

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
2 COMMISSION

3

4 In the Matter of the )  
5 Petition of: )  
6 )  
7 PAYTEL NORTHWEST, INC., )  
8 )

9 For Classification as a ) Hearing No. UT-920632  
10 Competitive Telecommunications ) VOLUME III  
11 Company. ) Pages 81 - 132  
12 ----- )

13 A hearing in the above matter was held on  
14 December 23, 1992 at 9:30 a.m., at 1300 South Evergreen  
15 Park Drive S.W., Olympia, Washington, before  
16 Administrative Law Judge CHRISTINE CLISHE.

17 The parties were present as follows:  
18 Sally Brown, Assistant Attorney General, 1400  
19 South Evergreen Park Drive S.W., Olympia, Washington  
20 98504, appearing on behalf of the Commission.

21 Douglas N. Owens, Attorney at Law, 4705 16th  
22 Avenue N.E., Seattle, Washington 98105, appearing on  
23 behalf of the Petitioner.

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25 Donna M. Davis, CSR CM

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I N D E X

WITNESS:	DIRECT	CROSS	REDIRECT	RE CROSS
RONALD I. McDOUGALL	84	88	123	129

EXHIBIT	MARKED	ADMITTED
T-1	85	87
2	85	87
3	85	87

REQUISITION REQUEST

PAGE	LINE
112	4

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

2

3 THE COURT: Let's be on the record. The  
4 hearing will please come to order. The Utilities and  
5 Transportation Commission has set for hearing Docket  
6 No. UT-920632 in the matter of the petition of Paytel  
7 Northwest, Incorporated, for classification as a  
8 competitive telecommunications company.

9 This hearing is taking place on December 23,  
10 1992, at the Commission's hearing room in Olympia  
11 before Administrative Law Judge Christine Clishe of the  
12 Office of Administrative Hearings. The hearing today  
13 is for the purpose of cross-examination of the  
14 Company's witness.

15 I would like to take appearances, beginning  
16 with counsel for the company.

17 MR. OWENS: Thank you, your Honor. I'm  
18 Douglas N. Owens, Attorney at Law. My business address  
19 is 4705 16th Avenue Northeast, Seattle, Washington  
20 98105. I appear on behalf of petitioner Paytel  
21 Northwest, Inc.

22 MS. BROWN: Sally V. Brown, Assistant  
23 Attorney General, 1400 South Evergreen Park Drive  
24 Southwest, Olympia, Washington 98054, appearing on  
25 behalf of the Commission.

1 THE COURT: Is there anyone else in the room  
2 today who needs to enter an appearance?

3 Hearing no response, we'll go on to the  
4 questioning of the Staff's witness.

5 MR. OWENS: The Company's witness, your  
6 Honor.

7 THE COURT: Excuse me. I'm already  
8 confused.

9 MR. OWENS: Thank you, your Honor.

10 THE COURT: All right, Mr. Owens, let me  
11 swear in Mr. McDougall.

12 MR. OWENS: Paytel calls Ronald I. McDougall  
13 to the stand.

14  
15 RONALD I. McDOUGALL,  
16 witness herein, being first duly  
17 sworn, was examined and testified  
18 as follows:

19  
20 D I R E C T E X A M I N A T I O N

21 BY MR. OWENS:

22 Q. Please state your name and address for the  
23 record.

24 A. My name is Ronald McDougall. My address is  
25 3215 South 116th, Seattle 98168.

1 Q. Are you the same Ronald McDougall who has  
2 caused to be prefiled in this matter documents marked  
3 Exhibit T-1, Exhibit 2, and Exhibit 3 purporting to be  
4 respectively your prefiled testimony and exhibits  
5 identified in that testimony?

6 A. Yes, I am.

7 Q. And do you have any additions or corrections  
8 to these documents?

9 A. No.

10 Q. Are the documents true and correct to the  
11 best of your knowledge?

12 A. Yes, they are.

13 Q. Were they prepared by you or under your  
14 direction and supervision?

15 A. Yes, they were.

16 Q. If I were to ask you the questions that are  
17 written in Exhibit T-1, would your answers be as set  
18 forth therein?

19 A. Yes, they would.

20 MR. OWENS: Thank you, Mr. McDougall. I  
21 have no further questions. I offer Exhibits T-1,  
22 Exhibit 2, and Exhibit 3. Mr. McDougall is available  
23 for cross-examination.

24 (Exhibits T-1, 2 and 3 marked)

25 THE COURT: Thank you. Miss Brown, do you

1 have any objection to including in the hearing record  
2 Exhibits T-1, 2, and 3?

3 MS. BROWN: Yes, your Honor. I would like  
4 to move to strike a portion of Mr. McDougall's  
5 testimony, specifically on Page 17, Lines 7 through 15.  
6 There Mr. McDougall was asked whether or not he had  
7 performed any studies to determine whether there was a  
8 trend in the relationship of dial-around calls to calls  
9 that are handled on a presubscribed basis.

10 He indicated that, yes, he had. There is a  
11 statement at Lines 13 through 15 to the effect that  
12 Paytel has done informal studies of dial-around traffic  
13 which indicated this dial-around traffic doubled in the  
14 last twelve months.

15 Staff asked for these informal studies in  
16 Data Request No. 8 and Paytel's response to Staff's  
17 request reads as follows: "Paytel's studies were  
18 informal and any documents that were done in connection  
19 with such studies made prior to the receipt of the  
20 Staff's data request were not retained by Paytel."

21 For that reason the Staff moves to strike  
22 that portion of Mr. McDougall's testimony.

23 MR. OWENS: I have no heard no legal basis  
24 to exclude the testimony. The testimony is relevant.  
25 The fact that any documents weren't retained because

1 there was no particular reason to maintain them doesn't  
2 affect the admissibility of the evidence. The witness  
3 can be cross-examined about his knowledge of the  
4 studies.

5 I have heard no basis to object simply  
6 because documents were not retained because there was  
7 no obligation to retain them.

8 MS. BROWN: Your Honor, the witness's  
9 response is nothing more than a conclusory statement.  
10 It lacks reliability because the Staff is unable to  
11 obtain these copies of these supposed informal studies.  
12 And it's therefore insufficient basis upon which to  
13 rely and should be stricken.

14 MR. OWENS: These arguments go to the  
15 weight, not to the admissibility of the evidence.

16 THE COURT: I agree I do think those go to  
17 the weight of the evidence on Page 17 as Miss Brown had  
18 indicated. The particular lines. And I think that the  
19 counsel for the Staff will be able to cross-examine Mr.  
20 McDougall regarding his knowledge about these. And I'm  
21 going to overrule the objection.

