

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
2 COMMISSION

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|---|--------------------------------|---|----------------------|
| 3 | WASHINGTON UTILITIES AND |) | |
| | TRANSPORTATION COMMISSION, |) | DOCKET NO. UT-950200 |
| 4 | |) | |
| | Complainant, |) | VOLUME 11 |
| 5 | |) | |
| | vs. |) | Pages 524 - 839 |
| 6 | |) | |
| | U S WEST COMMUNICATIONS, INC., |) | |
| 7 | |) | |
| | Respondent. |) | |
| 8 | ----- |) | |

9 A hearing in the above matter was held
10 at 8:10 a.m. on November 9, 1995, at 1300 South
11 Evergreen Park Drive Southwest, Olympia, Washington
12 before Chairman SHARON L. NELSON, Commissioners
13 RICHARD HEMSTAD, WILLIAM R. GILLIS, and Administrative
14 Law Judges ROBERT WALLIS and TERRENCE STAPLETON.

15
16 The parties were present as follows:

17 U S WEST COMMUNICATIONS, by EDWARD SHAW,
18 Attorney at Law, 1600 7th Avenue, 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, ROBERT MANIFOLD, DONALD
23 TROTTER, Assistant Attorneys General, 900 Fourth
24 Avenue, Suite 2000, Seattle, Washington 98164.

25 Cheryl A. Macdonald, CSR
Court Reporter

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APPEARANCES (Cont.)

ELECTRIC LIGHTWAVE, INC., by ELLEN DEUTSCH,
Vice-President and Chief Counsel, 8100 NE Parkway
Drive, Suite 150, Vancouver, Washington 98662.

AT&T, by SUSAN D. PROCTOR, Senior Attorney,
1875 Lawrence Street, Suite 1575, Denver, Colorado
80202.

TRACER, by STEPHEN J. KENNEDY, Attorney at
Law, Two Union Square, 601 Union Street, Suite 5450,
Seattle, Washington 98101.

DEPARTMENT OF INFORMATION SERVICES, by
ROSELYN MARCUS, Assistant Attorney General, P.O. Box
40100, Olympia, Washington 98504.

00526

I N D E X

| | WITNESSES: | D | C | RD | RC | VD | EXAM |
|----|------------|-----|-----|-----|-----|-----|------|
| 2 | OKAMOTO | 531 | 547 | 772 | 775 | 541 | 744 |
| 3 | | | 703 | | | | |
| 4 | WOLF | 572 | | | | | |
| | ROSE | 576 | | | | | |
| 5 | KYLE | 583 | | | | | |
| | PETERSEN | 585 | | | | | |
| 6 | HAWKINS | 590 | | | | | |
| | LIVINGSTON | 593 | | | | | |
| 7 | CALLOWAY | 596 | | | | | 598 |
| | BUSH | 600 | 604 | | | | 604 |
| 8 | MYERS | 605 | | | | | |
| | TOCHTERMAN | 610 | | | | | |
| 9 | COREBS | 613 | | | | | 617 |
| | PETERSON | 618 | 621 | | | | 622 |
| 10 | TYLER | 623 | | | | | 625 |
| | DIX | 626 | | | | | |
| 11 | GLENN | 634 | | | | | |
| | HUBBURT | 638 | | | | | |
| 12 | PELLY | 640 | | | | | |
| | HOLLIDORF | 644 | | | | | |
| 13 | WEIL | 648 | | | | | |
| | MILLER | 650 | | | | | |
| 14 | MATSON | 654 | | | | | |
| | OFFNER | 657 | | | | | |
| 15 | BOORMAN | 659 | | | | | |
| | SIMMONS | 663 | | | | | 666 |
| 16 | LEWIS | 668 | | | | | |
| | LEWIS | 673 | | | | | |
| 17 | MCKIM | 675 | | | | | |
| | TARDIFF | 682 | | | | | |
| 18 | ERICSON | 686 | | | | | 690 |
| | FARIS | 691 | | | | | |
| 19 | KELLER | 695 | | | | | |
| | CROES | 697 | | | | | |
| 20 | BROSCH | 779 | 781 | 788 | 789 | | |
| | BOOKEY | 791 | 797 | 820 | | 792 | 811 |
| 21 | PARKER | 822 | 825 | | | | |
| | LIS | 831 | 831 | 837 | | | |
| 22 | | | | | | | |
| 23 | | | | | | | |
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00527

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I N D E X (Cont.)

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| EXHIBITS: | MARKED | ADMITTED |
|---------------------------|--------|----------|
| 3 T-101 | 531 | 533 |
| T-126 | | 782 |
| 4 T-128 | | 826 |
| 134 | 532 | 547 |
| 5 135 | 720 | 728 |
| C-136 | 734 | 826 |
| 6 T-130, 131, 132, 133 | | 834 |

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

2 JUDGE WALLIS: Let's be on the record,
3 please. The hearing will please come to order. The
4 Washington Utilities and Transportation Commission has
5 set for hearing at this time and place upon due and
6 proper notice to all interested parties a hearing in
7 docket No. UT-950200 involving the U S WEST
8 Communications, Inc., proposal for increased rates.
9 This hearing is being held before the commissioners
10 and myself. My name is Bob Wallis. And it's being
11 held at Olympia, Washington on the 9th of November,
12 1995. Let's begin by taking appearances and begin
13 that with the company, please.

14 MR. SHAW: Ed Shaw for U S WEST
15 Communications Inc. Post Office Box 21225, Seattle,
16 98111.

17 MS. MARCUS: Roselyn Marcus, assistant
18 attorney general for the Department of Information
19 Services P.O. Box 40100, Olympia, 98504.

