there. It's  
21 kind of tough to walk back again but I will make it.

22 What I would like to see that you people  
23 could consider another meeting, one in the daytime.  
24 Actually the Utility Commission used to hold the  
25 meeting in the daytime and in the nighttime. That's

00243

1 when Andy Smith, and I know him real well, and you  
2 people probably know him too, when he was the head of  
3 U S WEST or they called it a different name so I'm  
4 going back a number of years. At that time there were  
5 about 250 people showed up. I don't think there's  
6 even 25 people in my group showing up. I'm not  
7 talking about age of consumers. So you probably got a  
8 wrong impression. Since I'm talking to you people I'm  
9 a little bit discouraged about U S WEST is a very fine  
10 company, but they have been growing by leaps and  
11 bounds and they want to make money for the  
12 shareholders, so something had to give so they cut  
13 back on the service. First, when a person is calling  
14 up for some service or some problems you can't even  
15 get through, and I've told the Utility Commission  
16 about it, and U S WEST knows that. The only thing is  
17 not enough people complained about it. They complain  
18 to me, or they're going to be, but they don't complain  
19 to the right people.

20           Also, the people in my age group are a  
21 little bit unhappy about U S WEST asked for an  
22 increase but are they entitled to it. I would say you  
23 can ask for a million bucks but can you get it, and I  
24 think U S WEST is running scared for reasons I don't  
25 know. Things changing very fast now. 20 years from

00244

1 now if I live that long I won't even recognize the  
2 telephone companies because we're living in a  
3 tremendous, I would say, good age, but I don't think  
4 U S WEST is entitled to the raise they asked for.  
5 Maybe 10 percent, maybe 15 percent more but not triple  
6 or more. That's about all I have to say.

7 I'm glad I put my name on the wrong list.  
8 I still want to ask you again, the Utility Commission,  
9 respectfully to hold another meeting more convenient  
10 for people to attend to because you don't see too many  
11 people attending. They're all professional people,  
12 they're very fine people, but there's not too many.  
13 There's one lady in my group. There's not enough  
14 people like me representing the public and what I have  
15 against the public -- and I'm pretty straightlaced.  
16 Why don't you do that, they're too lazy to walk. They  
17 like to have the benefit and you people get the wrong  
18 impression because not enough people showed up tonight  
19 and I'm very much discouraged.

20 CHAIRMAN NELSON: Well, I hope you won't  
21 be. We received actually 4,000 letters about the rate  
22 case so we know that there's a lot of public concern  
23 about the rate case, and we do receive through our 800  
24 number a lot of complaints, too, so just -- we I think  
25 realize the limitations of this location and we'll try

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1 to do better next time.

2           THE WITNESS: Well, I think if you would  
3 hold that meeting like I told this one gentleman when  
4 I walked in at Seattle Center or the Convention Center  
5 and maybe hold one meeting in the daytime -- I'm not  
6 telling you how to run your business; I'm just  
7 suggesting respectfully -- in the daytime because a  
8 lot of senior citizens don't want to go out in the  
9 nighttime. They're intimidated. I'm not. Maybe I'm  
10 ignorant but that's the way I am. You would get a  
11 better feedback, but what I'm afraid about is you're  
12 going to see a lot of professional people talking to  
13 you more professional than I am, because I am an  
14 amateur and that might impress you more than people  
15 like us and because we're not the percentage tonight,  
16 but I appreciate you telling me that you had that many  
17 letters and phone calls. Makes me feel better. And I  
18 want to thank you for listening to my little speech.

19           COMMISSIONER HEMSTAD: Mr. Heineman, I was  
20 just going to say you may be an amateur but you're not  
21 doing too badly.

22           THE WITNESS: Beg your pardon?

23           COMMISSIONER HEMSTAD: I was just saying  
24 you may be an amateur but you're not doing too badly.

25           THE WITNESS: Well, I try. I just came

00246

1 back from Germany. As a matter of fact, I was born  
2 there and as American citizen, first time I visit  
3 -- and I like to bring this in, has nothing to do with  
4 what we're talking tonight. I don't want to see that  
5 happen what happened in Germany. Germany is a very  
6 nice country but you may be interested to know and  
7 maybe you already know. The telephone company is  
8 owned by a private person. So is the post office and  
9 I can't even go to -- there is no phone booth. I  
10 shouldn't complain about U S WEST. I don't want to  
11 give them a medal either but when I just came back I  
12 couldn't even find the phone booth and I had to go  
13 through my hotel. They booked us in the best hotel  
14 and phone call costs me 95 fenichs, which is 75 cents,  
15 and after six minutes I had to pay another 95 to the  
16 switchboard. Go in the street, I can't even find a  
17 phone booth. I have to buy a phone card. So I'm not  
18 exactly condemning U S WEST, but I don't like to see  
19 that happening in Seattle or the United States or  
20 wherever.

21 CHAIRMAN NELSON: Thank you, sir.

22 THE WITNESS: That's what I'm concerned  
23 about.

24 JUDGE STAPLETON: Counsel, any questions?

25 Thank you very much for your testimony.



00247

1 THE WITNESS: I want to thank you ladies  
2 and gentlemen.

3 MR. TROTTER: Next we have, and pardon my  
4 pronunciation, N. Pharaon.

5 FROM THE AUDIENCE: I wish to talk later if  
6 that's possible.

7 MR. TROTTER: Yes, that's possible. Ron  
8 Dunnell.

9

10 DIRECT EXAMINATION

11 BY MR. TROTTER:

12 Q. Please state your name and spell your last  
13 name.

14 A. Ran Dunnell, D U N N E L L.

15 Q. How do you spell your first name?

16 A. R A N.

17 Q. Your address?

18 A. 2627 168th Avenue Northeast, Bellevue,  
19 98008.

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

21 A. No. My wife and I are small stockholders.

22 Q. That's the capacity in which you're  
23 speaking tonight?

24 A. Uh-huh.

25 Q. Proceed with your statement.

00248

1           A.       That and as a senior citizen. I read that  
2 this is U S WEST's first requested residential  
3 increase in 13 years and that kind of bothers me.  
4 Because while they're a very large company I'm under  
5 the impression, distinct impression from everything I  
6 read in here, that they're in a fight for their lives  
7 against the competition, and there's a lot of it out  
8 there. Of course that's the American way and that's  
9 to be expected. The only thing I am always concerned  
10 about is hopefully are they playing on a level playing  
11 field? Are they playing on the same basis as the  
12 other telephone companies, the competitors, both  
13 locally and long distance, and that concerns me.

14                   Another thing that concerns me really is  
15 the fact that I'm a senior citizen and all my friends  
16 are and most of us live on fixed incomes. So we're  
17 very conscious of dollars on the one hand, and on  
18 the other hand if you believe in everything that is  
19 written about us and said on the radio and television  
20 we're all starving to death or about to starving to  
21 death and something costs a dollar more starting next  
22 to week they're going to be saying six senior  
23 are citizens going to collapse and not be able to get  
24 home tonight. I think that's ridiculous. Life is --  
25 we have to watch our pennies pretty carefully, but if

00249

1 a price increase is necessary and makes good sense --  
2 and I think in this case it does, to me, then we can  
3 handle it. Some of us will hurt more than others but  
4 overall we can handle it. We're not starving to death  
5 and we're not the last citizens and we're just  
6 concerned about the service and good function by  
7 telephone companies as anybody else, as young people,  
8 anyway, and I guess that's it.