22 MR. OWENS: Thank you, your Honor.

23 (Exhibits T-1, 2 and 3 received)

24 MS. BROWN: That doesn't even satisfy the  
25 Frye standard.

1                   May I cross-examine him?

2                   THE COURT: Yes, please.

3

4                   C R O S S   E X A M I N A T I O N

5 BY MS. BROWN:

6           Q.     Good morning, Mr. McDougall.

7           A.     Good morning.

8           Q.     You testified you have been in the private  
9 pay phone industry for six years; is that correct?

10          A.     Yes, that's right.

11          Q.     How long have you held your position as  
12 president of Paytel?

13          A.     Since the inception of Paytel, Incorporated,  
14 which was six years ago, I believe, 1986, seven years  
15 ago.

16          Q.     Who owns Paytel?

17          A.     Paytel is owned by four individuals. It's a  
18 corporation, each individual owning 25 percent. I own  
19 25 percent. Ray Orme, O-r-m-e, John Savery,  
20 S-a-v-e-r-y, and Todd Ingram, I-n-g-r-a-m, each own 25  
21 percent.

22          Q.     What is American Hospitality?

23          A.     International Hospitality was a hotel  
24 operation that was a wholly owned subsidiary of Paytel  
25 Northwest. Same owners owned American Hospitality for

1 the purpose of placing phones in hotels.

2 Q. And the four owners of Paytel, one of which  
3 is you, own eighty percent of the stock of American?

4 A. Eighty percent. There is another individual  
5 who owns twenty percent also.

6 Q. And who would that be?

7 A. The other person is Gary Morrison.

8 Q. And of the owners that you have just  
9 identified, how is the stock ownership divided?

10 A. Twenty percent each.

11 Q. What is U.S. Link?

12 A. U.S. Link was a joint venture that we  
13 started I believe three years ago or four years ago,  
14 which is not operational now.

15 Q. When you say "we," to whom are you  
16 referring?

17 A. I'm referring to the owners of Paytel did a  
18 joint venture with a Chicago corporation, which has  
19 never -- it's not active now.

20 Q. So, U.S. Link no longer exists?

21 A. U.S. Link, I believe, is in the transition  
22 period of termination. It's not active.

23 Q. In your testimony at Page 22 you state that  
24 the owners of Paytel have a minority interest in U.S.  
25 Link.

1                   What do you mean by minority interest?

2           A.     I believe Paytel owned forty percent. I  
3 believe we owned forty percent of U.S. Link. There  
4 were originally ten owners. I believe there were four  
5 owners -- I really don't know how it is. All I know is  
6 that we had a minority interest in U.S. Link, and it  
7 was, I believe, forty percent.

8           Q.     Do you as an individual have any affiliation  
9 or relationship with any other telecommunications  
10 company?

11          A.     No, I do not.

12          Q.     You're also the president of the Northwest  
13 Pay Phone Association. How long have you held that  
14 position?

15          A.     I have had -- I have been president for a  
16 year now, and I was president for two years on a  
17 previous occasion.

18          Q.     In your testimony on Page 2, you state that  
19 Paytel owns and operates pay phones providing resold  
20 local and long distance service and alternative  
21 operator services to the transient public.

22                   Who do you buy long distance from?

23          A.     We buy long distance from MCI, AT and U. S.  
24 West, ETI, Ellensburg Telephone, United -- basically  
25 all the major carriers where we operate.

1 Q. In which states does Paytel operate?

2 A. Paytel operates in Washington, Oregon, and  
3 Idaho, and we have some ownership of phones in  
4 California.

5 Q. How many telephones does Paytel operate?

6 A. In all three states? All four states?

7 Q. Yes.

8 A. Approximately 1800 now.

9 Q. And of the 1800, how many does Paytel  
10 operate in Washington state?

11 A. I would assume 1500.

12 Q. How many employees are employed by Paytel?

13 A. Approximately 42.

14 Q. Where are those employees based?

15 A. Pardon me?

16 Q. Where are the employees based?

17 A. All around the State of Washington. Most of  
18 them are located in Seattle. But we have satellite  
19 locations throughout Washington, Oregon, Boise.

20 Q. When you say most are located in Seattle --

21 A. Most are located in Seattle, yes.

22 Q. -- about how many of the 42?

23 A. Probably thirty.

24 Q. On Page 2 of your testimony, you indicate  
25 that you operate 350 Protel pay phones and 1350

1 Intellicall pay phones. Could you briefly describe how  
2 those two types of phones differ from one another.

3 A. A Protel phone is a line powered phone  
4 similar to what the local telephone companies use.  
5 They don't have to be offset with electrical power or  
6 transformer. Intellicall phones, they are not line  
7 powered. They have to have electricity to them. They  
8 have several options -- I guess basically that's the  
9 only basic difference.

10 Q. And of the Protel phones your current  
11 provider is U.S. Long Distance?

12 A. Correct.

13 Q. Currently is U.S. Long Distance the only  
14 carrier pre-subscribed to your Protel pay phones?

15 A. Yes.

16 Q. What rate level in U.S. Long Distance's  
17 tariff are you using?

18 A. I'm not certain.

19 Q. You don't know?

20 A. I didn't know that there was an option. We  
21 negotiated a level -- I'm not certain if they have  
22 different levels. All I know is that we have our  
23 phones placed on them.

24 Q. Have you selected a particular location  
25 surcharge?

1 A. One dollar.

2 Q. From U.S. Long Distance?

3 A. Yes.

4 Q. What exactly is a location surcharge?

5 A. Location surcharge is a charge that is  
6 basically we choose or the -- we have the option to  
7 place on a telephone call.

8 Q. Does U.S. Long Distance pay you commissions?

9 A. Yes, they do.

10 Q. And do they pay you more in commissions than  
11 AT&T or U. S. West would pay you?

12 A. Yes, they do.

13 Q. Where do you locate your pay phones in  
14 Washington state?

15 A. In profitable locations, preferably.

16 Q. Could you please define "profitable."

17 A. A place that has a sufficient volume to  
18 warrant profit from the pay station.

19 Q. Where are your pay phones located in  
20 Washington?

21 A. Gas stations, grocery stores, motels,  
22 camping grounds, ski resorts -- basically wherever the  
23 public travels.

24 Q. And you have contracts with the City and the  
25 State?

1 A. Yes, we do.

2 Q. What sorts of contracts do you have with the  
3 State or City?

4 A. With the City?

5 Q. With the State and the City.

6 A. We have contracts with the Washington State  
7 Ferry System, -- I have to think --

8 Q. Can you think of any City contracts?

9 A. With State universities, Central Washington  
10 University. City contracts we have a number of cities  
11 that we have contracts with.