20 MR. KENNEDY: Steven J. Kennedy for
21 intervenor TRACER. Two Union Square, Suite 5450, 601
22 Union Street, Seattle, 98101.

23 MS. DEUTSCH: Ellen Deutsch for Electric
24 Lightwave, 8100 Northeast Parkway Drive, Vancouver,
25 Washington 98662.

00529

1 MS. PROCTOR: Susan Proctor for intervenor
2 AT&T, Suite 1575, 1875 Lawrence, L A W R E N C E
3 Street, Denver, Colorado, 80202.

4 MR. TROTTER: Donald T. Trotter, assistant
5 attorney general for the public counsel section of the
6 attorney general's office. My address is 900 Fourth
7 Avenue, Suite 2000, Seattle, Washington 98164.

8 MR. SMITH: Steven W. Smith, assistant
9 attorney general for the Commission staff. My address
10 is 1400 South Evergreen Park Drive Southwest, Olympia,
11 98504.

12 JUDGE WALLIS: Thank you all. This morning
13 we will be receiving or there will be exhibits that
14 are going to be offered that contain material in
15 addition to the material which is the subject of
16 today's hearing, and in pre-hearing discussions we've
17 determined that those documents will be received in
18 their entirety but it will be abundantly clear on the
19 record that any material which doesn't relate to
20 today's topic is subject to a motion to strike at a
21 later time in the event that it proves not relevant to
22 the proceeding, and it's also subject to
23 cross-examination in the event that further
24 proceedings are held.

25 It's also been determined that Mr. Okamoto

00530

1 on behalf of the company may present oral rebuttal
2 testimony regarding material that he did not have the
3 opportunity to rebut at the time that the testimony
4 was presented. Is there anything else of a
5 preliminary nature that we need to discuss? Let the
6 record show that there is no response, and I believe
7 that we're ready to begin, to begin with the company
8 and Mr. Okamoto.

9 MR. SHAW: Thank you. Company calls Mr.
10 Okamoto.

11 Whereupon,

12 DENNIS OKAMOTO,
13 having been first duly sworn, was called as a witness
14 herein and was examined and testified as follows:

15 JUDGE WALLIS: I'm marking as Exhibit 101-T
16 a document consisting of the rebuttal testimony of
17 Dennis Okamoto.

18 (Marked Exhibit T-101.)

19 MR. SHAW: Your Honor, I also distributed
20 to the bench and to the parties a multi-page document
21 the first page which is a display with headings
22 "Organization, Grade, Problem Area. Do you have
23 products or services from any of the following." I
24 would like to have that exhibit marked for
25 identification and we will be asking Mr. Okamoto

00531

1 questions about that on oral direct or rebuttal.

2 JUDGE WALLIS: I am marking the document as
3 described as Exhibit 134 for identification.

4 (Marked Exhibit 134.)

5 MR. SHAW: I'm sorry, Your Honor, what was
6 the number?

7 JUDGE WALLIS: No. 134.

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9 DIRECT EXAMINATION

10 BY MR. SHAW:

11 Q. Mr. Okamoto, could you state your name,
12 title and address for the record, please.

13 A. Yes. My name is Dennis I. Okamoto. I'm
14 the regional vice-president for U S WEST
15 Communications. My address is 1600 7th Avenue, Suite
16 3205, Seattle, Washington 98191.

17 Q. Do you have in front of you what's been
18 marked for identification as 101-T, your rebuttal
19 testimony dated October 3?

20 A. Yes, I do.

21 Q. Did you prepare that or cause it to be
22 prepared under your direction?

23 A. Yes, I did.

24 Q. Do you have any changes that you need to
25 make to that prior to its admission?

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1 A. Two changes I would like to make at this
2 point. On page 5, line 20, there is an incorrect
3 number. Change the number shown as \$500,000 to
4 \$23,794, and on page 10, line 13, I used the word
5 "generally." I would like to change that to the word
6 "sometimes."

7 Q. Does that complete your changes and
8 corrections?

9 A. Yes, it does.

10 MR. SHAW: Your Honor, I would move the
11 admission of Exhibit 101-T.

12 JUDGE WALLIS: Is there an objection? Let
13 the record show that there is no response and 101-T is
14 received.

15 (Admitted Exhibit T-101.)

16 Q. Mr. Okamoto, I would now like to direct
17 your attention to exhibit for identification 134. Do
18 you recognize this exhibit?

19 A. Yes, I do.

20 Q. Is this a company document prepared in the
21 normal course of business?

22 A. Yes, it is. It's a form that indicates the
23 feedback that we get from customers regarding service.

24 Q. Have you read the prefiled testimony of Mr.
25 Bookey in this proceeding?

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1 A. Yes, I have.

2 Q. Now, directing your attention to Exhibit
3 134, the first three pages being the -- excuse me, the
4 first four pages being the tabulation of customers and
5 grades and the graph on page 5 of the exhibit showing
6 that same information in a graph form, is that a
7 summary of a survey of customer service that the
8 company has made?

9 A. Yes, that's correct.

10 Q. And were the customers surveyed large and
11 medium business and institutional customers?

12 A. Yes, that's correct.

13 Q. And does the exhibit then show the grade
14 for service that those customers had given the company
15 on this survey?

16 A. Yes, that is right.

17 Q. And this survey covered second quarter of
18 1995; is that correct?

19 A. That's my understanding, yes.

20 Q. Now, turning your attention to the last
21 three pages, specifically relates to the University of
22 Washington. Is that the service quality measurement
23 report for the University of Washington that was
24 prepared by the company after interviewing the
25 customer?

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1 A. Yes. This is the -- these are the notes in
2 the response to the questions that are asked of the
3 customer.

4 Q. Now, Mr. Bookey indicates based upon his
5 survey of sorts and some degree his personal
6 experience that service for large business and medium
7 business and institutional customers is poor. Do you
8 agree with that overall characterization?

