

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

In Re Petition of)
U S WEST Communications, Inc.) **Docket No. UT-980948**
For a Declaratory Order Ending Imputation)
Of Revenue Derived from Transferred)
Directory Publishing Business)

REJOINDER TESTIMONY

OF

ANN KOEHLER-CHRISTENSEN

On behalf of

U S WEST COMMUNICATIONS, INC.

July 16, 1999

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

2 A. Ann Koehler-Christensen, 1600 Seventh Avenue, Seattle, Washington, 98191.

3

4 **Q. ARE YOU THE SAME ANN KOEHLER-CHRISTENSEN WHO FILED**
5 **DIRECT AND REBUTTAL TESTIMONY IN THIS DOCKET?**

6 A. Yes, I am. My responsibilities at U S WEST Communications and my professional and
7 educational qualifications were presented in my direct testimony.

8

9 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR REJOINDER TESTIMONY.**

10 A. The purpose of my rejoinder testimony is to respond to the surrebuttal testimony of Dr. Selwyn for
11 the Staff and Mr. Brosch for Public Counsel, Tracer and AARP.¹

12

13 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

14 A. Both Staff and Public Counsel have taken the position that none of the nearly
15 \$900 million ² of directory revenues that the WUTC has included in ratemaking
16 should be considered compensation for the transfer of the directory publishing
17 business to USWD in 1984. In his March 4, 1999 testimony, Dr. Selwyn took the
18 position that none of the compensation I presented should be considered because
19 PNB was not authorized to transfer the yellow pages business, while in his
20 surrebuttal testimony he claims that the 1984 reorganization did not effect a

¹ Hereafter my references to Public Counsel will include Tracer and AARP unless specifically noted otherwise

² \$892,605,736 estimated through the end of 1999 as presented in Exhibits AKC-9 and AKC-10

1 permanent transfer. Mr. Brosch, on the other hand, took the position in his March
2 4, 1999 testimony that there was no transfer of the intangible assets in 1984 and in
3 his surrebuttal testimony he claims the transfer was not a true sale. Both Dr.
4 Selwyn and Mr. Brosch have repeatedly relied on portions of the 1984 Publishing
5 Agreement and PNB's application for the approval of both the asset transfer and
6 Publishing Agreement to justify these claims. In this testimony I demonstrate that
7 these documents are clear and do not lead to the erroneous conclusions drawn by
8 these witnesses.

9

10 Q. **IF U S WEST HAD KNOWN WHAT IT DOES TODAY ABOUT STAFF AND PUBLIC**
11 **COUNSEL POSITIONS, WOULD IT HAVE PURSUED DIFFERENT OPTIONS IN**
12 **DOCKET UT-950200?**

13 A. Yes. There are aspects of Staff and Public Counsel testimonies in this docket, that, had they been
14 entered in UT-950200, would have elicited responsive testimony by U S WEST. For example, had
15 Staff and Public Counsel contended that imputation was rent for intangible assets, the Company
16 would have challenged the claim, as it has done in this docket. The Company would have taken
17 the position that no rent was owed because the publishing assets were transferred or that the level
18 of imputation was unreasonable given the nature of the assets.

19

20 Q. **AT PAGE 32, LINE 9 OF HIS SURREBUTTAL TESTIMONY, MR. BROSCH REFERS**
21 **TO ARTICLE XIII OF THE PUBLISHING AGREEMENT AND STATES THAT "IT**
22 **SIMPLY MAKES NO SENSE FOR PNB TO BE GRANTING A RIGHT TO USE**
23 **CERTAIN ASSETS IF THOSE ASSETS HAD, AS MR. INOUE CLAIMS, ALREADY**
24 **BEEN TRANSFERRED TO USWD." HOW DO YOU RESPOND?**

1 A. Article XIII, paragraph 13.01 referenced by Mr. Brosch grants USWD the right to use PNB's
2 "trade names, trademarks, logos, etc." in connection with the published directories. As Mr. Inouye
3 has discussed in his rebuttal and rejoinder testimony, PNB did not transfer ownership of these and
4 has never claimed that it has.

5

6 **Q. IS THERE ANOTHER PROVISION OF THE PUBLISHING AGREEMENT THAT DOES**
7 **EVIDENCE A TRANSFER OF THE YELLOW PAGES BUSINESS TO USWD?**

8 A. Yes. Paragraph 13.04 of the same article XIII, states that USWD grants PNB "the right to use, as
9 its data source, the published Yellow Pages in connection with the operator-assisted business
10 locator "Telequest" service". PNB also agreed to pay USWD a separate annual fee for such use as
11 specified in a separate agreement. This separate agreement was filed and approved by the WUTC
12 in 1984. Applying Mr. Brosch's own logic, it simply makes no sense for USWD to be granting
13 PNB a right to use certain assets if PNB had still owned them.