12 Q. Could you please describe your involvement  
13 in the preparation of Exhibits 2 and 3 to your  
14 testimony.

15 A. Would you repeat that, please, Sally?

16 Q. Could you please describe your involvement  
17 in the preparation of Exhibits 2 and 3 to your  
18 testimony?

19 A. I don't have a copy.

20 THE WITNESS: Doug, do you have a copy?

21 My involvement, basically I asked the  
22 computer personnel to prepare this for this hearing.

23 BY MS. BROWN:

24 Q. In Exhibit 2, the current call account  
25 summary report dated 11/18/92, the accounts listed

1 include pay phones in Washington, Oregon, and Idaho.  
2 Why were you unable to separate the Washington phones  
3 from those in other states?

4 A. In the first place, there are so few Protel  
5 phones in other states. I believe there were just --  
6 at this particular time, the majority of the Protel  
7 phones -- and that's what -- is this the particular one  
8 that you're referring to?

9 Q. Yes.

10 A. At this particular time, most of the Protel  
11 phones were in the State of Washington.

12 Q. So, the reason --

13 A. I would say percentagewise probably 90/95  
14 percent of all these figures were Washington based.

15 MR. OWENS: May the record show that when  
16 the witness said "this," he was holding up Exhibit 2.

17 THE COURT: All right.

18 BY MS. BROWN:

19 Q. So, is it you are unable to separate the  
20 Washington phones from those in other states? Or just  
21 simply because the majority of the Protel pay phones  
22 are located in Washington you did not endeavor to  
23 separate those phones from --

24 A. I believe that the answer is that I have  
25 just asked the computer personnel to bring this

1 information so that we had it available to get an  
2 overall idea of what was going on. And while we may  
3 well have just done the State of Washington, it's such  
4 a small percentage that I didn't think it was important  
5 at the time.

6 Q. At Page 13, Lines 19 through 20 of your  
7 testimony, you define Reroute 2. You indicate that  
8 Reroute 2 was originally calls presubscribed to Fone  
9 America as was more recently your 211 repair number.

10 Did the switch to America happen sometime  
11 during the February 11, 1991, to November 18, 1992,  
12 study period?

13 A. I believe that the -- we took all of our  
14 phones off of Fone America on or about April of 1992.  
15 But the majority of the Protel phones are the phones  
16 that we installed early in 1992.

17 Up to that point we didn't install any  
18 Protels. And now we're installing a hundred percent.  
19 So, the majority of the phones that we have placed or  
20 of these phones on this particular account were phones  
21 that were installed basically through this summer and  
22 maybe a few in the spring. But almost all the phones  
23 we put in now are Protel.

24 So, this report is actually a very concise  
25 report of the traffic that's indicated during this time

1 period.

2 Q. You have no records that separate the calls  
3 on this reroute that went to America to the repair  
4 calls; is that right?

5 A. We haven't separated that at all. 211  
6 either went to Fone America for a short period of time,  
7 and then after that we do our own repair calls. So,  
8 they come to our office.

9 Q. On Page 16, Lines 11 through 13 of your  
10 testimony, you state that for this type of study the  
11 Intellicall pay phones do not give us data on 800 or  
12 950-0XXX dial-around calling.

13 Why is that?

14 A. I'm not certain. All I know is that the  
15 Protel -- these records are immediately available. You  
16 can bring them up at any time. And Intellicall you  
17 have to go back through, you have to clear everything,  
18 and then you start off at a new number, and you go  
19 forward from there.

20 I think that 800 and 950, we might be able  
21 to get. I'm not certain. All I know is that I don't  
22 have that information available to me unless we  
23 actually go in and request it in the beginning and set  
24 it up for it.

25 But we didn't do it in this instance, and

1 I'm not technical. So, I can't really tell you. I'm  
2 sorry.

3 Q. Is it your belief that Paytel offers  
4 services that are of greater benefit to consumers than  
5 the services offered by U. S. West and AT&T?

6 A. It's my belief, yes.

7 Q. What do you think those services are?

8 A. I think that the one thing that we do is we  
9 do offer better service. The phones work better. I  
10 believe they are more reliable. They are certainly  
11 cleaner.

12 Q. Do you believe that when a consumer uses  
13 Paytel pay phones and consequently U.S. Long Distance  
14 and operator assisted provider that the consumer is  
15 making a well informed choice among alternatives?

16 A. I believe they are.

17 Q. You have a tariff on file with this  
18 Commission?

19 A. Yes.

20 Q. That tariff contains several options among  
21 which --

22 A. Right.

23 Q. Could you please describe the different rate  
24 options Paytel offers in terms of how many there are  
25 and how those rates compare with those charges by AT&T

1 and U. S. West?

2 A. We have three options. The first option is  
3 I believe our Silver option. Those rates I believe are  
4 AT&T constant. They match AT&T or close to, I believe,  
5 because our tariff has been on file, and AT&T has made  
6 a few changes on theirs. Whether or not it follows  
7 exactly, I'm not certain. But it was intended to do so  
8 in the beginning.

9 The second option is our Gold plan, which is  
10 I believe AT&T plus a dollar surcharge.

11 And then our third plan, which is a Platinum  
12 Plus, which is AT&T plus twenty percent plus \$1.20  
13 surcharge.

14 Q. You just testified that your Silver plan  
15 charges rates equal to AT&T. Do you mean both the  
16 Silver as well as the Silver Plus?

17 A. I believe that's it. The Silver Plus is --  
18 I'm sorry. What was your question, Sally?

19 Q. You just testified about Gold, Silver, and  
20 Platinum. I was under the impression that you offered  
21 also Gold, Gold Plus, Silver, Silver Plus, Platinum,  
22 Platinum Plus. Am I wrong?

23 A. I'm not certain. All I know is we have  
24 those three different options.

25 Q. Paytel doesn't currently use IPI as its AOS

1 provider?

2 A. That's correct.

3 Q. Have you ever used them?

4 A. Yes.

5 Q. How long ago did you use IPI?

6 A. We used them in the last or since IP's  
7 inception, we have probably used them two or three  
8 times on different occasions. Like any other  
9 competitive business, we used basically every AOS  
10 company that operates within the State or at least have  
11 salesmen here that call upon us.

12 And we have transferred our phones from  
13 different company to different company from time to  
14 time, depending on whatever marketing strategy we had  
15 or however their services were performed.

16 Q. Could you be more specific about the three  
17 different occasions you used IPI; when they were and  
18 circumstances under which you selected them for AOS?

19 A. We basically started out in this business in  
20 1986. In '86 for the first year and a half or two  
21 years, this business was coin only. We gave the long  
22 distance service to U. S. West, and they paid us no  
23 commission or to AT&T.

24 And then the first company that operated in  
25 this state was Pay Line. And Pay Line is an OSP.

1 Maybe IPI, also. Pay Line was the first company that  
2 came to us and asked for our business and offered an  
3 opportunity to make commission. We were with Pay Line  
4 off and on for a year and a half.