9 A. No, I do not agree with that overall
10 characterization.

11 Q. Directing your attention to the last page
12 of the table where it summarizes the grades, majority
13 of the 116 customers surveyed give the company a grade
14 of B or better?

15 A. Yes, that is correct.

16 Q. Can you make any observations about the
17 quality of service given to health care institutions
18 from this survey done by the company?

19 A. There are some health care institutions
20 reflected on this survey, as I page through it, and I
21 would mention just a few. Harborview Medical Center
22 on page 2 gives U S WEST an A. National Health Lab
23 also on page 2 records a B for U.S. service. PBS --
24 excuse me. Peace Health records it as a C.

25 Q. You could go through these 116 customers

00535

1 and pick out additional members of the health and
2 hospital industry that have given the company grades,
3 could you not?

4 A. That's correct. Page 3, for example,
5 Sacred Heart Medical is a B. Saint Elizabeth's
6 hospital also on page 3 is an A.

7 Q. Does this indicate to you that in general
8 the service provided to the health care industry by
9 the company is at least C or better?

10 A. Yes. Let me mention one other. Virginia
11 Mason hospital is an A. I think overall it
12 demonstrates that we are providing good service to the
13 medical community.

14 Q. Are there customers on this 116 customer
15 survey that are in the educational business, public
16 school, both higher education and K through 12?

17 A. Yes. There are schools listed on this
18 survey as well.

19 Q. Do the grades from the school industry
20 customers that were surveyed by the company indicate
21 that generally the company's service is C or better?

22 A. Yes. I would cite some examples. For
23 example, on page 2 there is an A from Holy Names
24 academy. There is a B given by Loon Lake School
25 District. O'Dea High School rates their service a B

00536

1 plus Omak public schools rates it an A.

2 Q. Mr. Bookey also directed some criticisms to
3 the quality of the service given to the general retail
4 industry based upon his testimony in regard to Fred
5 Meyer organization. Are you familiar with that
6 testimony of his?

7 A. Yes, I am.

8 Q. Are there like business customers reflected
9 in this survey that provide U S WEST a grade of at
10 least C or above?

11 A. Yes. I believe if we were to walk through
12 this list we would find similar retailers giving us
13 various grades.

14 Q. Now, directing your attention specifically
15 to the University of Washington which Mr. Bookey
16 talked about, did the University of Washington in fact
17 give the company a poor grade, that is, a D minus
18 grade?

19 A. Yes, that is correct.

20 Q. And that's reflected on page 3 of this
21 compilation?

22 MR. KENNEDY: I'm sorry, page 3 of the
23 exhibit.

24 MR. SHAW: Page 3 of the exhibit, yes.

25 Q. Do you see that?

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1 A. Yes, I do.

2 Q. Turning to the last two pages of the
3 exhibit. Is this the detailed interview document that
4 the company prepared when it interviewed the
5 University of Washington?

6 A. Yes. This is that document.

7 Q. And did it also reflect the D minus grade?

8 A. Yes.

9 MR. TROTTER: Counsel, is that the last
10 three pages or two pages?

11 MR. SHAW: Excuse me, the last three pages.

12 Q. Have you in fact after reading Mr. Bookey's
13 testimony made a personal contact with representatives
14 of the University of Washington to ask them about Mr.
15 Bookey's representations?

16 A. Well, I don't know if it was before or
17 after Mr. Bookey entered his testimony, but I did have
18 reason to make a personal contact with the
19 telecommunications systems chief of the University of
20 Washington. His name is Ray Rikansred, and I was
21 calling to inquire about his impression of our
22 service, and in particular I was concerned about our
23 ability to provide high capacity service to the
24 university in a timely manner. That conversation,
25 however, Mr. Rikansred pointed out to me that his

00538

1 greatest concern was that he had lost the single point
2 of contact with whom he had worked for several years
3 and with whom he believed resided the kind of
4 expertise that he wanted to maintain in his
5 relationship with U S WEST. That was the sum total
6 source of his frustration and I believe a large reason
7 why he gave us the grade that he did. We have since
8 undertook to try to reconnect that particular engineer
9 with the University of Washington to rebuild that
10 relationship, and I believe that will improve as we do
11 that.

12 Q. Mr. Bookey talks about the inability of the
13 company to install on a timely basis a T1 service for
14 the University of Washington. Do you recall that
15 criticism?

16 A. Yes, I do.

17 Q. Has the company -- have you caused the
18 company in light of Mr. Bookey's testimony to
19 investigate that allegation?

20 A. Yes. We have investigated that particular
21 T1 order discovering that the T1 that was mentioned
22 has an end point in a residential area, in a home.
23 And it simply is not within our ability to provide
24 soft dial tone on T1's going into residential areas.

25 Q. Is the company's assumption that the

00539

1 university wanted a T1 line from the university to a
2 home in Laurelhurst for one of the regents or one of
3 the senior employees of the company -- of the
4 university?

5 A. Yes, that's my understanding.

6 Q. Is it the company's practice to pre-
7 provision broad-band digital high cap facilities in
8 residential neighborhoods anywhere in the state?

9 A. No, it is not.

10 Q. Have you had an investigation done of the
11 allegations of poor service to the Fred Meyer stores
12 particularly the ones in southwestern Washington?

13 A. Yes, I have.

14 Q. What have you found out about that?

15 A. Well, I've found that some of the slow
16 provisioning of service is in fact accurate; that
17 current stores, however, are receiving better service,
18 and as a matter of fact in the last two months we've
19 not missed any due dates to Fred Meyer.