9 JUDGE STAPLETON: Counsel, any questions  
10 for the witness?

11 Mr. Dunnell, thank you very much for your  
12 testimony?

13 THE WITNESS: Thank you.

14 MR. TROTTER: Don Felling.

15 Whereupon,

16 DONALD FELLING,  
17 having been first duly sworn, was called as a witness  
18 herein and was examined and testified as follows:

19

20 DIRECT EXAMINATION

21 BY MR. TROTTER:

22 Q. Please state your name.

23 A. My name is Don Felling, F E L L I N G.

24 Q. Your address?

25 A. 1416 - 106 Avenue Northeast, Bellevue,

00250

1 98004.

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

3 A. I belong to -- our telephone is U S WEST,  
4 yes.

5 Q. And are you speaking on behalf of yourself?

6 A. I'm talking on behalf of myself.

7 Q. Go ahead.

8 A. No groups or anything like that.

9 Q. That's fine. Go ahead.

10 A. I lived in Bellevue for 40 years at the  
11 same address and almost the same telephone number. I  
12 belong to AARP. I also belong to the Bellevue Senior  
13 Center Advisory Board, and I have five children, four  
14 of those who all live within calling distance but  
15 they're all 100 numbers, 1-206 or 1-360 numbers. So I  
16 have a daughter living in Bellingham and there's an  
17 article in the Bellingham paper that -- the Bellingham  
18 Herald on August 30, 1995 on this same subject.  
19 That's what got my interest in the subject.

20 By these long distance calls the largest  
21 percent of our telephone bill is long distance calls  
22 to the kids, and their bills -- they're all young kids  
23 with babies, they're calling their mom all the time  
24 asking questions, so their telephone bills, long  
25 distance is a major part of the telephone call rise.

00251

1 So that's why I'm a senior citizen and I'm on a fixed  
2 income also, but I would like to see the rate of long  
3 distance go down to help them out and myself. That's  
4 it.

5 JUDGE STAPLETON: Thank you, Mr. Felling,  
6 for your testimony.

7 MR. TROTTER: Roy Goodman.

8 Whereupon,

9 ROY GOODMAN,

10 having been first duly sworn, was called as a witness  
11 herein and was examined and testified as follows:

12

13 DIRECT EXAMINATION

14 BY MR. TROTTER:

15 Q. Please state your name and spell your last  
16 name.

17 A. My name is Roy Goodman, G O O D M A N.

18 Q. Your address?

19 A. 4614 Lynden Avenue North, Seattle,  
20 Washington.

21 Q. Are you a ratepayer of U S WEST?

22 A. Yes.

23 Q. And are you speaking on behalf of yourself  
24 or a group tonight?

25 A. Speaking on behalf of myself.

00252

1 Q. Proceed with your statement.

2 A. A few points in no particular order. One  
3 regarding directory assistance charges. I wondered if  
4 there was a different way to approach directory  
5 assistance charges. I feel like the only or I believe  
6 that the only fair time to charge people for directory  
7 assistance charge is when the number already exists in  
8 the phone book that was provided to them by U S WEST.  
9 To me that's a statement that they were too lazy or  
10 for whatever reason chose not to reach for their phone  
11 book to look up the number. Any time when it's a  
12 number that is unlisted or a new number in the area,  
13 since the phone book was printed, or is a number that  
14 is within U S WEST directory assistance jurisdiction  
15 but outside of the area for which I am provided or a  
16 customer is provided with a free phone book, to me it  
17 seems like that's a situation where a charge should  
18 not be assessed since the person does not have access  
19 to the number any other way. I don't know if it's  
20 realistic for U S WEST to take this kind of approach  
21 but I would like it to be considered, and would then  
22 consider the situation where a charge would be made,  
23 in other words, where it does exist in the person'  
24 phone book at that time to be a reasonable charge at  
25 the 50 cent or 60 cent level rather than the 25 cent

00253

1 or 35 cent level.

2                   Second point not directly related to the  
3 hearings but having to do with quality of service is  
4 that I would appreciate receiving a phone bill from U  
5 S WEST where it is clear to me exactly what I am  
6 paying for and how it breaks down most specifically in  
7 terms of the different taxes that appear on my phone  
8 bill. I have called U S WEST customer assistance on  
9 several occasions and have found that even that  
10 customer service representatives are not very  
11 knowledgeable on how to represent for me exactly how  
12 my phone bill taxation happens, and I think it is  
13 reasonable to expect a phone bill to reflect exactly  
14 how I am paying for the different things I'm paying  
15 for. Especially in regard to the fact that in certain  
16 cases there are taxes charged on taxes on the phone  
17 bill that I pay each month.

18                   And in regard -- directly connected with  
19 that in terms of consideration of the rate for  
20 residential service, I do want all parties concerned  
21 to consider the fact that whatever rate you consider  
22 there is taxes that we do pay on top of that, so just  
23 to keep that in mind, I personally consider it  
24 reasonable to pay the same rate statewide both in zone  
25 one and zone two. I don't feel that people who live

00254

1 in a rural area should be subject to a higher rate  
2 simply because they choose to live in a rural area. I  
3 am aware that rural as well as urban consists of  
4 people from all different financial brackets so I  
5 don't see where there's any difference at that point,  
6 and I realize that it may cost U S WEST more to  
7 provide service to those rural customers. However,  
8 calling between rural and urban areas happens and is  
9 shared by all parties so it seems reasonable to me  
10 that the rate be the same and I do not support the  
11 idea of increasing the rate that we pay. Phone  
12 service is in this day and age something that most all  
13 of us consider a basic part of our every day living  
14 regardless of our income bracket, and it concerns me  
15 that as the rate for basic phone service might be  
16 increased that puts increasing pressure on the lower  
17 income population to be able to afford to have phones,  
18 something which is an essential and basic part of our  
19 life these days. So I would prefer and would support  
20 maintaining rates as they are or lowering them as  
21 proposed by both the WUTC and by the public counsel.

22 In regards to your point on the listing  
23 about privacy, I do not think people with unlisted or  
24 nonpublished listing should have to pay an increased  
25 fee for that. It has occurred to me on more than one



00255

1 occasion to have an unlisted number, which I currently  
2 do not have, based on the number of calls I get from  
3 telemarketers almost on a daily basis in the evening.  
4 It seems between 7 and 8 p.m. is an especially popular  
5 time in my household. In fact my most recent  
6 telemarketing call was from U S WEST last Saturday  
7 asking me if I was interested in having call waiting,  
8 so it seems that it is used by a variety of parties  
9 and maybe in that case an unlisted number wouldn't  
10 have made a difference, but it's interesting that even  
11 U S WEST takes advantage of telemarketing as a way to  
12 reach its customers.

13           Finally I would just again reiterate that  
14 probably my highest concern is the raising of  
15 residential rates. I think that any increased revenue  
16 that needs to be created for U S WEST should come from  
17 phone usage which is in excess of basic phone service,  
18 in excess of service which all of us kind of enter the  
19 game at the same level in terms of having a phone and  
20 paying just to have a phone in our home to receive  
21 phone calls and to make basic phone calls of an urgent  
22 or normal use purpose. Thank you.

23           JUDGE STAPLETON: Questions, commissioners?  
24 Counsel, any questions?

25           Mr. Goodman, thank you very much for your

00256

1 testimony.

2 MR. TROTTER: Next is Joannine Jacobson.

3 Whereupon,

4 JOANNINE JACOBSON,

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

6 herein and was examined and testified as follows:

7 THE WITNESS: My name is Joannine

8 Jacobson, J A C O B S E N.

9

10 DIRECT EXAMINATION

11 BY MR. TROTTER:

12 Q. Would you give your address, please.

13 A. 2215 East Howe, H O W E, Seattle, 981212.

14 Q. Are you speaking on behalf of yourself or a  
15 group?

16 A. I'm speaking on behalf of myself and I'm  
17 also representing the Washington state legislative  
18 committee, which is a branch sponsored by AARP.