5 From that point forward other vendors would  
6 come in or other OSPs and we would go through trial  
7 with their company. Basically what we tried to find  
8 was which company offered us the best service, and  
9 that's pure and simple. What we were looking for is  
10 the best service to the consumer: those that use  
11 operators and give us the shortest period of time  
12 between the time the person dialed and when the access  
13 actually went through.

14 Q. On those separate occasions when you used  
15 IPI as your AOS, how long did you use IPI as the AOS at  
16 those locations?

17 A. We used them periodically for two or three  
18 months or we would put test phones on them. At one  
19 interval we put phones in eastern Washington on them.  
20 We just have done trial basis with most of the OSPs in  
21 the state and IP happens to be one of those that we  
22 have done trial bases with.

23 Q. Why is IPI not your AOS provider today?

24 A. I suppose the same reason that I use Texaco  
25 gas or Chevron gas or anything else. It's just a

1 competitive business. And in particular I think a lot  
2 has to do with the -- what our particular needs are and  
3 what our requirements are for data processing and  
4 commission structure.

5 A lot of it has to do with financial  
6 structure and strength of the company. We take all  
7 these things into consideration.

8 We have just gone out for an RFP to the  
9 eight major OSPs that operate in this state, and we'll  
10 be making a decision which company we use within the  
11 next several weeks.

12 It's a highly competitive business, and it's  
13 just the majority of it has to do with the service that  
14 those companies offer us.

15 Q. What is it that IPI does not offer you?

16 A. Well, it's just a matter of choice, pure and  
17 simple. I have nothing against IP. I just have chosen  
18 that I like U.S. Long Distance over the past six or  
19 eight months since we have gone off Fone America.

20 And to say what's the reason I don't use IP,  
21 I really can't give you that reason because it was a  
22 matter of choice six months ago. And I'm pleased with  
23 the service I'm getting from U.S. Long Distance.

24 For the reason I'm not using IP, I can't  
25 give you a reason.

1 Q. There must be some basis for the choice that  
2 you made six months ago.

3 A. There is no base --

4 MR. OWENS: I'm going to object to the  
5 question as argumentative.

6 THE COURT: Just a moment, Mr. McDougall.  
7 Thank you. Do you want to repeat your whole question?  
8 Sometimes I think I'm hearing people talk at once. If  
9 you can repeat your question, and then Mr. Owens it  
10 appears may have an objection to that.

11 Will you repeat it, please?

12 MS. BROWN: I will just ask another  
13 question.

14 THE COURT: All right. Thank you.

15 BY MS. BROWN:

16 Q. So, it's your testimony, Mr. McDougall, that  
17 there is no particular reason why you're not using IPI  
18 today?

19 A. I think it's just a matter of -- it's my  
20 choice as an operator to use them. It's the same as if  
21 I were using a gas station, whether I use Texaco or I  
22 use Chevron.

23 Q. Besides Pay Line, what other AOS providers  
24 have you used?

25 A. I have used ITI. We have used Fiber Line.

1 We have used AT&T. We have used MCI. We have used  
2 Telecom U.S.A. We have used NTA. We have --

3 Q. Does Paytel have a written agreement or  
4 contract with U.S. Long Distance?

5 A. No.

6 Q. With any other AOS provider?

7 A. No -- yes, excuse me. AT&T and MCI.

8 Q. How do you provide rate quotes?

9 A. How do we provide rate quotes?

10 Q. Yes.

11 A. You dial zero and the operator will give you  
12 the quote.

13 Q. How do U.S. Long Distance's rates compare  
14 with those of AT&T and U. S. West?

15 A. They would be higher.

16 Q. At Page 20, Lines 12 through 13 of your  
17 testimony, you describe a rate option of your phones as  
18 \$1 for three minutes anywhere in the United States. Is  
19 that right?

20 A. Correct.

21 Q. Is that rate listed in your tariff on file  
22 with the Commission?

23 A. No, it is not.

24 Q. Isn't it true that even in a non-equal  
25 access area one is able to dial a 1-800 number?

1 A. I'm sorry?

2 Q. Isn't it true that in a non-equal access  
3 area, one is able to dial a 1-800 number?

4 A. Correct.

5 Q. Is that also true of a 950 access number?

6 A. Correct.

7 Q. On Page 8 of your testimony, Lines 14  
8 through 17, you indicated that master programming  
9 contains no instructions that would result in access to  
10 any provider of operator services being blocked by any  
11 Paytel telephone.

12 A. We don't block any pay phones at all.

13 Q. If your programming contains no instructions  
14 that would result in blocked access, what could occur  
15 that would lead to a phone being blocked?

16 A. If our phones --

17 I'm sorry. Would you repeat?

18 Q. If your programming contains no instructions  
19 that would result in blocked access, what could occur  
20 that will lead to a phone being blocked?

21 A. I'm not aware of anything. We do not block  
22 any 950 or 800 on any of our phones or 10 triple X.  
23 You have total access to any carrier of choice. We do  
24 block 976.

25 Q. Do you recall this past August when Staff

1 advised Paytel of six non-compliant telephones in the  
2 Olympia/Tumwater area?

3 A. I'm not certain that -- if that was the  
4 exact -- I don't have that information in front of me.  
5 I know that I have talked to Suzanne before, Stillwell,  
6 and in or about August there was a conversation in that  
7 manner.

8 Q. So, you recall the conversations you have  
9 had with Staff about blocked access?

10 A. I believe if this is what you're referring  
11 to, I believe there was a question whether or not there  
12 was a blockage on Sprint.

13 Is that not correct? May I ask Miss  
14 Stillwell?

15 Q. No.

16 A. I believe there was a question about whether  
17 or not we blocked -- we had blocked 10222 or 10333.  
18 But -- I don't recall. I'm sorry.

19 Q. Would you agree that in that situation where  
20 a customer's preferred carrier access is blocked that  
21 this would limit the consumer's choices?

22 A. Absolutely.

23 Q. And that, in fact, in those situations the  
24 consumer would be captive to that particular pay phone?

25 A. Well, I think in this particular case you

1 are referring to a blockage of a Sprint 10222 or 10333.  
2 On the back of the Sprint card there is instructions  
3 for access. And it clearly instructs either a 950 or a  
4 1-800 number for access.

5 Q. I believe that you were here in the hearing  
6 room on Monday when there was a fair amount of  
7 discussion about collect calls. What is your opinion  
8 about the individual who receives a collect call and  
9 whether or not that recipient is captive to the  
10 operator service provider?

11 A. I think that when a collect call is made and  
12 you accept it, in the first place, it's branded. It  
13 tells you where the call is coming from. And in the  
14 second place, as the other people who gave testimony  
15 said, you have either the option to accept it or deny  
16 it.