20 Q. Has Fred Meyer recently signed a \$1 million
21 contract for service with the company?

22 A. Yes, it is my understanding that they have.

23 Q. Has a vice-president of U S WEST met with
24 Jackie Steinkellner of the Fred Meyer organization and
25 attempted to address the problems that that customer

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1 has had with the company's service?

2 A. Yes. Vice-president from our business and
3 government services market unit met personally with
4 Fred Meyer people.

5 Q. Does the company have agents that sell
6 services to school districts?

7 A. Yes. From time to time we will employ
8 sales agents.

9 Q. Is there sometimes problems with the sales
10 agent making commitments on behalf of the company that
11 have not been cleared with the company?

12 A. It happens occasionally. We like to have
13 aggressive good sales agents selling for us and
14 occasionally they will get too aggressive and
15 sometimes over promise without the agreement of the
16 company.

17 MR. SHAW: I have nothing further. Your
18 Honor, I would move the admission of Exhibit 134.

19 JUDGE WALLIS: Is there an objection?

20 MS. PROCTOR: Judge Wallis, I wonder if I
21 could voir dire the witness on the exhibit.

22 JUDGE WALLIS: Yes.

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1 VOIR DIRE EXAMINATION

2 BY MS. PROCTOR:

3 Q. Good morning, Mr. Okamoto. I'm Susan
4 Proctor from AT&T and I just had a couple of questions
5 about this survey. As I understand it, the last three
6 pages, that's the type of document that was prepared
7 for every company --

8 A. Yes, that's correct.

9 Q. -- of the 116?

10 A. Yes.

11 Q. And did you review the backup data for all
12 of the 116 customers?

13 A. No, I have not.

14 Q. And I assume that you did not personally
15 conduct this survey?

16 A. I did not.

17 Q. Who within U S WEST did conduct the survey?

18 A. This would be in our marketing
19 organization. I don't know the name of the specific
20 person but I could get that for you.

21 Q. And when you say the marketing
22 organization, do they market all of U S WEST's
23 services or is it a particular part of the --

24 A. This would be a staff part of the marketing
25 organization that does the survey work to create these

00542

1 report cards.

2 Q. And is this the kind of survey that U S
3 WEST does on a regular basis for all of its customers?

4 A. It does it for the majority of its business
5 customers, so, no, I cannot say all of its customers.

6 Q. And when you say that it does it for a
7 majority of its business customers, what type of
8 business customers are you talking about?

9 A. These would be the mid to large size
10 customers. It's those represented on these first
11 three pages.

12 Q. And how frequently does U S WEST conduct
13 these surveys?

14 A. I believe it's quarterly.

15 Q. So there would be reports going back how
16 far in time that are similar?

17 MR. SHAW: Your Honor, I'm going to object
18 at this point. This doesn't seem to have anything to
19 do with voir dire. This is cross-examination.

20 JUDGE WALLIS: I do believe we may be
21 getting into cross here.

22 MS. PROCTOR: Could I perhaps have an
23 explanation of how you view voir dire, sir, just what
24 would be within voir dire.

25 JUDGE WALLIS: As to the origin of this

00543

1 particular document.

2 MS. PROCTOR: Okay, fine.

3 Q. Mr. Okamoto, did you review the
4 questionnaire that was provided to the customers?

5 A. I reviewed this one that is attached to the
6 exhibit.

7 Q. Is this the questionnaire?

8 A. Yes.

9 Q. For example, looking at the University of
10 Washington questionnaire, part way down the page it
11 goes to 5A but there doesn't seem to be a 1 through 4

12 A. Would it be more accurate to suggest that this is
13 perhaps a summary rather than the questionnaire
14 itself?

15 A. Well, that's possible, yes.

16 Q. Do you know how the 116 customers were
17 selected?

18 A. No, I do not.

19 Q. Do you know whether they are throughout the
20 state?

21 A. Yes, they are. Just looking at the names
22 of them I know that they exist in different parts of
23 the state of Washington.

24 MR. SHAW: Same objection, Your Honor.

25 This is just simply apparently directed to the weight

00544

1 of it. It doesn't seem to have anything to do with
2 whether or not it's admissible.

3 JUDGE WALLIS: If you have questions about
4 the production of the document, about the origins and
5 manner in which it was made available to the witness
6 that would be fine, but I do think we could proceed a
7 little bit more expeditiously if we do limit the voir
8 dire to matters that really are not essentially
9 cross-examination.

10 MS. PROCTOR: Okay. I guess my concern
11 here is that the company has produced a survey and has
12 not provided any information on how the universe was
13 selected, how the survey was conducted, whether it was
14 conducted in person, and I believe that that goes to
15 whether the document is of the type that really should
16 be submitted to the Commission. If you would prefer
17 to handle that on cross-examination, that's fine.

18 JUDGE WALLIS: Have you concluded the
19 questions that you have about the origins of the
20 document?

21 MS. PROCTOR: Yes, I believe so.

22 JUDGE WALLIS: Are there objections to the
23 document?

24 MS. PROCTOR: Obviously we object on the
25 grounds that this survey has been introduced without

00545

1 establishing how it was conducted, how the universe
2 was selected, how the questions were selected, all of
3 which would substantially influence the results of
4 this survey.

5 JUDGE WALLIS: Are there other objections?

6 MS. DEUTSCH: Yes, Your Honor.

7 JUDGE WALLIS: Ms. Deutsch.

8 MS. DEUTSCH: Yes. ELI objects since the
9 document also contains ELI customer data and I agree
10 on the same grounds that Ms. Proctor has raised.