19 Q. Proceed.

20 A. Several of the items have been covered  
21 already. I would just like to amplify on a view that  
22 hasn't on the rate increase, one that has not been  
23 covered. U S WEST, in their new cost allocation are  
24 allocating the cost of the loop -- in other words,  
25 your line from your home to the central thing -- on

00257

1 just basic services. They are not attributing any  
2 loop charges to call waiting or toll charges, which  
3 obviously those should also be included.

4           The other one that I wanted to -- their  
5 proposed rate of return is excessive, and I think that  
6 was brought up previously, and they also are unwilling  
7 to share the profit from the Yellow Pages, which they  
8 previously had as a subsidy for basic rate and now  
9 they just feel the shareholders should get all the  
10 profits from the Yellow Pages rather than kind of  
11 spreading them around. What wasn't brought up I don't  
12 think too clearly in this zone charge of one and two,  
13 like we're taking Seattle, Auburn, Kent as urban  
14 areas, but, I mean, your rural areas would even  
15 include places like Everett, Olympia and Yakima, and I  
16 tend to agree, and I think this has been said before  
17 by people that spoke previously that this zone one and  
18 two rate is completely unfair.

19           Now, the gentleman before me spoke about  
20 directory assistance and Mr. Trotter spoke about  
21 directory assistance. On behalf of the elderly there  
22 is something that has to be considered there. There  
23 are some elderly that literally can't pick up the  
24 phone book. Others can't see it, and right now you  
25 get four free directory assistance calls a month with

00258

1 additional one at 25 cents a call. We feel that that  
2 should remain a service. It is a basic communication  
3 thing and people almost really need this. Those are  
4 the real areas I wanted to cover that I don't feel  
5 there is justification for the extreme rate increase  
6 that they want over the next four years.

7 JUDGE STAPLETON: Counsel, questions for  
8 this witness?

9 MR. SHAW: If I could have my continuing  
10 objection to AARP testifying at this time.

11 JUDGE STAPLETON: So noted, Mr. Shaw. Any  
12 questions?

13 COMMISSIONER HEMSTAD: No.

14 JUDGE STAPLETON: Ms. Jacobson, thank you  
15 very much for your testimony.

16 MR. TROTTER: Gregory P. Marshall.

17 Whereupon,

18 GREGORY MARSHALL,  
19 having been first duly sworn, was called as a witness  
20 herein and was examined and testified as follows:

21 THE WITNESS: My name is Gregory P.  
22 Marshall, Sr., M A R S H A L L, P.O. Box 2828  
23 Bellingham, Washington, 98227.

24

25 DIRECT EXAMINATION

00259

1 BY MR. TROTTER:

2 Q. Are you appearing on your own behalf  
3 tonight or on behalf of a group?

4 A. I'm appearing on my own behalf and on  
5 behalf of my company.

6 Q. Both you and your company are ratepayers of  
7 U S WEST?

8 A. That's correct.

9 Q. Proceed with your statement.

10 A. Though I've submitted in writing several  
11 times my views on the rate increase from U S WEST, I  
12 just want to exercise my privilege to come before the  
13 board to speak and to maybe add some additional  
14 information that is new from the first comments that  
15 have been made. First of all, the meeting location, I  
16 would like to comment on that. Though I understand,  
17 having set meetings myself around the state, how  
18 difficult it is to accommodate everyone, living in  
19 Bellingham, it's an hour and a half drive through  
20 traffic to come to a location that is not easy to get  
21 to from the freeway in some respects, to find great  
22 difficulty in locating a parking place and then to be  
23 concerned about the safety of my car and myself. I  
24 think it's possible to come up with meeting locations  
25 maybe a little more convenient, and I would suggest in

00260

1 the future a good location is Mount Vernon. That's a  
2 half hour from Everett and half hour from Bellingham  
3 and about a half hour from Whidbey Island. Might be a  
4 good central location, relatively easy to get to from  
5 the freeway. Lots of parking in most locations and  
6 the safety factor is a quantum leap from what we have  
7 here.

8           The next thing I would like to address is  
9 my position on U S WEST's rate change. When I first  
10 saw the change in rates I just thought it looked too  
11 high, and I have no way as an individual to quantify  
12 what's going on in U S WEST in the system. It seems  
13 to me that U S WEST has been able to take advantage of  
14 the tremendous leap forward in technology. I see  
15 people being cut from their payroll which means that  
16 more and more of it is being automated. Seems to me  
17 the rate should be going down instead of up and the  
18 fact they haven't asked for a rate increase in the  
19 past 13 years is kind of silly because it seems to me  
20 they keep adding services on there which substantially  
21 increases their revenue, things like caller ID and so  
22 forth, and it just seems sensible to me that they  
23 were going the wrong direction in the rate request,  
24 and when I got the press release from the staff they  
25 confirmed what I suspected and that is there's

00261

1 probably room for a decrease in the numbers, and I am  
2 going to take on their information and back that as  
3 well as the counsel, because it seems to me they have  
4 more access to information than I do and just logic,  
5 intuitive logic, seemed to back up their position.

6           I like what they're doing for several  
7 reasons and one is they don't go along with this two  
8 zone thing. Being in a rural part of the state and  
9 being a small business as well as a resident in a  
10 rural area why should I subsidize urban areas,  
11 especially selected urban areas within the state of  
12 Washington. It doesn't make sense to me. I  
13 understand there's some cost savings maybe in the  
14 higher density here in the urban area, but in some  
15 areas they charge more in the urban areas in the past  
16 and less in the rural areas. What's changed? I don't  
17 like the zoning. I think U S WEST operates for the  
18 most part as a public utility in the state of  
19 Washington. They're protected from competition to a  
20 large part. I can't go anywhere else and get my local  
21 service, and even though they're a private company  
22 operating as a public utility I think it's incumbent  
23 upon them to provide service to the benefit of the  
24 residents of the state of Washington not necessarily  
25 to the benefit of the shareholders of U S WEST. At

00262

1 the same time I believe there's plenty of money in  
2 there for everybody including the shareholders.

3 I was particularly repulsed by the requests  
4 to move 79 -- better than \$79 million of their Yellow  
5 Pages profits from the calculations of rates and into  
6 the pockets of their shareholders, and I think it's an  
7 example of the direction in which U S WEST is heading  
8 in the rate increase. They want to act like a  
9 competitor but have no competitors for the services  
10 that they're providing. They're trying to have their  
11 cake and eat it too.

12 And lastly, I would like to say that if U S  
13 WEST has trouble making the profit that they need --  
14 regulated it's been better than 10 percent return on  
15 their money. If they can't operate with 9 or 10  
16 percent on their money with virtually no competition  
17 for local service, I suggest they leave the state of  
18 Washington and that the Commission open up local  
19 service to bids. I'm sure that there's competitors  
20 that would love to swoop in and grab this little nest  
21 egg that's sitting here free from the worry of  
22 competitors and their largest concern providing good  
23 service to the customers. With that, again, I would  
24 like to say thank you for giving me the opportunity to  
25 have input into this rate change.



00263

1                   CHAIRMAN NELSON: Mr. Marshall, could you  
2 share with me how many lines you subscribe to?

3                   THE WITNESS: I'm one of those small  
4 businesses that will have a 15 percent increase while  
5 larger businesses in the Seattle area will have a 19  
6 percent decrease. I've got one line. I've got one  
7 line at home and I'm considering a second line. I  
8 feel that pooling -- since this is not a competitive  
9 arena, that this is a very regulated arena, that  
10 pooling the cost -- I'm willing to spend more money,  
11 but I would like that spread evenly across the state  
12 to all phone users and as a business maybe. I think  
13 maybe businesses should pay more for their basic  
14 service. After all, we profit from our phone, but  
15 that rate should be spread then evenly across the  
16 marketplace within the state. If it's going to be  
17 different rates for different areas, I would like to  
18 see competitors come in and offer competitive rates  
19 for those services. I am willing to operate and enjoy  
20 the fact that in fact it operates like a government  
21 service rather than a private enterprise, but if U S  
22 WEST wants to operate like a private enterprise then  
23 let's get competitors in there and really privatize.