17 Q. And you agree with that?

18 A. I agree with that, yes.

19 Q. How long does it take to get a bill from  
20 Paytel Northwest?

21 A. I'm not certain of the exact time. Whatever  
22 the billing cycle is. We pull all of our phones every  
23 day now or at least five days a week. We submit them  
24 to ZPDI, who does the billing for us on a bi-weekly  
25 basis. And those bills are processed by ZPDI in a

1 timely fashion as fast as we could get it there because  
2 it's important for us to receive the funds ourselves.

3 Q. Could you give me an estimate as to the  
4 time? Would it be 30 days? 60 days? 45 days?

5 A. Probably thirty days. As fast as we get the  
6 billing to ZPDI, then they submit that billing off to  
7 the specific billing companies, and we get paid from  
8 Bell Atlantic in a staggered basis.

9 I'm not certain of how those billing  
10 arrangements work. But it's in a timely manner, as  
11 fast as any of the other local exchange carriers, I'm  
12 certain.

13 Q. In your testimony at Page 3, Lines 19  
14 through 20, you indicate that the customer is billed  
15 according to tariff rates. Has Paytel ever billed  
16 non-tariff rates?

17 A. Periodically we have had a complaint from  
18 the Commission, which we have examined to find out that  
19 particular reason why. But it's not a common  
20 occurrence. But we have those as I'm certain that a  
21 lot of the different OSPs have.

22 Q. Do you recall last month that, while  
23 investigating a consumer complaint, the Staff  
24 identified that a consumer was charged incorrectly?  
25 Specifically that consumer was billed \$2.48 for a local

1 operator assisted call; that Paytel included a \$1  
2 location surcharge, which is not under tariff for local  
3 operator assisted calls?

4 A. I don't know if I recall that particular  
5 complaint exactly. I really -- I oversee them, but I'm  
6 not certain about that particular one.

7 Q. Do you think that this would have been an  
8 isolated case? Or could that type of programming error  
9 affect more than one phone?

10 MR. OWENS: I'm going to object. It assumes  
11 facts not in evidence. The witness has stated he is  
12 not familiar with the particulars of this incident.  
13 And the question asks him to assume a fact that there  
14 was such an error.

15 THE WITNESS: When a complaint --

16 THE COURT: Excuse me just a moment, Mr.  
17 McDougall.

18 Any response?

19 MS. BROWN: He is the only representative of  
20 Paytel Northwest. He should be able to respond to the  
21 question.

22 THE COURT: Why don't you phrase it more  
23 hypothetically, and then I think Mr. Owens' concern may  
24 be satisfied.

25 BY MS. BROWN:

1 Q. In your experience, have these types of  
2 programming errors affected more than one of your  
3 Paytel pay telephones?

4 A. Yes.

5 Q. Describe how an error in rating may occur.

6 A. We receive information on billing from all  
7 the different LECs in order to come up and match them  
8 with our tariff rates. Like any other industry, new  
9 industry, these are all new things that we try our very  
10 best to have everything exactly according to tariff all  
11 the way through. It's our understanding that they are  
12 correct. And periodically someone might get a  
13 complaint that they are either too high or too low.

14 On various occasions or some of the  
15 complaints that we have had our tariff has actually  
16 been under. We're doing a total revision on our  
17 computer programming right now, and we're going back  
18 through all of our billing and making certain that  
19 everything is exact with tariff.

20 Q. Does this apply also to location surcharges?

21 A. Everything -- we're doing a revision right  
22 now to see where we are. But I don't understand  
23 location surcharge. They are part of our tariff.

24 Q. On local calls?

25 A. On local calls, we don't have a location

1 surcharge. We have just a flat rate.

2 Q. Has Paytel ever lowered its prices?

3 A. Lowered its prices? No.

4 Q. To your knowledge did the Northwest Pay  
5 Phone Association ever write to other operator services  
6 providers asking them that those providers increase  
7 their rates?

8 A. No.

9 You mean did the Pay Phone Association write  
10 to providers and ask them to increase their rates?

11 Q. Yes.

12 A. No.

13 Q. When did you use Pay Line as your operator  
14 service provider?

15 A. 1987 and part of '88, I believe.

16 Q. You mentioned that you have sent a request  
17 for proposal to eight major operator services  
18 providers. Could you please identify those providers?

19 A. U.S. Long Distance, Teletrust, One-to-One  
20 Service, International Pacific, Comm Systems, ` Pay  
21 Line, Fone America --

22 How many is that? Is that seven?

23 I don't remember the other one.

24 MS. BROWN: Your Honor, I would like to make  
25 a records requisition for the RFP, please.

1 THE COURT: Do you understand what she is  
2 requesting, Mr. McDougall?

3 Do you want to explain, Miss Brown, what  
4 you're requesting?

5 MS. BROWN: The request for proposal that  
6 you sent to these AOS companies.

7 THE WITNESS: I'm sorry?

8 BY MS. BROWN:

9 Q. I'm requesting that you provide Staff with a  
10 copy of your request for proposal.

11 A. Okay.

12 THE COURT: We'll make this Records  
13 Requisition No. 1.

14 (Records Requisition No. 1)

15 BY MS. BROWN:

16 Q. You used Fone America at some time in the  
17 past. Do you recall why you ceased using Fone America  
18 as your provider at that time?

19 A. Basically service. The ability to provide  
20 us with information that we needed in order to audit  
21 our phones and database the information that they were  
22 able to give us on each phone, up to date records,  
23 daily trouble tickets, a number of reasons. And quite  
24 frankly they were a very fine service.

25 The only reason that we left them at the

1 time was because of their financial instability. That  
2 seems to be the major underlying reason for any of the  
3 larger vendors to use different OSPs: their ability  
4 to pay us and their financial strength.

5 MS. BROWN: We have nothing further.

6 THE COURT: All right. Let's take a little  
7 break and come back at 25 after 10:00.

8 MS. BROWN: Thank you.

9 (Recess.)

10 THE COURT: Let's be back on the record  
11 after a morning break. And I have a couple or a few  
12 questions, Mr. McDougall.

13 First of all, if you'll turn to Page 11 of  
14 your testimony. Line 11 in the copies of your  
15 testimony that I have, there is a blank apparently  
16 where the number of weeks were not included.

17 Do you see where --

18 THE WITNESS: Yes. I think that this  
19 started on August 18, I believe, and this would have  
20 been -- and actually -- maybe it was September 18. I  
21 can't remember the exact date that it started on. But  
22 we cleared all the call counters with the exception of  
23 the seconds.

24 Your question is over how many weeks?

25 THE COURT: Right. Do you see on Line 11

1 where there seems to be a blank between A and week?