14

15 Q. AT PAGE 5, LINES 9-10, DR. SELWYN ASSERTS THAT THE 1984 PUBLISHING
16 AGREEMENT CONFIRMS THAT PNB DID NOT CEDE PERMANENT CONTROL TO
17 USWD. ON WHAT GROUNDS DOES DR. SELWYN BASE HIS ASSERTION?

18 A. Dr. Selwyn cites three particular paragraphs in the Publishing Agreement that he
19 claims demonstrate that the directory revenue earned by USWD/DEX remains a
20 regulatory asset of PNB. According to Dr. Selwyn, because these three
21 paragraphs (3.01, 3.08 and 4.01) in the 1984 Publishing Agreement granted
22 USWD use of these "crucial" elements for a limited period of time, all of the
23 revenues earned by USWD/DEX for the last fifteen years belong to the ratepayers.

24

1 Q. DO THESE THREE PARAGRAPHS DEMONSTRATE THAT PNB, RATHER THAN USWD,
2 RETAINED OWNERSHIP OF THE PUBLISHING BUSINESS?

3 A. No, of course not. These paragraphs simply mean that PNB (a telephone company
4 or a LEC) contracted with USWD (a directory publisher) to meet PNB's
5 regulatory obligation of providing white pages directories to PNB subscribers
6 following the transfer of the publishing business³, which was approved by the
7 WUTC.

8
9 Paragraph 3.01 granted USWD exclusive publishing rights, or as Dr. Selwyn
10 states, an "agreement not to compete." It did not grant exclusivity in the sense
11 that USWD could be the only publisher of PNB's subscriber lists, however. Facts
12 previously presented show that PNB licensed its subscriber lists to other
13 publishers and other publishers published competitive directories, even in the first
14 few years following the transfer.⁴

15
16 Dr. Selwyn pointed out that Paragraph 3.08 granted USWD the exclusive right to
17 use PNB's name and trademarks. He did not mention, however, that the
18 paragraph required USWD to reproduce these to the extent deemed "essential, in
19 the opinion of the Telephone Company" and only granted USWD exclusive rights

1 ³ The 1984 Publishing Agreement was a contract between two affiliates and addressed the rights and
2 responsibilities of both parties following the transfer. This agreement assumed the transfer had been
3 approved and completed, which it had.

1 ⁴ Koehler-Christensen Rebuttal, page 9, lines 15-18, WUTC02-019, -020, -025, -026, PC07-083

1 to their use “in consideration of the premises recited herein.”

2

3 Paragraph 4.01 actually stated that PNB would provide USWD subscriber listing
4 data for use to publish the directories, which this agreement obligated USWD to
5 publish and distribute to PNB subscribers free of charge.

6

7 DID PNB PROVIDE ANY OF THESE THREE ELEMENTS TO OTHER PUBLISHERS?

8 Yes, PNB made its subscriber listings available to all publishers, just as USWC does today. PNB’s
9 subscriber listings were available to all publishers in 1984 and since 1987 these subscriber listings
10 have been offered to all publishers under the same license agreement and the same terms and
11 conditions as USWC makes these listings available to DEX. At page 16, lines 3-5 of his
12 surrebuttal testimony, Dr. Selwyn states:

13 Finally, the mere fact that “PNB would have been obligated to provide this same
14 list to competing directory publishers” affords no assurance that such listings
15 would have actually been made available to, for example, a non-affiliated
16 USWD.

17

18 PNB/USWC not only “would” make its subscriber listings available to non-affiliated publishers,
19 PNB did license its subscriber lists to publishers, affiliated or not, and recorded the revenue as
20 regulated revenues booked to miscellaneous revenues account 523 and these revenues were
21 included in the determination of PNB’s revenue requirement. The availability of these subscriber
22 listings was explained at pages 9-10 of my rebuttal testimony and was also made clear in the
23 Directory Application of Pacific Northwest Bell dated October 10, 1984. A copy of this
24 application was provided as part of USWC’s response to data request PC08-088 in this case. At
25 page 8 of this application PNB represents to the commission, “We continue to sell [subscriber
26 listings] to other publishers at the 10¢ price.” (Emphasis added). At the time of the transfer PNB
27 clearly stated that it would retain the listings business, as opposed to the publishing business that

1 was transferred to USWD, as I discussed in my rebuttal testimony. I'm not sure why Dr. Selwyn
2 has tried to leave the impression that there is a question surrounding the availability of listings,
3 when these listings were and continue to be readily available to all publishers. Perhaps it is
4 because the availability of subscriber listings to all publishers undermines Staff's claim that PNB
5 retained ownership of the publishing business.