24                   JUDGE STAPLETON: Other questions?

25                   COMMISSIONER HEMSTAD: No.

00264

1 JUDGE STAPLETON: Counsel, questions?

2 Mr. Marshall, thank you very much for your  
3 testimony.

4 MR. TROTTER: Greg Marshall the second.

5 Whereupon,

6 GREGORY MARSHALL, JR.

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 MR. TROTTER:

12 Q. Please state your name and spell your last  
13 name.

14 A. Name is Greg Marshall, M A R S H A L L.  
15 I'm junior.

16 Q. And your address?

17 A. 1318 Oriental Avenue, Bellingham,  
18 Washington, 98226.

19 Q. And are you a customer of U S WEST?

20 A. Yes, sir.

21 Q. Are you speaking in that capacity?

22 A. Yes, sir.

23 Q. Proceed with your statement.

24 A. My dad is a pretty politically active  
25 person. He likes to keep an eye on this stuff and I

00265

1 don't usually listen to him much, and I actually read  
2 the stuff that I got in my U S WEST bill on this, and  
3 actually on my own started to dig into this more, and  
4 I just have a few comments I would like to make on  
5 some of the different points involved in this rate  
6 increase. One, I believe universal service, basic  
7 phone service to everyone, should be as cheap as  
8 possible, and with the advent of new technology and  
9 that, that service should get cheaper and not more  
10 expensive. In my area over four years they want to  
11 increase the rate by 188 percent of where it is now.  
12 I teach and I work with a lot of low income people and  
13 that increase will be harmful and make it not as  
14 possible to have universal service. Universal service  
15 is necessary for emergency care, and as a small  
16 business owner, if your customers don't have phones  
17 they're not going to call you.

18 I also believe that the rate increase is  
19 not needed. I believe from what I've read that it's  
20 mostly to increase profit, and I think they're trying  
21 to get it while they can because some of the  
22 technology coming out in the field -- I personally  
23 placed a call the other day without the phone system  
24 using the Internet and I think that gets them a little  
25 nervous.

00266

1 I also believe the rates should go down.  
2 As I said before, as technology comes into play, it  
3 should make the cost of things go down and I think we  
4 allow U S WEST to be -- hate to use the term but  
5 monopoly on the local basic service to cause the  
6 prices to stay low for everyone.

7 Somebody mentioned earlier that they would  
8 like U S WEST -- are they on a level playing field.  
9 Well, once again, if it is a level playing field why  
10 don't I have more options in my phone service. It's a  
11 secure playing field for them and I don't see any for  
12 this rate increase. That's all I have to say.

13 JUDGE STAPLETON: Counsel, questions?

14 Thank you for your testimony.

15 MR. TROTTER: Larry Berg.

16 Whereupon,

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

20

21 DIRECT EXAMINATION

22 BY MR. TROTTER:

23 Q. Please state your name and spell your last  
24 name.

25 A. Larry Berg, B E R G.

00267

1 Q. Your address?

2 A. 1501 Southwest Brandon Street, Seattle,  
3 98106.

4 Q. Are you a ratepayer of U S WEST?

5 A. Yes, I am.

6 Q. Is that the capacity in which you're  
7 appearing here today?

8 A. Appearing on my own behalf.

9 Q. Go ahead.

10 A. I'm not presenting a pro or con perspective  
11 for the U S WEST request for a rate adjustment. But I  
12 would like to share a perspective that may not be  
13 obvious to other people as well as some factors should  
14 be considered in the course of this rate setting  
15 process, in particular in the context of residential  
16 service. Unlike Mr. Heineman who preceded me I am  
17 unable to speak in public without notes. I would also  
18 like to approach my comments in a roundabout way by  
19 just making note of a series of professional seminars  
20 that have been presented and are about to be presented  
21 in the Seattle Metro area this year. Back in January  
22 there was the Puget Sound Regional Council  
23 presentation of telecommunities, global connections  
24 locating tax. Also in January the Washington Software  
25 Association presented On Line Advantage with

00268

1 presentations such as on line business, sales and  
2 marketing via on line services and electronic  
3 commerce.

4           In July the Washington Bar Association  
5 presented a continuing legal education program  
6 referred to as the Internet and the practice of law.  
7 This last week in Bellevue, Law Seminars International  
8 presented Electronic Commerce doing business on line  
9 and in October the Discovery Institute will present  
10 the international Internet law symposium and National  
11 Seminars will present the attorneys, Internet and  
12 worldwide web regional conference, and you might be  
13 asking yourself, that's fine but what does it mean. I  
14 think it means two things. First of all it means that  
15 lawyers are easy targets for seminars and, two, the  
16 trend is towards the implementation of a robust and  
17 vital on line business environment, and towards the  
18 development of a body of policy and law to manage the  
19 upcoming market-driven deployment of information  
20 technology into the consumer marketplace. As the  
21 rotary telephone continues its metamorphosis into an  
22 ergonomics computer keyboard the demand for telephone  
23 lines into residences will go up, certainly not down.  
24 For the parent in the audience, if you think that an  
25 additional telephone line is critical to survival as

00269

1 your children become teenagers just wait until home  
2 shopping, interactive games and Monte Carlo baccarat  
3 tables come on line.

4           The real community benefit to be derived  
5 from this developing information technology will be in  
6 the area of civil networking which will facilitate  
7 neighborhood building and community development. It  
8 will promote the delivery of nonprofit services in the  
9 community and it will also enhance citizen  
10 participation in government. Speaking from personal  
11 experience, once the power is turned on it is very  
12 difficult to turn it off. As more people in a civic  
13 network get on line the overall benefits increase. As  
14 more people get on line the demand for telephone lines  
15 in the residential community will continue to go up.

16           At the Puget Sound regional conference in  
17 January, Ms. Judy Merchant, director of Washington  
18 State Energy Office spoke about the benefits of  
19 telecommuting, and her definition of telecommuting for  
20 a telecommuter is an individual who normally will be  
21 in an office three or four days a week but the type of  
22 work that the individual has can be done in her home  
23 or with a limited amount of technology, which will be  
24 certainly, bottom line, telephone. Maybe a telephone  
25 and a fax machine in a home. As telecommuting

00270

1 becomes a more widely accepted utilization of human  
2 resources, the demand for telephone lines in the  
3 residential service area will also go up.

4           Finally, in this postcorporate downsized  
5 economy, it seems that you're becoming a society of  
6 consultants and independent contractors. The  
7 proliferation of businesses in the home represents a  
8 demand for more telephone lines. Just this last week  
9 Wednesday, September 20, it was noted in the Seattle  
10 Times that it's projected there will be another  
11 division of area code 206. Area code 206 will divide  
12 again in early 1997 a little bit ahead of schedule.  
13 Again I think we have that belief that this is because  
14 of the demand for telephone lines.

15           So the issue that I raise is this. Does  
16 the demand for multiple telephone lines into a single  
17 residence translate into more revenue for the carrier  
18 of last resort, which in this case is U S WEST. To  
19 the extent that U S WEST has invested in the technical  
20 capacity to deliver multiple lines into the home, the  
21 greatest utilization of that capacity is yet to come.  
22 And to U S WEST I just raise the issue. To what  
23 extent does the proposed residential rate increase act  
24 as a disincentive for multiple line service and all  
25 the other revenues that can be derived from that sort



00271

1 of service level. Thank you.