2 THE WITNESS: I believe that was a  
3 twelve-week period.

4 THE COURT: Thank you. I just wanted to be  
5 sure that I asked you about that.

6 Now, I have a couple other questions: Can  
7 you explain a little more about why you're not using  
8 International Pacific any longer?

9 THE WITNESS: It really is a matter of  
10 choice. It's really the -- it's nothing other than a  
11 personal preference of our company in what we're using.  
12 We use ZPDI for our billing arrangement. U.S. Long  
13 Distance owns ZPDI, who is a major billing company for  
14 a lot of the carriers throughout the United States.

15 Financially we're a larger company than most  
16 of the vendors. We're the largest company in the  
17 northwest. And ZPDI and U.S. Long Distance are public  
18 companies that are traded over NASDAQ, and they have  
19 been a very successful company, and we have just  
20 decided that financially with our responsibility and  
21 everything, it's better that we be with a larger  
22 company at this time.

23 THE COURT: Thank you. Now, I believe that  
24 you were here on Monday. And I'm not sure whether Mr.  
25 Schrader or Mr. Soumas testified regarding the fraud

1 that can occur regarding consumers.

2 Were you here during that time?

3 THE WITNESS: I was here all the time.

4 THE COURT: Does that sound familiar?

5 THE WITNESS: What was the question?

6 THE COURT: I don't recall the question.

7 But I recall some comments by either Mr. Schrader or  
8 Mr. Soumas about their experiences with fraud. And I'm  
9 not sure whether that means customers billing to a  
10 number which isn't theirs or something.

11 THE WITNESS: I'm very familiar with fraud,  
12 Judge.

13 THE COURT: Would you like to explain what  
14 you think that might have been or how you may  
15 experience consumer fraud.

16 THE WITNESS: Well, we have experienced  
17 about everything that you can imagine with a telephone  
18 that's out there for the public. Basically consumers  
19 can bypass our instrument and hook up to the line and  
20 steal dial tone, which it happens on a number of  
21 occasions.

22 But the instrument basically prevents every  
23 conceivable type of fraud that we have anticipated.  
24 However, sometimes by the different people accessing  
25 AT&T through dialing 102880, they get an AT&T operator.

1 And once that leaves our instrument and it's in the  
2 hands of AT&T, then we're subject to AT and T's  
3 continuing that call on with security for us, meaning  
4 that they have call screening which we pay for.

5 But sometimes it gets into the AT&T network,  
6 and it's passed off from one operator to another to  
7 another operator, and eventually we get a call to  
8 Poland or we'll get a call to Siberia or someplace that  
9 it's beyond our control. And it just happens.

10 One of the major problems we have right now  
11 is on a number of the entertainment lines where the 976  
12 or the 800 numbers were. They bypass through the  
13 network somehow or other, and they access an 800 number  
14 that gives them a dial tone and they redirect the dial  
15 off to a 976 number and we get bills sometimes  
16 \$5,000/\$6,000.

17 At one McDonald's I had a bill for \$5500 two  
18 months in a row. That particular line was  
19 pre-subscribed to MCI.

20 MCI, we have international blocking, and we  
21 have every type of blocking that you could conceive on  
22 it. But they dialed a number for a horoscope, which is  
23 a 976 number, and the machine will not allow you to  
24 dial a 976 number. You cannot even go to the point of  
25 embarkation where U. S. West leaves it on the wall for

1 us. You can't go to that number and dial this number.  
2 It's impossible to do it.

3 The records indicated that they were getting  
4 a back splash from AT&T and the calls were showing up  
5 on our bill.

6 We rejected the bill with U. S. West, and  
7 they pass it back to AT&T, and AT&T still has the right  
8 to come back to us in suit, and they have done this on  
9 a number of other occasions.

10 One vendor in New York City has got over a  
11 million dollars worth of fraud that he is in litigation  
12 with AT&T right now.

13 THE COURT: Other than what you have  
14 described, are there any other steps that you take to  
15 prevent that kind of fraud occurring?

16 THE WITNESS: Well, we work awful close with  
17 U. S. West and the different telephone companies for  
18 all types of fraud. Any time any of us get any inkling  
19 of fraud, we pass it back and forth to the other.

20 We have a situation in Seattle right now  
21 that you can dial a local number. It's a 282 prefix.  
22 Immediately it switches you into an 800 network and  
23 picks up the A and I and bills that call back to the  
24 telephone company at \$3.90 a minute.

25 We're having tremendous numbers of our bills

1 that are showing us up on there. Of course, we reject  
2 them. We just refuse to pay them because you can't  
3 dial that number on there.

4 But we're working with U. S. West now, and  
5 they have got their toll fraud people working on it.  
6 It's just constant. When you open it up to the network  
7 like we must, then once the problem comes about then we  
8 have to go back out and figure out how it happened.

9 We're always on the defensive on it.

10 THE COURT: Ms. Brown asked you some  
11 questions regarding the circumstances of a billing that  
12 Paytel had at a non-tariff rate. Can you tell me how  
13 that might happen?

14 THE WITNESS: If you're referring --

15 Are you referring to the three minutes for a  
16 dollar?

17 THE COURT: Yes. That was one of the  
18 references that she had.

19 THE WITNESS: Paytel is a registered  
20 telecommunications company which is somewhat unique. A  
21 lot of our competitors, U. S. West being one, plus all  
22 the different telephone vendors that are operating out  
23 there are competitors, pure and simple. And we have to  
24 be able to compete with our competitors. And when  
25 someone else, one of my major competitors, offers three

1 for a dollar if it becomes a trend in the industry to  
2 do that, then we're forced to follow that example or  
3 just that competitive route.

4 THE COURT: Of the rates that you charge --

5 THE WITNESS: Excuse me, too, just a minute.

6 THE COURT: Go ahead.

7 THE WITNESS: Yesterday or day before  
8 yesterday, one of the competitors mentioned that he was  
9 going to four minutes for a dollar now. So, I'm under  
10 the same problem now. I have to go back and do the  
11 same thing again.

12 This is one of the reasons that we want a  
13 competitive status so we can make these decisions in a  
14 timely fashion.

15 THE COURT: Are there other rates that you  
16 charge in your tariff other than this, for example,  
17 three minutes for a dollar?

18 THE WITNESS: Yes, they are. Correct.

19 THE COURT: Can you explain to me a little  
20 bit about what the benefits are of this competitive  
21 status? You mentioned just one. And can you explain  
22 if there are any other benefits to Paytel?

23 THE WITNESS: Paytel benefits? You mean if  
24 we had competitive status?

25 THE COURT: Right.

1           THE WITNESS: Well, we're required to do  
2 accounting practices that are in line with the requests  
3 from the PUC. And they don't really fit into our  
4 particular type of business.