11 JUDGE WALLIS: Mr. Shaw.

12 MR. SHAW: Well, that latter objection, if
13 ELI wants to request that the document be made
14 confidential, I don't know whether I'll particularly
15 argue against that. I considered doing that myself
16 but in the interests of open public record we were
17 willing to waive the confidentiality of this. It
18 obviously has some embarrassing things in it for the
19 company. It's a list of the company's customers that
20 ELI can use, so being a public document we consider it
21 somewhat harmful for the company, but on that basis we
22 did not make the decision to make it confidential.

23 I don't think Ms. Proctor has shown any
24 basis whatsoever for the lack of admissibility of
25 this. At best her objection goes to the weight. The

00546

1 witness has identified it as a routine and in the
2 course of normal business survey of customers taken by
3 the company and this is the company's evidence in
4 rebuttal of the alleged survey of Mr. Bookey.

5 JUDGE WALLIS: The objections are overruled
6 and the document will be received. Is there a
7 perceived need to make the document confidential?

8 MS. DEUTSCH: I think the document should
9 be confidential since it does have customer data on
10 it. Other companies that are involved are not here
11 today.

12 JUDGE WALLIS: Is there an objection?

13 CHAIRMAN NELSON: Yeah.

14 JUDGE WALLIS: Looking at the nature of the
15 information that's provided as to other than U S WEST,
16 I have a concern that it is not of such a revealing
17 character that it would damage the interests of the
18 entities that are listed and would therefore deny the
19 request that it be made confidential.

20 Is there anything further regarding 134?

21 MR. SHAW: I have no further questions on
22 direct and we would tender the witness for cross.

23 JUDGE WALLIS: Beginning with staff.

24 MR. SMITH: Thank you, Your Honor.

25 (Admitted Exhibit 134.)

00547

1 CROSS-EXAMINATION

2 BY MR. SMITH:

3 Q. Good morning, Mr. Okamoto, I'm assistant
4 attorney general for the Commission staff.

5 A. Good morning.

6 Q. On page 1 of your rebuttal testimony, you
7 state that you have overall responsibility for
8 appropriate staffing of functions directly related to
9 provisioning of primary residential and business
10 service in the state of Washington. Now, is
11 Washington part of a division or area of the company
12 that includes Oregon and Utah?

13 A. Yes. The company refers to that as the
14 western region.

15 Q. And in the western region who has those
16 overall responsibilities?

17 A. I'm responsible for the western region,
18 Oregon and Utah. Vice-presidents report to me.

19 Q. And that includes the duties of
20 provisioning for service?

21 A. It includes assuring that those states and
22 the region have the resources necessary to provide
23 those services, yes.

24 Q. And who has that responsibility for the 14
25 states?

00548

1 A. There is a network vice-president who has
2 14 state responsibility. His name is Tom Bystrzycki.

3 Q. Could you explain just generally the
4 processes that were in place to assure that facilities
5 were available to meet the demands of growth prior to
6 the merger of the company in 1990?

7 A. Well, I can do that generically although I
8 was involved in that activity prior to 1990. In 1990
9 I was the treasurer of the company and so I was aware
10 of the resource allocation process generally but not
11 involved on the input side, more from the standpoint
12 of the financing of those resources. The company uses
13 a process of budgeting wherein forecasts are used of
14 demand and activity and revenues and markets and
15 matches those against the resources necessary to
16 produce that revenue such that you end up with a
17 viable business plan.

18 Q. And were the forecasts and the budgets done
19 locally at that time?

20 A. I don't recall in 1990 whether they were or
21 not. I was not involved in that process at that time.

22 Q. And was funding generally available to meet
23 the demand forecast at that time?

24 A. Yes. Well, let me state this, though.
25 Generally, every company every year, as does the

00549

1 state, goes through a process of trying to fulfill all
2 of the needs that it has by trying to secure the
3 appropriate amount of resources. One never has all
4 the resources necessary to fulfill every plan that we
5 might have, and so it is a process of prioritizing the
6 needs that the budget process engages in. The end
7 result is a plan that has compromises in it and
8 judgments in it, so that's a judgmental process that
9 you go through.

10 Q. And could you generally describe what if
11 anything is different about the planning, engineering
12 and budgeting for needed facility additions since the
13 company's merger in 1990?

14 A. I don't believe there's differences in the
15 process, at least in the budgeting process. It's
16 still the same kind of input and iterative process to
17 come out with a viable plan.

18 Q. Are the funding levels set or controlled by
19 U S WEST Communications in Denver?

20 A. Well, funding levels actually are set by
21 several things. Management, of course, makes its
22 judgment, but the marketplace in terms of the capital
23 you can raise, interest rates, tax rate, and so forth,
24 that are not controllable by the company need to be
25 planned for. Given those inputs then management makes

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1 its judgments as to where to place its resources.

2 Q. And some of those -- do some of those
3 inputs come from Denver, from U S WEST Communications?

4 A. Some of them come from the federal
5 government. Some come from the market units that deal
6 with the specific customers. Some come from
7 engineers, people in the field who see development,
8 who see economic activity. Those were all inputs to
9 the process.

10 Q. And do some of those inputs come from
11 Denver?

12 A. Certainly.

13 Q. And do some of the inputs come from U S
14 WEST Incorporated in Denver?

15 A. Yes.

16 Q. Now, you indicated that there's never
17 enough funds to do all that needs to be done. Who
18 determines what jobs get done in cases when there is
19 insufficient funds?

20 A. Well, there is a judgmental process, again,
21 of prioritization of projects such that the highest
22 priority projects will get funded and the lowest
23 priority projects probably will not.

24 Q. And who determines that?

25 A. Well, it would depend on various entities

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1 depending on what function we're talking about. If
2 some of those debates can get resolved at lower levels
3 in the business then they are resolved there.
4 Otherwise they have to be circulated up the chain of
5 command.