2 JUDGE STAPLETON: Questions, Commissioners?

3 Thank you for your testimony, Mr. Berg.

4 MR. TROTTER: Curtis Jackson.

5

6 DIRECT EXAMINATION

7 BY MR. TROTTER:

8 Q. Please state your name and spell your last  
9 name.

10 A. My name is Curtis Jackson, J A C K S O N.

11 Q. Your address?

12 A. 1902 Second Avenue, Apartment 407, Seattle,  
13 Washington 98101.

14 Q. Are you a ratepayer of U S WEST?

15 A. Yes, I am.

16 Q. Are you speaking in that capacity tonight?

17 A. Yes, I am.

18 Q. Proceed.

19 A. I guess my concerns are kind of mixed and  
20 they are personal, but it's more to do with what the  
21 services are that we get and what it has done for us  
22 as a country, and I see the telephone as probably the  
23 most important contribution to the growth of this  
24 country that we've ever had because it's been a  
25 communication -- became available to just about

00272

1 everybody. It was priced right for that. I think  
2 we're at a time that has changed from that where  
3 business approached the public with the idea of  
4 providing service to the public, and they tried to  
5 provide as much service as they could to be the best  
6 that they could and there seemed to be a change in  
7 that process. Now it seems to be we want you to pay  
8 more but you will provide less -- we will provide less  
9 for that, and I can understand the changes that are  
10 going on. I can understand the competition that all  
11 communication media is facing is probably prohibitive  
12 in many instances for the future, but I look at what's  
13 happening and what will happen to this country as a  
14 whole, not just us here in Seattle. When you start  
15 putting a premium on the ability of people to  
16 communicate you begin to shut down the very basic  
17 concepts upon which this country has been able to  
18 build. And I think that's frightening. I really  
19 believe that's frightening.

20           The other thing that comes out of that is  
21 when privacy becomes something that must be paid for  
22 by people. You have to pay for your privacy. You  
23 have to find a way to keep your privacy because the  
24 pressures are to take it away from you and that is  
25 dangerous. I think, too, that what we're looking at

00273

1 kind of changes. Even though I sound like I'm against  
2 Ma Bell, but I have very fond memories of Ma Bell, to  
3 be honest with you. I grew up talking on the phone  
4 when I was 15 for long hours, late at night, and I  
5 enjoyed that. I know kids today probably still do the  
6 same, but I don't think that's going to continue.  
7 When I look at the things that have been mentioned,  
8 very honestly and up front in this note from U S WEST,  
9 and I find myself really frightened. It says right at  
10 the very beginning the average customer costs, rates  
11 shown below include three and a half dollar subscriber  
12 line charge. But by the same token they tell you  
13 later on that is a 79 percent increase over the  
14 current rate, and in all other areas, and that first  
15 part by the way had to do with Seattle, Spokane,  
16 Tacoma, Vancouver and local calling areas, a 79  
17 percent increase over the current rate and then all  
18 other areas the increase -- this is over a four-year  
19 period -- will be 121 percent. It frightens me.  
20 It says something about other kids talking to other  
21 kids on the phone and businesses talking to other  
22 businesses on the phone and people calling libraries  
23 and computer contact over the nets. It said something  
24 about what's going to happen in the future. That's  
25 what frightens me. U S WEST long distance services

00274

1 dropped. It says changes will be implemented in two  
2 annual phases. In the first phase mileage bands will  
3 be compressed and rates reduced. What does that mean,  
4 mileage bands will be compressed. My thoughts are  
5 those groups of calls that are made to certain areas  
6 will be shortened and the rate of discounts reduced.

7           The whole philosophy on which Bell started  
8 is totally reversed here. Rates would also be reduced  
9 for optional calling plans and 800 service plan hourly  
10 rates. Okay, makes sense. Optional calling plan  
11 rates and mileage band rates would be further reduced  
12 in a second face. Toll pack would only be provided to  
13 current subscribers. That means everybody else after  
14 a certain point wouldn't even have that, won't be  
15 available to them. And the discount change from 30  
16 percent to 20 percent then to 15 percent in the second  
17 phase -- it doesn't say but it implies there will be  
18 no discounts after that.

19           Customer calling service, monthly rate for  
20 some features would increase. For example, call  
21 waiting would increase one dollar. That's okay. Call  
22 forwarding variable and three way calling would each  
23 increase 55 cents. That's over a dollar and a half  
24 right there for each of those. Directory assistance  
25 someone else has already talked about. Operator

00275

1 service, when things are going so automated now that  
2 we can't even reach whoever we want to talk to on the  
3 phone those are the kind of services that are  
4 automated for us to go through. I find myself hating  
5 to call -- if I had to call, for example, Washington  
6 Utility Transportation Commission I would venture I  
7 would get a phone system that is so sophisticated and  
8 so complex that by the time I was able to reach, say,  
9 Mrs. Nelson or Mr. Gillis or any of you there I would  
10 be sitting on that phone a long time and I would be  
11 paying more for it in the rate increases that they're  
12 setting up. I would pay that.

13 Rates for local operator handled calls  
14 would increase to match the long distance operator  
15 surcharges. The increases would range from 20 cents  
16 to \$2.05. For example, charges for operator assisted  
17 calling card would increase by 20 cents and operator  
18 interrupt would increase by \$2.05. Maybe that's  
19 because we would have to try to interrupt a computer  
20 and that's very difficult to do. \$2.05 for operator  
21 interrupt. Listings services. Monthly rates for  
22 nonpublished and nonlisted services would increase 25  
23 cents.

24 The price for additional residential  
25 directory listings would also increase over a three

00276

1 year period by either 25 cents or 90 cents depending  
2 on the type of listing. My elementary mathematics  
3 says that would cost about a 41 percent increase. I  
4 did that by dividing 25 cents by 90 cents. Maybe I'm  
5 wrong but that's a 41 percent increase.

6           Anyway, I guess basically what I'm saying  
7 is that I am concerned that we're not looking at the  
8 future. We are restricting the ability of people to  
9 access information and that's what this whole  
10 communication process is supposed to be about,  
11 increasing people's ability to access and communicate  
12 and if we are doing things and our planning for the  
13 future that's going to decrease that process, I think  
14 we're wrong, and I hope that we consider that very  
15 carefully before we allow this type of thing to become  
16 a part of our every day life.

17           JUDGE STAPLETON: Mr. Jackson, thank you  
18 for your testimony.

19           CHAIRMAN NELSON: I just have to tell you,  
20 the Commission can't afford a sophisticated phone  
21 answering service so we still have people answering  
22 our phones.

23           THE WITNESS: I'm so glad.

24           MR. TROTTER: Lisa Wilkerson.

25 Whereupon,

00277

1                                   LISA WILKERSON,  
2   having been first duly sworn, was called as a witness  
3   herein and was examined and testified as follows:

4

5                                   DIRECT EXAMINATION

6   BY MR. TROTTER:

7         Q.     Please state your name and spell your last  
8     name for the record.

9         A.     Lisa Wilkerson, W I L K E R S O N.

10        Q.     Your address?

11        A.     My business address -- I will be  
12   representing them -- is 300 East Pike, Suite 2001,  
13   Seattle, Washington, 981222.

14        Q.     And business is what?

15        A.     Interconnected Associates.

16        Q.     What kind of business is that briefly?

17        A.     It's an Internet access provider business.

18        Q.     You're speaking on their behalf tonight?

19        A.     I'm speaking on their behalf, also my own  
20   as a stockholder in U S WEST.

21                   CHAIRMAN NELSON:   Ms. Wilkerson, can you  
22   pull the mike closer to you?   The fan for some reason  
23   is picking up speed here.