5           This is a new industry. And we don't feel  
6 that the accounting principles that are requested of us  
7 make any sense.

8           The main thing is the competitive portion,  
9 though. We're a competitive company that competes with  
10 telephone companies, with local LECs, with AT&T, MCI,  
11 and Sprint, other pay phone vendors. And basically  
12 that's -- we need that flexibility as a competitive  
13 entity.

14          THE COURT: Can you describe a little bit  
15 about what you see as any detriments to Paytel if the  
16 competitive classification isn't granted.

17          THE WITNESS: Basically it takes the  
18 competitiveness away from us. We can't make changes  
19 quickly. We can't flow with the market as quickly. We  
20 have to rely upon the Commission and the PUC for  
21 whatever the time constraints are. A lot of times we  
22 have to act rather quickly.

23          THE COURT: One of the questions that Miss  
24 Brown asked you was regarding a programming error, I  
25 believe, is what she termed it, or perhaps you termed

1 it, which resulted in a charge of a little over a  
2 dollar for an Olympia call.

3 Do you recall that?

4 THE WITNESS: Yes, I do.

5 THE COURT: Can you tell me more about how  
6 that might have occurred.

7 THE WITNESS: It's like anything else. I  
8 think you'll find a glitch in almost everyone's system.  
9 I discussed with my attorney at break there that the  
10 possibility of it is -- could be that maybe a local  
11 exchange or a long distance call that was previously  
12 long distance became an extended area, came into --  
13 became a local call, and possibly our computers didn't  
14 pick it up in time.

15 I'm really not familiar with the particular  
16 call. But this is a new industry. And we're working  
17 hard to bring those things into total compliance. I  
18 believe we're there now.

19 THE COURT: Can you describe a little bit  
20 about what specific steps you're taking to avoid that  
21 kind of charge for a local call.

22 THE WITNESS: We have always audited the  
23 calls. And I review almost all of the data that comes  
24 out of those billing tapes on a weekly basis just as an  
25 overview. And we have always done that. And once in a

1 while you have a slip in there.

2 But right now we're doing what Intellicall,  
3 the company we buy the data from, buys it from the  
4 various LECs, and they supply that to us. And we do it  
5 on a quarterly basis. And we bring this data up to  
6 basis quarterly, and every time we print the billing  
7 out on a weekly basis or bi-weekly basis, we audit it.  
8 And we're going to find glitches in the system once in  
9 a while.

10 But I think that -- we're trying our best to  
11 make sure that we do operate a hundred percent within  
12 the tariff.

13 THE COURT: I was surprised a little bit, I  
14 think, to hear that your company and perhaps IPI in the  
15 portion of the hearing that I think we both attended on  
16 Monday, that there aren't any written agreements with  
17 AOS, for example.

18 Can you explain a little bit about why that  
19 occurs.

20 THE WITNESS: Well, the main reason is that  
21 we have to have the flexibility to remove all of our  
22 phones from their system in an instant. If for some  
23 reason financially we can see that they are in  
24 financial trouble or if they are not giving us the  
25 service or if their lines become busy, the main thing

1 is we have to have those phones working all the time.

2 And if for some reason or other we have to  
3 make that move, we don't want a thirty-day clause or we  
4 don't want to have to inform them thirty days ahead of  
5 time that we're going to have to remove those phones.

6 And, believe me, it's happened a lot of  
7 times where 10:00 at night we'll jump on the computers  
8 and take all the phones off of one system because of  
9 some failure on their part.

10 We just have to have that flexibility. I  
11 don't know of any of the major vendors that will sign  
12 any contract with an OSP.

13 THE COURT: I think those were all the  
14 questions I had of Mr. McDougall.

15 Mr. Owens, do you have anything further of  
16 your witness?

17 MR. OWENS: A few, your Honor. I would like  
18 to perhaps flesh out a question or two that the judge  
19 asked.

20

21 R E D I R E C T E X A M I N A T I O N

22 BY MR. OWENS:

23 Q. You used the term "call screening" in  
24 discussing with the Administrative Law Judge the issue  
25 of fraud.

1                   Now, is call screening something that you  
2 buy from the local exchange company?

3           A.     Yes, it is.

4           Q.     Is that a tariff service?

5           A.     Yes, it is.

6           Q.     And does that have the effect of somehow  
7 conveying to let's say AT&T a particular message?

8           MS. BROWN:  Objection.  Leading.

9           THE COURT:  Excuse me.  Pardon?

10          MR. OWENS:  He can answer the question yes  
11 or no.  I didn't ask him what the message was.

12          MS. BROWN:  It's suggestive of the answer.

13 BY MR. OWENS:

14          Q.     Please describe what screening is.

15          A.     Call screening is a feature that is -- it  
16 brings it up on the screen of the operator, and usually  
17 in the form of what they call a Screen 88.  It shows  
18 that that phone that they are calling from is a private  
19 pay phone or a non-billable number, whether it's a  
20 private pay phone or it might be a residence or  
21 business.

22                   But it will not accept any third-party  
23 billings to that number.  It will not accept any  
24 collect calls.  I believe those are the two features.

25          Q.     When you say it brings it up on the screen

1 to the operator, what operator is that?

2 A. That's an AT&T operator or it could well be,  
3 if you're in PTI area and you dial 0 and you get a PTI  
4 operator, you will be getting an actual U. S. West  
5 operator that does answering services for PTI, and it  
6 will be on her screen.

7 It will carry through no matter wherever she  
8 transfers that anyplace all over the United States.  
9 That Screen 88 will show up on the next operator's  
10 screen so that she knows it's a non-billable number,  
11 too, if she passes it off.

12 Q. Just so that I understand, it is still  
13 physically possible, notwithstanding what's on the  
14 operator's screen, for the operator, let's say, to  
15 disregard that instruction; is that right?

16 A. Correct.

17 Q. And so it's physically possible for that  
18 operator to complete a call and then arrange for it to  
19 be billed to your pay phone line?

20 A. I'm sure it could happen that way. One  
21 phenomenon that we found is that an operator will  
22 receive the call, and the person will speak in a  
23 foreign language, and they will pass it off if they  
24 think they have the correct -- and she may speak in  
25 French in the beginning. So, they will get a French

1 operator. And they will pass it over to the French  
2 operator. When the French operator gets on, then they  
3 will pass it to an Ethiopian operator. And she will  
4 start to speak whatever the Ethiopian language is.

5 The next thing you know somewhere in that  
6 transmission the Screen 88 will disappear, and that  
7 bill will show up on our bill.

8 Q. Now, you said also in reference to this  
9 fraud that I believe your words were AT&T still has the  
10 right to come back and sue Paytel for these charges.

11 Does Paytel dispute that claim of right by  
12 AT&T?

13 A. Yes, we do. They have not come back to us  
14 yet. And we have probably given them through the years  
15 \$40,000 or \$50,000 worth of fraud. But they have not  
16 come back and requested that.