6

7 **Q. STAFF AND PUBLIC COUNSEL HAVE MADE REFERENCE TO THE BUSINESS**
8 **UPDATES THAT USWD OBTAINED FROM PNB. WERE THESE AVAILABLE TO**
9 **ALL PUBLISHERS?**

10 A. Yes, PNB began selling daily updates to all publishers, including USWD in 1987.

11

12 **Q. WAS SIMILAR INFORMATION AVAILABLE FROM ANY OTHER SOURCES?**

13 A. Yes, a variety of businesses such as banks, and state and city licensing
14 departments sell new business information, including telephone numbers.

15

16 **Q. DO ALL PUBLISHERS OBTAIN SUBSCRIBER LISTINGS FROM USWC?**

17 A. No, while USWC offers its subscriber listings to all publishers, not all publishers choose to obtain
18 listings from USWC. White pages listings cannot be copyrighted⁵ and therefore they can be
19 copied from any directory. In addition, listings can be obtained from a number of
20 other listing sources. In the 1980's there were national list companies that
21 provided both residential and business listings. In addition, numerous companies
22 sold or rented their customer lists; these included cataloguers, magazine

1 ⁵ Feist Publications, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340 (1991)

1 publishers, airline frequent flyer programs and companies that merchandized by
2 mail or telephone. Today, CDs can be purchased in most software stores that
3 contain basically every listing in the U. S. for under \$100 and I suspect that it may
4 be possible to download listings from the Internet at no cost, whatsoever.

5
6 While the availability of subscriber lists from some source is obviously crucial to
7 every publisher for the purpose of publishing white pages directories, subscriber
8 listings have been and continue to be available from a number of sources and
9 USWC offers its subscriber listings to all publishers. Dr. Selwyn can not rely on
10 this element to prove that PNB either owned or controlled USWD's directory
11 publishing business.

12
13 Q. CAN A PUBLISHER SUCCEED WITHOUT DR. SELWYN'S OTHER TWO
14 "CRUCIAL" ELEMENTS?

15 A. Yes. The other two elements, exclusive publishing rights and the right to use
16 PNB's trademarks, are not "crucial" to succeeding in the directory publishing
17 business as Dr. Selwyn claims. Directory publishers can and do exist without
18 either of these two elements. Throughout the U. S. there are literally hundreds of
19 yellow pages publishers in business (at least four in Washington) without having
20 been granted the right to be a LEC's official or exclusive publisher and without
21 having been granted the right to use a LEC's name or trademarks.

1

2 **Q. AT PAGE 7, LINES 3-4 OF HIS TESTIMONY, DR. SELWYN MAKES A**
3 **STATEMENT THAT ANY NUMBER OF ATTEMPTS BY NON-ILEC**
4 **ENTITIES TO BREAK INTO THE GENERAL YELLOW PAGES**
5 **BUSINESS HAVE RESULTED IN FAILURE. DO YOU AGREE WITH**
6 **HIS CLAIM?**

7 A. I do not agree with the impression Dr. Selwyn's statement is designed to create.
8 Dr. Selwyn makes unsubstantiated statements that are designed to give one the
9 impression that it is not possible to succeed as a non-ILEC directory publisher. I
10 disagree with Dr. Selwyn and the facts show that Dr. Selwyn is incorrect. I
11 provided evidence of competition in Washington in my rebuttal testimony as well
12 as in response to various data requests ⁶. Even so, Dr. Selwyn again attempts to
13 make it appear as if no independent publisher can succeed in the yellow pages. At

1 ⁶ WUTC 02-019, -020, -025, -026 and PC07-083

1 page 15, line 21, Dr. Selwyn states “Moreover, another potential directory
2 publisher would still face the “first supplier advantage” wielded by the incumbent,
3 and thus could not succeed in the business unless it secured the exclusive right to
4 publish the ILEC directories.” (Emphasis added). It is obvious that Dr. Selwyn
5 has made these statements without the benefit of a market analysis, as he
6 acknowledged in deposition,⁷ and apparently he has also ignored the Washington
7 market information provided previously in this case.