24                   THE WITNESS:   Is that better?

25                   CHAIRMAN NELSON:   Yeah.

00278

1           A.       I work for Interconnected Associates, as I  
2 said. We are a small business located in downtown  
3 Seattle. We provide Internet access to residences,  
4 also to businesses in the area, primarily in the  
5 Washington area. My job at Interconnected Associates  
6 is to do the telecommunications provisioning. I work  
7 with U S WEST constantly, multiple times a day. I  
8 also used to work for U S WEST and I worked there for  
9 approximately seven and a half years so I feel that  
10 I'm speaking from knowledge from both sides of the  
11 coin. I have a perspective I think of the whole  
12 picture and as well as a stockholder so I have a  
13 vested interest in how U S WEST does, so I believe  
14 that I'm speaking in true concerns as far as what's  
15 happening here.

16                   The concerns that I have at this time would  
17 be that U S WEST would request any rate increases  
18 given the turmoil and the disorganization within the  
19 company itself. Dealing with them on a daily basis I  
20 see numerous examples of problems, internal problems,  
21 and issues that cost not only us and our customers at  
22 IXA money but in turn must cost U S WEST thousands  
23 of dollars just because of the lack of organization,  
24 disorganization, and I don't believe that that type of  
25 business should be subsidized by increasing rates. I



00279

1 believe that in-house procedures should be  
2 straightened up; that there should be quality  
3 assurance programs; that there are many other avenues  
4 that U S WEST needs to pursue internally before they  
5 look externally to get additional monies.

6           I can speak on the business side realizing  
7 that as Larry Berg said earlier that many businesses  
8 now are located in residential areas and a lot of this  
9 is impacting -- is impacting both sides of the coin as  
10 we speak here. Just in dealing with customers that we  
11 do in our line of business, which is based on  
12 telecommunications, there are customers who are losing  
13 thousands of dollars a month because of the poor  
14 service that they're receiving from U S WEST. In one  
15 case -- in a single case in particular we have  
16 documented they're losing \$25,000 a month where we as  
17 a company are losing approximately \$2800 a month. A  
18 total over the course of the several months that we've  
19 been pursuing just this one single claim between us  
20 are up over \$120,000. That's a single case, and I'm  
21 realizing that U S WEST during all of this as well has  
22 to match our time and effort and is also out a  
23 significant dollar figure when you look at them trying  
24 to resolve the issues that are out there. I also have  
25 several other business cases that we can cite as I

00280

1 said that is just one, and I have numerous others  
2 documented as well.

3           On the residence side, for instance, of how  
4 our business overlaps into the residence community we  
5 have a technician who lives in a residential area but  
6 does telecommute and do a lot of his business from  
7 home. We have a line in the business -- in his  
8 residence which they can go in as a residential line.  
9 When we had that line changed to a residential line  
10 from a business line, a paper only change at U S WEST,  
11 that line was disconnected. That is our seven day a  
12 week 24 hour a day person who needs to be able to  
13 access the system in order to support our business.  
14 The line was disconnected in error because when they  
15 saw the disconnect on the business side they did not  
16 pair that up with an add on the residential side and  
17 when we called we were told it would be three days to  
18 put it back up. We said no way, it's not. We,  
19 however, followed it up. We had the ability and  
20 resources to follow it up and get the line installed,  
21 but we see numerous things like that happening not  
22 only to ourselves but to our customers. That costs  
23 us, costs the customers and that costs U S WEST every  
24 time they send a technician out to reinstall, and I  
25 don't believe, again, that we should subsidize poor

00281

1 service by increasing the rates.

2 I also see U S WEST, have seen in the past  
3 couple of weeks a press release saying that they're  
4 going to spend in one particular case four to five  
5 billion dollars in an overseas venture in Europe.  
6 Looking in the handout here tonight I see that U S  
7 WEST has spent 3.1 billion dollars in Washington state  
8 over 10 years. I'm concerned that in one fell swoop  
9 they can spend four to five billion in Europe and yet  
10 in ten years spend 3.1 billion in Washington state. I  
11 believe that we deserve in Washington state the  
12 service that they choose to provide elsewhere. We  
13 deserve first dibs, I believe, on getting good  
14 service.

15 I've also seen lately that U S WEST is  
16 announcing that they are going to go into new markets.  
17 One in particular which concerns us at Interconnected  
18 Associates is that we have seen a press release that  
19 U S WEST will be providing Internet service. We have  
20 great concerns that they would be in this business and  
21 be competing against these people, some of the very  
22 same people that they would be increasing rates to  
23 here today. We have questions over whether or not  
24 they can -- can be on both sides of the coin and do  
25 the business fairly, and meet the customers' needs as

00282

1 well as their own in the same equitable time frames.  
2 It just brings up a lot of issues and, again,  
3 wondering why they can choose to go in so many  
4 different areas and still have a need for a rate  
5 increase here at home.

6 I also see in the documentation provided  
7 here tonight that U S WEST met 96 percent of  
8 installation commitments. I challenge that. I  
9 believe that perhaps they can say they met 96 percent  
10 of the commitments because they committed to an  
11 extended time period that then allowed them that bit  
12 in time for them to meet the date and/or that they --  
13 which we have experienced in numerous cases that they  
14 just won't commit to a date for a period of time. If  
15 there's any sort of problem they won't commit to a  
16 date until it's gone significantly down the path of  
17 provisioning process and then you will get a date in  
18 the very end when you're sure of it. So I challenge  
19 the validity of some of the statistics.

20 Also, again, in the installation process  
21 numerous times we have had instances where installers  
22 have been sent out multiple site visits in order to  
23 get a service installed. I again think that that's a  
24 waste of U S WEST money, that perhaps if they got  
25 their procedures in line first and knew what they were

00283

1 doing up front or had a better organizational skills  
2 that they would be able to cut costs internally and  
3 would not then need the rate increase to support some  
4 of the businesses -- some of the increases that  
5 they're talking about.

6 I guess, in summary, I would just say that  
7 with the uncertainties and the lack of quality  
8 assurance and the amount of upheaval that I see within  
9 U S WEST I question and I challenge whether or not a  
10 rate increase is the answer to their problems at this  
11 time. I see them spending money in questionable and  
12 risky ventures and wonder if that money cannot be  
13 better spent here in improving plant in Washington  
14 state. I don't believe that we should substitute an  
15 increase in rates for improvement in service that they  
16 have. That's all I have.

17

18 EXAMINATION

19 BY CHAIRMAN NELSON:

20 Q. Ms. Wilkerson, how long ago did you leave  
21 U S WEST?

22 A. I left in 1992.

23 Q. 1992?

24 A. Yes.

25 Q. Do you have -- you said you were there

00284

1 seven years so that's starting in 85 I assume?

2 A. Yes.

3 Q. Do you have any insights to what caused the  
4 upheaval and turmoil?

5 A. I came in on the tails of divestiture and  
6 actually my job for a couple of years was to segregate  
7 U S WEST from AT&T and to help bring U S WEST into  
8 competitive environment. I was in charge of aspects  
9 of the SNFA, Sure Network Facility Agreement. You're  
10 all probably familiar with that and Judge Green and  
11 enforcing his mandates. So I saw a lot up front when  
12 I was there, a lot of change in my thought, change in  
13 a way of doing business, a change of organization, a  
14 combination of combining Pacific Northwest Bell,  
15 Mountain Bell and Northwestern Bell, combining them  
16 into one company and a lot of internal fights because  
17 Mountain Bell wouldn't or where is the corporate  
18 office going to be? A lot of internal struggles, a  
19 lot of people just fighting for a job, and I'm  
20 wondering if perhaps a residential group is looking  
21 out for their own interests as opposed to maybe a  
22 global interest of the entire company, the  
23 stockholders. I have those concerns.

24 Q. You referenced a case where I think you  
25 said your company was losing \$2800 a month and

00285

1 another company was losing \$25,000 a month. Is that a  
2 lawsuit or is that simply --

3 A. That is an open WUTC complaint that we have  
4 and actually we have several complaints filed, and  
5 that is an estimate based on -- monthly estimate is  
6 based on direct costs lost as well as direct revenue  
7 lost and they're conservative estimates.