17 Q. Now, Judge Clishe also asked you about your  
18 three minutes for a dollar rate. And you said that the  
19 telephone vendors were your competitors.

20 Are those vendors regulated by the  
21 Commission?

22 A. No, they are not.

23 Q. And Judge Clishe also asked you among the  
24 benefits that you saw from competitive classification,  
25 she asked you to list those. And you indicated

1 flexibility was one.

2           Could you be a little more specific in  
3 regard to what kind of flexibility you feel is  
4 important.

5           A.     Flexibility? I'm sorry.

6           Q.     You used the term. I'm just asking you in  
7 reference to the question of tariff-based regulation as  
8 opposed to price list based regulation, what kind of  
9 flexibility is it that you feel is beneficial?

10          A.     I think I understand what you mean.

11                 I would just like to have the flexibility or  
12 our company would that we could basically operate in  
13 the marketplace with whichever direction that the --  
14 that my competitors went so that I could compete on a  
15 level playing field with them.

16          Q.     Now, you were asked during cross-examination  
17 about being notified by the six non-complaint phones in  
18 Olympia and Tumwater sometime in August of this year.  
19 During the recess did you have occasion to talk to your  
20 office with that incident?

21          A.     I checked, but they couldn't remember  
22 exactly. The answer that they gave me was that in  
23 recall -- and I'm certain that this is what happened --  
24 there was a question of whether, when the person from  
25 the PUC Staff that tested our phone dialed a 0 and got

1 an operator from U.S. Long Distance, and they requested  
2 U.S. Long Distance to instruct them how to access  
3 Sprint, and they could not give that answer at U.S.  
4 Long Distance.

5           And then what basically happened is that we  
6 forced U.S. Long Distance to instruct people in the  
7 future to have it on their screen so that they could  
8 tell them how to access Sprint, which they didn't have  
9 before.

10           So, now, if you call on 0 and you ask to be  
11 transferred to Sprint, they won't do it automatically,  
12 but they will give you the number to dial. And  
13 apparently this was one of the problems that Miss  
14 Stillwell had when we went through -- at least that was  
15 our recollection.

16           Q.    Have you detected any instance in which your  
17 pay phones physically blocked the transmission of the  
18 access code for Sprint?

19           A.    We don't block any access code. We  
20 absolutely do not.

21           Q.    As far as you know, today U.S. Long Distance  
22 is capable and does when asked give that information?

23           A.    Correct.

24           Q.    If an error in rating of a call of the type  
25 described in cross-examination by Miss Brown is brought

1 to Paytel's attention, what action does Paytel take?

2 A. We just change it instantly on the computer.  
3 We go back through and find out if it's correct. And  
4 then we have basically five days to respond to the  
5 Commission Staff, which during that time we solve the  
6 problem.

7 And we basically go back through our entire  
8 database and see if that's a problem inherent within  
9 the system. And then we make those changes.

10 Q. Does Paytel make refunds to customers --

11 A. Yes, we do.

12 MR. OWENS: Thank you. Nothing further on  
13 redirect.

14 THE COURT: Thank you. Miss Brown, do you  
15 have any other questions of Mr. McDougall.

16

17 R E C R O S S E X A M I N A T I O N

18 BY MS. BROWN:

19 Q. Mr. McDougall, isn't it true that, with  
20 regard to screening, if an intrastate fraudulent call  
21 occurs on a phone with screening, the Commission's  
22 rules specify that the LEC is responsible for the  
23 charge?

24 So, the fraud problems that you spoke of  
25 occur in the interstate and international jurisdiction?

1           A.     Correct. We had a situation in United  
2 several years ago that all of the calls in the area --  
3 it was a unique situation where they had a number of  
4 paging units that were distributed, and then they  
5 pulled them all back in.

6                     But there were a few -- they still had two  
7 active paging systems, but they had a thousand numbers.  
8 And some of the people that had those previous paging  
9 systems, they would call that paging system. And after  
10 the page was done, it would give them back dial tone.

11                    Well, this word spread fast throughout the  
12 entire Yakima valley, and all of a sudden we had  
13 tremendous amount of fraudulent calls, both intraLATA  
14 and interLATA. And a lot of them went to Mexico. And  
15 it was a real problem.

16                    We had thousands and thousands of dollars  
17 worth of fraud. But we basically -- we had to do the  
18 research to find out how this was happening because it  
19 was showing up on our bills, and United said it was our  
20 fault. It was our instrument that was doing it.

21                    But in reality, the people had figured out  
22 how to beat the system. And although it was United's  
23 fault, we ate all of that intraLATA traffic, and we  
24 paid those bills. However, on the interLATA traffic,  
25 AT&T picked it up.

1           Once in a while it happens. But it's a rare  
2 occasion because U. S. West will eat those charges of  
3 fraudulent calls within the State.

4           Q.     On Monday Mr. Soumas, president of  
5 International Pacific, testified that one of the  
6 reasons he is seeking competitive status is so that he  
7 will have an ability or he has an interest in lowering  
8 his rates.

9                     Do you have that same interest?

10          A.     I think the marketplace will generate a  
11 change within the rates eventually. We're seeing a lot  
12 of movement within the industry to partnership within  
13 the major carriers.

14                     We're negotiating -- we were in New Jersey  
15 last month negotiating with AT&T. There is a lot of  
16 things within this industry that we're trying to bring  
17 together.

18                     I think that -- I would hope that you will  
19 see an overall change of responsibility throughout the  
20 industry as competition becomes more and more evident.

21                     Believe me, the site holder, the people that  
22 own the different locations and such, if there is a  
23 problem, they feel it, and they certainly let us know  
24 it.

25                     MS. BROWN: I have nothing further.

1 THE COURT: All right.

2 Mr. Owens, anything else with Mr. McDougall?

3 MR. OWENS: No, your Honor.

4 THE COURT: Thank you, Mr. McDougall, for  
5 your testimony. You may be excused.

6 I would like to find out if we're all in  
7 agreement regarding the omission on Page 11 of Mr.  
8 McDougall's testimony to insert there -- and I will do  
9 so with the record center -- the twelve that he  
10 mentioned.

11 The twelve-week period is what action should  
12 be included there?

13 MR. OWENS: That's fine, your Honor. That  
14 was an oversight on my part, and that's agreeable.

15 THE COURT: That's all right. But I would  
16 like to correct it in the record center for the  
17 official record.

18 Anything else today?

19 MS. BROWN: No, your Honor.

20 THE COURT: We'll be in recess until March  
21 10th.

22 MS. BROWN: Thank you.

23 (At 11:00 a.m. the above portion of the  
24 matter was concluded.)

25