8
9 I identified four competitive publishers in Washington⁸ that do not function as an
10 ILEC publisher and yet these publishers continue in the directory publishing
11 business. One of these publishers, the Phone Directories Company (PDC), has
12 been in business for the last twenty-eight years and publishes approximately one
13 hundred directories in twelve states and four Canadian provinces. PDC has been
14 publishing competitive directories in Washington for the last eighteen years.
15 MacGregor Publishing Company was founded in the state of Washington over
16 sixteen years ago and publishes four competitive directories in Washington.
17 Pacific Coast Publishing (PC) was also founded in the state of Washington in
18 1984. Pacific Coast Publishing has been in business for fifteen years and now
19 publishes nine competitive directories in Washington as well as sixteen directories

1 ⁷ Deposition of Selwyn Tr. 24-25

1 ⁸ There are twelve publishers in Washington that compete with DEX today. At least four of these
2 publishers (perhaps more) do not function as an ILEC publisher.

1 in four other states served by U S WEST. Locator Group USA was founded in
2 1986 and publishes eighteen competitive directories in the state of Washington
3 and twelve competitive directories in the state of Colorado. I don't know what
4 Dr. Selwyn's definitions of failure and success are, but all of these publishers have
5 exhibited growth and staying power, despite the fact that they have not secured the
6 exclusive right ⁹ to publish any ILEC directories or use an ILEC name or
7 trademark. While Dr. Selwyn's statement may be technically correct, "some
8 number" of failures most certainly have occurred somewhere at some time, this is
9 actually an indication of a competitive market, where competitors freely enter the
10 market – and exit the market. And a considerable number of these publishers
11 compete with DEX without the elements Dr. Selwyn identified, without any
12 corroborating evidence, as "crucial."

13

14 **Q. DR. SELWYN CLAIMS THAT THE PUBLISHING AGREEMENT MADE**
15 **EXPLICIT ARRANGEMENTS FOR THE RETURN OF THE**
16 **PUBLISHING BUSINESS TO USWC BY REQUIRING THE RETURN OF**
17 **SUBSCRIBER LISTING DATA AND SERVICE ORDER DATA THAT**
18 **PNB HAD SUPPLIED. CAN YOU COMMENT ON THAT CONTRACT**
19 **REQUIREMENT?**

20 A. As explained by Mr. Max Johnson in his rejoinder testimony, the only information

1 ⁹ To my knowledge these publishers have not even attempted to secure these rights. They have certainly not
2 approached USWC.

1 that was specified to be returned was the subscriber listing information provided
2 by PNB, not customer or advertising information developed by USWD. During
3 the 1980's, PNB licensed its subscriber listings to all publishers, but the listings
4 could only be used once. In other words, publishers, including USWD, were
5 allowed to publish the subscriber lists in one and only one directory. If a
6 publisher wanted to include the subscriber list in two different directories, the
7 publisher was expected to pay for the listing twice. Eventually USWC dropped
8 this requirement because it was impossible to control.

9

10 Q. DR. SELWYN CLAIMS THAT THE 1984 TRANSFER WAS NOTHING
11 MORE THAN A CORPORATE REORGANIZATION AMONG WHOLLY
12 OWNED SUBSIDIARIES. WILL YOU PLEASE COMMENT ON THIS
13 STATEMENT?

14 A. Yes, Dr. Selwyn is correct when he states that it was a corporate reorganization,
15 but he is wrong when he states that it was not a conveyance of property or
16 permanent rights. In fact, it is because this was a corporate reorganization that the
17 transfer took place in the way that it did. Since both PNB and USWD were
18 wholly owned subsidiaries, a "sales agreement" was not appropriate.¹⁰ An asset
19 transfer is the appropriate and required means¹¹ of transferring ownership

1 ¹⁰ A sales agreement is not necessary or appropriate when the same stockholders own both businesses.

1 ¹¹ RCW 80.12, referred to as "the transfer of property statute" by the Washington Supreme court at page 9,
2 line 19 of its opinion

1 between subsidiaries owned by the same stockholders. PNB complied with these
2 requirements in the state of Washington, the WUTC approved the transfer and the
3 Washington Supreme Court has recognized that the transfer occurred.