8 Q. So that's an informal or formal complaint?

9 A. It's a formal complaint. I have the  
10 complaint number if you like.

11 Q. I can find it. Thank you.

12 JUDGE STAPLETON: Any other questions,  
13 Commissioners?

14 COMMISSIONER HEMSTAD: No.

15 JUDGE STAPLETON: Counsel?

16 Thank you very much, Ms. Wilkerson, for  
17 your testimony.

18 MR. TROTTER: Jeffrey Sterling.

19

20 DIRECT EXAMINATION

21 BY MR. TROTTER:

22 Q. Please state your name and spell your last  
23 name.

24 A. Jeffrey Sterling, S T E R L I N G.

25 Q. And your business address?

00286

1           A.     Business address is -- company name is  
2 Interconnected Associates. Business address is 300  
3 East Pike, Suite 2001, Seattle, Washington 98122.

4           Q.     This is the same company as the prior  
5 witness?

6           A.     Yes.

7           Q.     You're speaking on behalf of the company?

8           A.     Yes.

9           Q.     Go ahead with your statement.

10          A.     Thank you. Our company has been in I guess  
11 sort of the front lines of how the telecommunications  
12 revolution is sort of evolving, being number one in the  
13 Internet business and being fortunate enough to be in a  
14 part of the country where it's probably between us and  
15 San Francisco as far as which city has the most  
16 competitive environment pertaining to growth and  
17 creation of new on line services that serve people in  
18 this area.

19                   My one comment on the residential. I have  
20 to also say that I carefully followed -- I would  
21 consider it U S WEST's political strategy at the  
22 federal level, at the state level, at the county level,  
23 at the city level. They do a remarkably good job of  
24 political strategy and tactical effort when it comes to  
25 working the existing system, whether it's the



00287

1 Washington Utilities and Transportation Commission  
2 process or whether it's the legislative political  
3 process in Olympia or whether it's the political  
4 process in Washington D. C., and they have a wonderful  
5 opportunity to position themselves in the next -- what  
6 I think they would probably consider 15 or 20 years for  
7 how they're going to be able to continue to dominate  
8 the telecommunications market.

9           The interesting situation is that they have  
10 that opportunity to a large extent based on having  
11 been part of a 100 year monopoly, essentially publicly  
12 subsidized monopoly for 100 years, that they now --  
13 they kind of have the opportunity to kind of break  
14 apart and at some levels position themselves as quote,  
15 a competitive player in this convergent  
16 telecommunications market, but then the other side of  
17 the company gets a perfectly good opportunity to sit  
18 before commissions and say to them, well, we're the  
19 poor struggling company that's trying to be the carrier  
20 of last resort.

21           And I have to tell you that they do a  
22 remarkably good job of playing all ends in that  
23 respect, and I would have to say that this residential  
24 rate increase in my opinion is sort of the last bastion  
25 of monopolistic procedures that U S WEST is taking on.

00288

1 It's the last possible place where they can impose  
2 their monopolistic side of the business.

3           Now, on the other hand, not to be -- on the  
4 other hand, our company is what it has to be. They  
5 probably don't realize it. They have to be one of  
6 their best friends because for every two or three  
7 dollars we generate for ourselves we generate a dollar  
8 for U S WEST, because they own all the phone lines that  
9 we have to put in for our customers, and we do all the  
10 work when it comes to gathering the leads, selling the  
11 client, collecting the money and setting them up with  
12 a wonderfully five, six, seven or eight a month account  
13 for U S WEST as long as they can get the stuff  
14 installed.

15           Sometimes we do have an opportunity to use  
16 other providers. For example, TCG and ELI are a couple  
17 that come to mind and when we do have that opportunity  
18 we take it at every opportunity we possibly can, and  
19 it's not necessarily because we don't want to give our  
20 money to U S WEST or our customer's money but we can  
21 get a TCG line, a T1 line, if you know what that is, in  
22 about a week from TCG. When it comes to U S WEST it  
23 can be anywhere from six to eight weeks and sometimes  
24 six to eight months in the case of this particular  
25 circuit down in the Portland area, which was a

00289

1 brand-new region for us to move into and we're losing  
2 considerable amount of money in order to accommodate  
3 one customer which U S WEST doesn't that seem to be  
4 able to hook them up.

5                   CHAIRMAN NELSON: Is your sister company  
6 headed up by a Mr. Akins?

7                   THE WITNESS: Yes.

8           A.       The other interesting part of this is that U  
9 S WEST wants to go into the Internet business. In  
10 fact, I don't know if you saw when they did the city of  
11 Seattle RFI, that information highway thing of which we  
12 also responded to but we didn't get much consideration  
13 because we're not -- we weren't considered real  
14 players. But when U S WEST had the proposal they  
15 actually took the word Internet and trade marked it and  
16 instead of using I for Internet they used exclamation  
17 point and that's their brand name of the Internet is,  
18 bang, Internet. Well, that's very interesting. So I  
19 have a competitor over here who doesn't care if he  
20 makes money in the next five years as long as he's in  
21 control 10, 15, 20 years but can't deliver me circuits.

22                   I will finish up on this other small point  
23 that also sort of pertains. By the way, that on line  
24 phone call that was made out of Bellingham actually  
25 went through our routers here in Seattle and it's one

00290

1 of our downstream customers that is -- so we're trying  
2 to provide a service, but I just get concerned  
3 sometimes about subsidizing a company who is going to  
4 turn around and use the money that they waste, or maybe  
5 they don't waste it, maybe they just turn around and  
6 use it for other purposes. To compete against us. To  
7 compete against the people who are actually doing it,  
8 the value added networking and are not just a monopoly.

9           One final point, and this was an  
10 interesting one. I wanted to add the Yellow Pages, and  
11 I noticed Yellow Pages was mentioned in this rate  
12 thing. Did you know that U S WEST would not allow  
13 there to be a section in the Yellow Pages called  
14 Internet? They would not allow me to provide a  
15 listing, and I was not the only one. There was at  
16 least a couple of dozen people, people who are my  
17 customers called and asked may we please have a section  
18 in the phone book that describes what we do for a  
19 living. We provide Internet service, and I fought that  
20 to a considerable extent, and up to the point of  
21 threatening to proceed with some sort of an action or a  
22 complaint at which point they came back and said, oh,  
23 well, the word Internet is trade marked and we're  
24 scared that we may be sued if we put that word in the  
25 phone book. That's the most absurd ridiculous thing

00291

1 I've ever heard in my life. Everybody uses that word.  
2 You can't use that as an excuse. I would have to  
3 suggest that it was perhaps some more obscure reason to  
4 not allow people to provide that as a listing in the  
5 phone book. Thanks.

6 JUDGE STAPLETON: Counsel, questions for  
7 the witness?

8 MR. SHAW: Just one.

9

10 CROSS-EXAMINATION

11 BY MR. SHAW:

12 Q. Mr. Sterling, I was interested in your  
13 comment about that you do take T1 service from ELI  
14 and TCG and I take it that's your downtown Seattle  
15 operation?

16 A. (Nodding head).

17 Q. You take all of your service from those two  
18 companies?

19 A. To answer your question in two ways, we  
20 don't have an agency agreement with those companies so  
21 we don't receive any incentive to use their service.  
22 However, when it comes down to timing, which means our  
23 customers like to be installed as soon as possible and  
24 the sooner they can be installed the faster we get an  
25 opportunity to collect revenue from them, we choose the

00292

1 carrier that's willing to get the circuit in an  
2 expeditious manner and from what I've been told within  
3 U S WEST they basically laid off a whole bunch of the  
4 people that were engineering the T1 circuits. There's  
5 only one or two people in the whole state that can  
6 engineer a T1 circuit.