6 Q. You say the highest priority projects get
7 the money. How are the projects prioritized within
8 the company?

9 A. Well, they are prioritized on the basis of
10 need, on the basis of strategic direction of the
11 company, on the basis of where the company needs to
12 place its resources to take advantage of an
13 opportunity. Those sorts of things. There's no
14 specific benchmark. It's just as you line those
15 opportunities up and you do a business case on those,
16 then they start to fall out in priority order.

17 Q. Is the strategic direction of the company
18 established in Denver or locally?

19 A. It is established in Denver.

20 Q. Now, there have been a number of different
21 theories as to why the growth in the company's service
22 quality problems as we see them have increased in the
23 last several years. One is that new investment has
24 decreased so that new facilities couldn't be added as
25 needed. A second is that in the course of the

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1 re-engineering process some problems that were
2 unanticipated arose and delayed some of the work, and
3 a third is that employees have been let go or opted
4 for early retirement so that there were insufficient
5 trained personnel available to do the work at the same
6 level as some prior years. Could you comment on
7 whether you agree with any of those reasons and why?

8 A. I would like to comment on each of those,
9 Mr. Smith. With respect to new construction, I would
10 tell you that today, 1995, I believe that by the end
11 of the year we will have spent over \$330 million in
12 capital expenditures in the state of Washington. Now,
13 again, I don't have a history going all the way back,
14 but that is a substantial investment, over a million
15 dollars per business day in the state of Washington.
16 It is reflective also of a declining cost curve in
17 technology such that we can buy more with fewer
18 dollars today than we used to be able to. So I don't
19 think it's a good argument to simply to look at total
20 construction dollars, but even if you did look at
21 total construction dollars I would tell you that the
22 \$330 million is a substantial investment in this
23 state.

24 Secondly, on re-engineering, re-engineering
25 is a process that this company, U S WEST in

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1 particular, absolutely had to go through. If you will
2 recall when I last testified before this Commission in
3 1983, and we were just being broken up from AT&T, we
4 were a company that was made up of three companies.
5 As a result of that we had three great companies who
6 have three great operating systems, but three
7 different kinds of operating systems and cultures and
8 practices. Over the years we have tried to patch
9 those systems together to make them look alike, to act
10 alike, to look alike on the screens so that when our
11 employees try to do business in a similar fashion, no
12 matter where they were located they would have similar
13 screens to look at and therefore the training could be
14 minimized and made uniform.

15 In that process, as most software
16 programmers will tell you, what we really did was put
17 a lot of layers on the systems that we had. It's not
18 dissimilar from the state's experience at DSHS with
19 Ace and Cosmos systems that you simply have to build,
20 but these are really difficult systems and what we are
21 trying to do now is to create a uniform system for all
22 of U S WEST that finally brings us into being one
23 efficient common operating company. It's not easy.
24 We haven't done it perfectly, but this is something we
25 had to do absolutely. The old systems were simply

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1 failing to handle the volume and starting to
2 demonstrate wear and the maintenance costs were
3 becoming exorbitant so that we simply had to
4 re-engineer them.

5 Now, the other reason we have to
6 re-engineer is that the new competitive environment
7 that we're operating in simply demands it. Every
8 company is finding ways to decrease costs. We believe
9 the best way to decrease costs was to re-engineer the
10 business, redesign the way we handle processes and in
11 that process as systems were redesigned, we also
12 rebuilt bricks and mortar. That is, we moved
13 employees from being located in 560 work centers
14 throughout our 14 state region into 26 centers, and
15 they are located in 10 cities today. That move has
16 finally been completed. That was a very difficult
17 move, and we tried to do that and make it transparent
18 to our customers. We weren't totally successful in
19 doing that. What happens when you ask people to move,
20 some people are willing to move if they are living in
21 places that are less desirable than others, but asking
22 someone from the state of Washington to move to
23 another state didn't get very positive reaction, so a
24 lot of those people didn't move and in fact many of
25 them left the business.

00555

1 So in the new 26 centers that we have, we
2 have a high number of new employees who are working
3 with new systems and with whom we have invested a
4 great deal of training, and so their learning curve is
5 now coming up. The need to continue to become more
6 efficient is still there, so we have no intention of
7 turning back on re-engineering. In fact we need to
8 keep moving on with it in order to remain a viable
9 company in this new environment.

10 Q. Before you turn to the third reason, I
11 appreciate your explanation of re-engineering, but is
12 the gist of your answer that there have been some
13 unanticipated problems with the re-engineering that
14 have been attributed to the quality of service
15 problems we're all here discussing today?

16 A. Yes. I'm sure that you could find evidence
17 that we have some untrained employees who have not
18 handled customers appropriately and that learning
19 curve is coming up, and we have not done this
20 perfectly.

21 Q. The third area I asked you about was the
22 early retirement and the people who have been let go
23 and whether that has contributed to the quality of
24 service problems.

25 A. Well, we have lost some experience and

00556

1 those experienced employees are the kinds of
2 experience that we are training back into our
3 employees now. However, I don't believe that we had a
4 choice or that the employees would have chosen
5 otherwise. These were voluntary retirement or
6 departures, employees who saw the future and didn't
7 want to be involved in that new future or saw the new
8 geography to which they may be relocated and did not
9 want to move, and so the company offered a way by
10 which those employees could leave with dignity and
11 then we could move on and hire new employees and get
12 them trained.

13 Q. Page 4 of your rebuttal testimony, 101-T,
14 lines 14 and 15 you state that a company that operates
15 in a competitive environment obviously will focus on
16 the customers who generate 80 percent of the revenue.
17 What do you mean by "focus" in that statement?

18 A. Well, I think it is probably marketing 101,
19 but a company wants to focus its attention, its
20 resources, its new product development energy on those
21 customers where it's going to get its greatest return.
22 That's where the opportunity is. That's where you
23 match up your resources.