4

5 **Q. WHAT DO YOU THINK OF DR. SELWYN'S STATEMENT THAT IF PNB**
6 **AND USWD CONSIDERED THE TRANSFER PERMANENT AND**
7 **IRREVERSIBLE, "THERE IS NOTHING TO HAVE PREVENTED THEM**
8 **FROM STRUCTURING THE PUBLISHING AGREEMENT TO SO STATE?"**

9 **A.** The representation of the transfer in the December 22, 1983 application was clear
10 and it was totally unnecessary to include such a statement in the Publishing
11 Agreement itself, which covered the affiliate relationship between PNB and
12 USWD, as LEC and publisher following the transfer.

13

14 **Q. AT PAGE 10 OF HIS SURREBUTTAL TESTIMONY, DR. SELWYN**
15 **MAKES SEVERAL VERY STRONG STATEMENTS REGARDING PNB'S**
16 **INTENTIONS IN 1984. HE STATES THAT "EITHER THE PARTIES DID**
17 **NOT INTEND FOR THE TRANSACTION TO CONSTITUTE A 'SALE'**
18 **OF THE YELLOW PAGES BUSINESS OR, ALTERNATIVELY, THEY**
19 **STRUCTURED THE PUBLISHING AGREEMENT TO BE SILENT AS**
20 **TO THEIR ACTUAL INTENT THAT THE TRANSACTION**
21 **CONSTITUTE SUCH A SALE." WILL YOU PLEASE COMMENT ON**

1 **THIS STATEMENT?**

2

3 A. As I have already explained, PNB clearly represented its intentions. In the
4 original transfer application PNB stated, “The purpose of the transaction is a
5 rearrangement of USW’s assets to internally provide from PNB and USW’s other
6 operating telephone companies the initial capitalization for USW’s publishing
7 subsidiary LPC.”¹² The application goes on to state, “The transaction has been
8 proposed in this manner rather than as a dividend to USW because it more
9 completely discloses the ultimate purpose of the transfer of money and property
10 from PNB to USW than a dividend directly to USW.”

11 In the subsequent October 10, 1984 application ¹³ following the finalization of the
12 Publishing Agreement and other affiliate agreements, PNB again makes its intent
13 clear by stating at page 11 of this application,

14 Negotiations were premised on a full separation of
15 monopoly regulated functions from competitive deregulated
16 functions. The functional split is premised upon
17 recognition of distinct lines of business listing and
18 publishing. (emphasis added).

19
20 There is absolutely no evidence that PNB attempted to portray this transaction as
21 something other than intended, a transfer to a separate, unregulated subsidiary of
22 U S WEST, Inc.

23

1 ¹² LPC refers to Landmark Publishing Company, of which USWD was a wholly owned subsidiary.
1 ¹³ PC08-088

1 **Q. WHY DOESN'T THE PUBLISHING AGREEMENT STATE THAT THE**
2 **TRANSFER WAS PERMANENT AND IRREVERSIBLE?**

3 A. The Publishing Agreement dealt with the relationships between PNB and USWD
4 following the transfer of the business. A draft of the Publishing Agreement was
5 filed with the asset transfer application, but the signed Publishing Agreement
6 itself, along with a number of other affiliate contracts between PNB and USWD
7 were filed after the transfer had been approved by the WUTC and the transfer had
8 taken place. There was no need to address the permanence of the transfer because
9 the transfer was already a "fait accompli." This Publishing Agreement, as noted
10 by both Dr. Selwyn and Mr. Brosch, was for a limited, three-year period and
11 covered the affiliate relationship between PNB and USWD, as LEC and publisher
12 following the transfer. A commitment was not made that the affiliate relationship
13 between PNB and USWD following the transfer would be permanent, irreversible
14 or perpetual. In the October 10, 1984 application, in fact, PNB, made a statement
15 that both indicates that the transfer was expected to be permanent and that the
16 publishing agreement relationship was not. PNB states,

17 Furthermore, PNB anticipates that it will benefit from this
18 relationship through continued and increasing efficiencies
19 by having directories published by one company on a U. S.
20 WEST regional basis. Such increased efficiency should
21 allow PNB to negotiate a continued upward contribution to
22 PNB's ratepayers. However, it is always possible that at
23 some point in the future one of the other publishing
24 companies will make a more competitive offer which must
25 be considered. If PNB is offered a better financial
26 opportunity by a different publisher, it will certainly give

1 such an offer serious consideration. PNB anticipates this
2 level of competition maybe possible by the end of the
3 existing three year contract.¹⁴ (emphasis added)
4

5 PNB continues in this application to compare their financial arrangement with
6 USWD to the financial arrangements between Donnelly Company and Illinois
7 Bell and New York Telephone. Donnelly, an independent publisher, was not
8 affiliated with either Illinois Bell or New York Telephone.