7 Q. Do you take all your T1 circuits from U S  
8 WEST competitors at your downtown Seattle location?

9 A. At this particular time I have an  
10 opportunity to bypass the U S WEST local loop. Because  
11 I know that they can't deliver the circuit in a timely  
12 manner I will do so.

13 Q. Do you take all of your T1 circuits from  
14 U S WEST competitors at downtown Seattle?

15 A. Well, no. We have a number of circuits  
16 that are U S WEST -- in the past that we hooked up,  
17 but at this time, I mean, the first -- my first choice  
18 would be to go to TCG. They seem to have a better  
19 relation with you guys so if they need to go from one  
20 of their on Net buildings to a building that's not  
21 served by them they have a better opportunity to make  
22 that connection occur than I do.

23 Q. You commented that they decline to pay you  
24 commissions on your line -- were you inferring that  
25 U S WEST pays your commissions?

00293

1           A.     Yes, they do.  But only for -- I don't know  
2 how many are there.

3           Q.     Seven or eight registered are U S WEST  
4 agencies and it's been closed down for seven or eight  
5 years.  So any of the data networking service  
6 companies -- and I can name them.  I'm sure you know  
7 the names of the U S WEST authorized agents.  But when  
8 it comes to data networking I would love to be an  
9 authorized agent for U S WEST or TCG and ELI and go out  
10 and -- I would love to have the opportunity to be a  
11 value-added network service provider and an authorized  
12 agent for any of these telecommunications carriers but  
13 the opportunity is not open.

14          Q.     I'm still not understanding your testimony.  
15 Is your testimony that you are a registered agent for  
16 U S WEST or not?

17          A.     Oh, absolutely not.

18          Q.     And U S WEST pays you no commissions on  
19 lines that you resell?

20          A.     No, but they did to authorized agents which  
21 is the list that you probably know very well.

22          Q.     So your preference for U S WEST service  
23 over TCG service doesn't have anything to do whether  
24 one or the other pays you a commission?

25          A.     No, absolutely not.

00294

1 Q. Thank you.

2 JUDGE STAPLETON: Any other questions? Mr.

3 Sterling, thank you for your testimony.

4 MR. TROTTER: Heidi Gilbert.

5 Whereupon,

6 HEIDI GILBERT,

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 MR. TROTTER:

12 Q. Please state your name and spell your last  
13 name for us.

14 A. My name is Heidi Gilbert. My last name is  
15 G I L B E R T.

16 Q. Your address?

17 A. 856 - 132nd Street Court South, Tacoma,  
18 98444.

19 Q. So you missed our Tacoma meeting the other  
20 night?

21 A. My sister's birthday.

22 Q. Well, welcome to this one. Are you a  
23 ratepayer of U S WEST?

24 A. Yes.

25 Q. Is that the reason?



00295

1           A.     That's why I'm here.  I'm representing  
2  people with a tight budget.

3           Q.     Go ahead.

4           A.     I wanted to say that I feel that U S WEST  
5  should not be able to raise their residential rates  
6  because they are only wanting to make up for lost  
7  revenue that will be lost for having to be competitive  
8  with other long distance companies who have now offered  
9  the option of bypassing U S WEST's local long distance  
10 by typing, for instance, 10222 for MCI or 10 AT&T for  
11 AT&T.  They want to increase residential rates because  
12 there's no competition in this field and they can  
13 target the areas of their company which are affected by  
14 the competition and offer more reasonable rates in  
15 those fields.

16                   JUDGE STAPLETON:  Could you go just a  
17 little bit slower for our court reporter.

18           A.     I feel an increase in basic rates is unfair  
19 and we have no options to choose a different company  
20 on basic rates.  You either go with them or you don't  
21 have a phone which is kind of hard to do in this time  
22 and age.  They're pretty much a necessity, so I just  
23 wanted to say that I felt that the basic rate issue was  
24 unfair.  That, for instance, I feel the whole reason  
25 they were doing this is because a lot of their business

00296

1 is being affected by -- I personally bypass any time I  
2 get a chance with the MCI local long distance and save  
3 quite a bit of money. Thank you for your time.

4 JUDGE STAPLETON: Thank you, Ms. Gilbert,  
5 for your testimony.

6 MR. TROTTER: I would like to go back, I  
7 guess, to the beginning and ask Mr. Pharaon if he  
8 wishes now to testify.

9 Whereupon,

10 NABIL PHARAON,  
11 having been first duly sworn, was called as a witness  
12 herein and was examined and testified as follows:

13

14 DIRECT EXAMINATION

15 BY MR. TROTTER:

16 Q. Will you please state your name and spell  
17 your last name.

18 A. My name is Nabil Pharaon, P H A R A O N.

19 Q. I'm sorry, I mispronounced. Could you  
20 spell your first name as well?

21 A. N A B I L.

22 Q. Your address?

23 A. My address is 9704 Eighth Avenue Northeast  
24 in Seattle.

25 Q. Are you a U S WEST ratepayer?

00297

1 A. I am. Zip code is 98105.

2 Q. Are you speaking on your own behalf?

3 A. I'm speaking on my own behalf.

4 Q. Go ahead.

5 A. Main thing that I wanted to talk about  
6 has already been covered, but there is one point I  
7 want to make here, WUTC staff recommendation of  
8 lowering the rates to \$10 is barely significant  
9 because what is going to be a little higher than that.  
10 Number two, I feel that zone one and zone two in rural  
11 areas it's okay to charge a little bit more for  
12 equipment for some repeaters being used on longer  
13 distances. Now, the directory assistance at four calls  
14 a month free is reasonable. It should not be any lower  
15 than that. The quality of transmission is very fair,  
16 near perfect. However, we have cut down on the  
17 service. Like when I try to call business office or  
18 something that is an automated system that makes me  
19 wait for a long time, I have nobody to answer. Now, I  
20 believe that the rate increase is not justified at all.  
21 In the last decade U S WEST has phased out expensive  
22 equipment, old fashioned equipment and replaced it with  
23 electronic switche systems that are practically trouble  
24 free. They don't break down. They don't use much  
25 maintenance. Therefore, the payroll has been reduced

00298

1 for the maintenance people and people who take care of  
2 equipment. I don't see why you want more money or rate  
3 increase for a monthly bill. For concerning the  
4 listing, the phone listing and an unlisted number  
5 should not be charged. It's less handling. There  
6 shouldn't be any charge for someone who wishes to be  
7 unlisted.

8           The last point I want to make is in the  
9 field of telecommunications, where a subscriber has no  
10 choice for another carrier, we are served by an end  
11 office to the network, how can I get a choice for a  
12 more reasonable monthly rate. There's no way around  
13 it. We have what we call a monopoly here and I don't  
14 think it's justified to just increase the rates.  
15 That's all I have to say. Do you have any question?

16           JUDGE STAPLETON: Mr. Pharaon, thank you  
17 very much for your testimony.

18           THE WITNESS: Thank you.

19           MR. TROTTER: Off record for a second.

20           (Discussion off the record.)

21           MR. TROTTER: I've gone through the list of  
22 people who marked the box that they wished to testify.  
23 If there's anyone in the audience that didn't sign in  
24 that would like to testify, just raise your hand, you  
25 can come up and make your statement to the Commission.

00299

1 Now is your chance to do that.

2 I think we've got all the takers.

3 JUDGE STAPLETON: Thank you, Mr. Trotter.

4 Anything else to come before the Commission?

5 We'll stand adjourned. Thank you very much  
6 for coming out tonight and giving your testimony.

7 CHAIRMAN NELSON: Thank you very much.

8 (Hearing adjourned at 8:12 p.m.)

9

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