24 Q. You also indicate on that page that the
25 company does not focus primarily on markets with high

00557

1 revenue potential when conducting our day-to-day
2 business operations. Is network planning or do you
3 consider network planning part of the day-to-day
4 business operations?

5 A. Absolutely. And what I mean by that, Mr.
6 Smith, is this: That what brings value to the
7 nation's telephone system is the fact that everybody
8 is connected to it and everybody has the same quality
9 of connections. And we believe in that, have believed
10 in it for 100 years, and so we are not going to do
11 anything that would damage or provide less quality
12 service, basic service to everyone who is on our
13 network.

14 On the other hand, now, where there are
15 customers who are willing to pay an incremental price
16 for a product or service that might differentiate them
17 in their business or advantage them in their business
18 then it's incumbent upon us to try to develop those
19 kinds of services and products. That's what I meant
20 by not being willing to let service slip generically
21 in the network that would do damage to the network as
22 a whole.

23 Q. Do you consider network engineering part of
24 day-to-day business operations?

25 A. Yes, it is.

00558

1 Q. And how about obtaining adequate funding
2 for network operations?

3 A. How about obtaining it? Are you saying --
4 I'm not sure what your question is.

5 Q. Do you consider obtaining funding for
6 network operations to be part of the day-to-day
7 business operations of the company?

8 A. Well, the way it happens is probably not a
9 day-to-day thing. As I explained earlier, we do have
10 a planning and a budgeting process in which resources
11 are allocated against a priority, a prioritized plan,
12 and then the company managers are expected to execute
13 against that plan. If they're doing so against the
14 plan then the resources are there as planned earlier
15 in the year.

16 Q. I'm a little confused because in response
17 to a staff data request we asked you to define
18 day-to-day business operations as used on this portion
19 of your testimony and your answer was that day-to-day
20 business operations is defined as daily activity that
21 occurs in response to customer demand, such as
22 responding to customer inquiries, requests for service
23 installation, repair activities, et cetera. And
24 sounds from your testimony today that you've expanded
25 that definition somewhat to include network planning

00559

1 and network engineering.

2 A. Yes. I would say that I have expanded it.
3 I didn't close it off there. I said those are
4 examples of daily activity in the telephone business.

5 Q. On page 5 of your rebuttal testimony on
6 lines 1 through 3 you state that the company must
7 respond to the competitive threats in the local
8 exchange marketplace if it wishes to remain a viable
9 business in the state of Washington. Could you
10 explain what specific actions the company has taken to
11 date to respond to competitive threats in the local
12 exchange market?

13 A. Well, we are, number one, continuing with
14 the re-engineering process that I just completed
15 describing in order to continue to make us ready to
16 compete. Secondly, we are increasing our advertising
17 so that our customers continue to recognize our brand
18 name. Third, we are developing new products and
19 strategies as the environment unfolds so that we can
20 compete effectively. I can't disclose all of those at
21 this point in time, but that again is a daily activity
22 to try to stay competitive in the business.

23 Q. You indicated earlier that the company was
24 committing over \$330 million in new investment in
25 Washington for 1995, and would you accept subject to

00560

1 check that the level of investment in 1994 was \$268
2 million?

3 A. I would accept that subject to check, yes.
4 May I make sure I made a correct statement? You say
5 new construction and I guess I've characterized my
6 \$330 million as total capital expenditures. Total
7 capitalized expenditures in this state, and there may
8 be a difference there in how you and I are talking
9 about it.

10 Q. I didn't mean to misstate what you had said
11 earlier. On page 6, lines 1 through 2, you discuss
12 the Washington specific E911 database which required
13 a significant investment. Are you talking about
14 investment over and above the cost of the computer?

15 A. No. I'm talking about specifically the
16 computer and the software necessary there. That's a
17 system that can work fine from wherever it's located
18 geographically. There's no need to have it located in
19 any specific location and so it was an unnecessary
20 expenditure to have made except in the context of an
21 overall settlement.

22 Q. But are you aware that the E911 computer
23 was paid for out of ratepayer sharing dollars under
24 the old AFOR?

25 A. You mean capitalized and then is going to

00561

1 be recovered over some 15 years or what? I don't know
2 what you mean there.

3 Q. No. I mean it was paid for out of the
4 ratepayer shares of excess earnings under the old
5 AFOR.

6 A. Okay, I'm sorry. For that previous
7 settlement going into the AFOR?

8 Q. No. During the course of the AFOR.

9 A. I'm sorry. I wasn't here during that
10 period of time, I don't think.

11 Q. On page 12, lines 6 through 8 you say that
12 a staff witness states that the company's practice of
13 routinely supplying three-drop wire pairs for each
14 residential line is an example of improper excess
15 capacity. Would you accept subject to check that the
16 staff included the cost of three wire drops in its
17 local cost estimates?

18 A. Subject to check, yes, I would accept that.

19 MR. SHAW: Your Honor, I'm not sure we can
20 check that. I do not know. I cannot read the staff's
21 mind.

22 MR. SMITH: We can provide the check at a
23 break and if there's a problem we will give the
24 witness an opportunity to contest it.

25 Q. Now, in the Commission's supplemental

00562

1 notice to file rebuttal testimony it asked among other
2 things the following question, "How should the company
3 manage its operations in the future to avoid customer
4 dissatisfaction and enhance service quality?" And on
5 page 15, I think on line 7 you simply seem to repeat
6 the question when you say, "U S WEST will continue to
7 manage its operations to avoid customer
8 dissatisfaction and to enhance service quality."
9 Would you be more specific as to exactly what you
10 propose to do in response to the Commission's question
11 about managing the company's operations to address
12 service quality issues in the future?