9
10 The very fact that PNB would consider doing business with a different publisher
11 indicates that PNB had not remained in the directory publishing business and that
12 it did not own the revenues of USWD.

13
14 Mr. Brosch has apparently interpreted the similar statement from Exhibit D
15 referenced in footnote 12, to suggest that PNB did not view the transfer as
16 permanent, as he discusses at page 40 of his rebuttal testimony. I believe Mr.
17 Brosch has confused the temporary nature of the relationship with respect to the
18 exclusive rights and the obligation to produce PNB's white pages directories, with
19 the transfer of the directory business itself.¹⁵ The Publishing Agreement

1 ¹⁴ Docket FR-83-159, October 10, 1983 Application, page 12. Similar statements were also made in
2 Exhibit D of the December 23, 1983 Application attached as Exhibit AKC-8

1 ¹⁵ At page 35, lines 19-20, Mr. Brosch acknowledges that Exhibit D made it clear that the transfer took
2 place when he states, "It is apparent from this document that a "functional split is premised upon the
3 recognition of distinct lines of business, listings and publishing."

1 addressed the on-going relationship, following the transfer, for the three years,
2 1984 through 1986.

3

4 **Q. MR. BROSCH APPARENTLY BELIEVES THE PUBLISHING FEES**
5 **DISCUSSED IN EXHIBIT D WERE “GUARANTEED.” WAS THERE**
6 **SUCH A GUARANTEE?**

7 A. The Publishing Fees specified in the Publishing Agreement were for the years
8 1984, 1985 and 1986. The publishing fee amounts were specified and guaranteed
9 for the three years covered by the agreement, regardless of the earnings of USWD.
10 Mr. Brosch has chosen phrases from Exhibit D, such as “The publishing fees are
11 guaranteed” and “preserve a significant contribution from Yellow Page revenue to
12 PNB’s earnings” and interpreted them to mean more than was intended. The fees
13 were discussed in the section of the application that discussed the Publishing
14 Agreement and Mr. Brosch has attempted to use these phrases to imply a longer or
15 perpetual commitment that was not made. On the contrary, these phrases were
16 made in the context of explaining the advantages of a three-year contract and no
17 representation was made beyond the initial term of the contract. In fact, PNB
18 made it very clear that nothing was certain beyond that time frame. In October
19 1984 PNB discussed the threat and uncertainty surrounding the competition
20 emerging in the directory publishing business as well as the risks that USWD had

1 assumed by having to forecast three years out.¹⁶ PNB even stated that it
2 anticipated that the level of competition could affect the agreement by the end of
3 the existing three-year agreement. All of these statements were made in a
4 discussion of the Publishing Agreement that had a specified three-year term that
5 could be extended for an additional two. The Publishing Agreement was not a
6 perpetual agreement, it was not represented as a perpetual agreement and it made
7 no guarantees beyond the initial three-year term.

8
9 **Q. ACCORDING TO PUBLIC COUNSEL YOU HAVE REPRESENTED THE**
10 **PUBLISHING FEES AS INSTALLMENT PAYMENTS OR AN**
11 **AMORTIZATION OF THE VALUE. IS THIS TRUE?**

12 A. No, I have made no such representation and I did not calculate ratepayer
13 compensation on the actual publishing fees paid. I calculated ratepayer
14 compensation based on the benefit ratepayers received through lower rates.
15 Through the end of 1999 this will amount to over \$892 million. What I did
16 represent in my direct and rebuttal testimony is that the Washington ratepayers
17 have received through the ratemaking process more than the full value of the
18 publishing business that was transferred in 1984. As a means of demonstrating

1 ¹⁶ At page 58, Mr. Brosch claims that a permanent transfer would require relative certainty as to the terms.
2 He claims that the uncertainties that existed in 1983, as evidenced by the initial 3-year contract, are
3 evidence that the transfer was not permanent. I disagree. There were acknowledged risks and
4 responsibilities addressed in Docket FR-83-159.
5

1 this, I set up a table “similar to a simple amortization table used for an installment
2 loan, to display how the compensation has been passed on to the ratepayers.”¹⁷
3 The results of this demonstration, as shown in Exhibits AKC-9 and AKC-10, is
4 that the Washington ratepayers have been more than fully compensated for the full
5 value of the directory publishing business transferred in 1984.

6

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 A. Yes, it does.

1 ¹⁷ Koehler-Christensen Direct testimony, page 5, lines 9-11