13 A. Well, I would say that this is the ongoing
14 job of management of the company. Our job is to find
15 ways to provide excellent service, to provide
16 excellent products, to invest in state-of-the-art
17 equipment for the benefit of our customers, and that's
18 an every day, every minute kind of challenge for
19 management. I can't sit here and give you a 1, 2, 3
20 outline of how to do that because that evolves and
21 changes with time and with conditions. I only want to
22 assure you and the Commission that that is exactly
23 where our energies are focused. We November we've got
24 to do that. We're focused on it. That's why we're
25 doing the re-engineering. We know we've got to invest

00563

1 more here. We know we've got to replace the cabling
2 plant we've got here in the state of Washington.

3 That's one of the reasons why we've had
4 some of the failures that we've had here. We do need
5 to replace that plant. It simply is not living as
6 long as some would have us believe that it ought to,
7 so we need to replace it. We need to build in some
8 spare capacity. We need to counter arguments that
9 we're over building or goldplating the network.
10 Clearly that's not the case, and I want to assure the
11 Commission that that's where all of our energies are
12 at this very moment.

13 Q. So when you say U S WEST will continue to
14 manage its operations, you're not suggesting that
15 there will be no changes or that changes do not need
16 to be implemented?

17 A. I'm suggesting that there's a tremendous
18 amount of change and it's happening faster than we've
19 ever seen it before and it is our job to manage that
20 change and from time to time we will drop the ball,
21 but we are in the best position to try to cope with
22 those changes, and it is not as though we have an
23 environment that is unchanging. Not only is the
24 competitive environment changing but the regulatory
25 environment, the legislative environment. Congress

00564

1 may pass some new legislation and we may have new
2 industries converging into the telephone business and
3 so we have to be able to react to that as well.

4 So it's a multiple task coming at us
5 simultaneously at a time when we really do need to get
6 this business re-engineered and get ourselves much
7 more efficient than we are.

8 Q. And earlier in discussing the
9 re-engineering, you said you lost some experience with
10 the voluntary departures. Did the company anticipate
11 that the re-engineering would require training of
12 employees?

13 A. Yes, it did, and we recorded some
14 significant dollars when we booked -- I believe it was
15 in 1993 or '94; I can't recall the exact year the
16 booking of the re-engineering expense -- significant
17 dollars for training.

18 Q. You wouldn't happen to have that figure
19 with you, would you?

20 A. No, I don't.

21 Q. Now, do you know when the early retirement
22 option was offered to employees?

23 A. No, I don't have that date.

24 Q. And do you know how many employees opted to
25 take early retirement?

00565

1 A. I can check on that. I don't have that
2 with me.

3 Q. Would you agree that the early retirement
4 option was being offered during the re-engineering
5 process?

6 A. Yes, that's correct.

7 Q. Is it correct that some employees who have
8 voluntarily departed through an early retirement
9 option or who were let go voluntarily have been
10 rehired?

11 A. Yes, on an occasional temporary basis.

12 Q. And was that because of problems
13 encountered with re-engineering or for some other
14 reason?

15 A. Where we needed to shore up our resources
16 and where there were available trained employees we
17 saw fit to do that.

18 Q. Can you tell how many of the total
19 employees who retired early were rehired on a
20 temporary or permanent basis?

21 A. I don't have that figure with me, no.

22 Q. Turn to page 6 of your rebuttal testimony.
23 On line 15 you say that the company has completed
24 approximately 276,000 service orders for new or
25 transferred service through 1995. And you say

00566

1 typically completes half a million orders for service
2 each year. From that I take it the 1995 is a fairly
3 typical year?

4 A. Yes.

5 Q. And how many of those 276,000 were for new
6 installations?

7 A. Well, the 275,000, those were all for new
8 or transferred services.

9 Q. If you take out the transferred, do you
10 know what the balance would be?

11 A. No, I don't have that breakdown.

12 Q. Would it be significantly less than half or
13 do you have an order of magnitude?

14 A. I do not.

15 Q. Also on page 6 at the bottom you state that
16 the company invested \$192 million in infrastructure
17 improvements and on the next page \$102 million in
18 digital telecommunications systems in lower density
19 areas for 1985 to 1989. Are those Washington state
20 numbers or company-wide numbers?

21 A. Those are state of Washington numbers and I
22 recall back in those years it was called Project
23 Avalanche where primarily in the rural areas we
24 replaced every signal switch we have with the latest
25 state-of-the-art digital switch.

00567

1 Q. On page 7 the question on line 11 asks how
2 many orders have not been completed in 1995 due to
3 lack of available facilities, and your response is
4 that the number of primary orders held more than 30
5 days as of August 1995 is 1,158. Am I correct that
6 that 1,158 number is the number pending specifically
7 at the end of August?

8 A. That would be yes, a snapshot in time.

9 Q. And there may have been other orders that
10 were held for more than five business days during
11 August that were cleared up prior to the end of that
12 month?

13 A. Yes, that's true.

14 Q. And they would not show up in the 1,158
15 then?

16 A. That's correct.

17 Q. Now, what do you mean by primary orders as
18 you use that term in your testimony?

19 A. That would be an order for a primary line.
20 A primary line into a residence, for example, would
21 not include the second line.

22 Q. Just the initial line?

23 A. Yes.

24 Q. No matter how many lines were ordered?

25 A. That's correct.

00568

1 Q. So that the 276,000 orders for new or
2 transferred service through August just includes the
3 initial, the initial line. In other words, if there
4 were someone who ordered five lines they would show up
5 as an order for one?

6 A. Just the primary line, yes.

7 Q. And that 276,000 orders is cumulative for
8 the eight months of January through August; is that
9 correct?

10 A. That's correct.

11 Q. And as you indicated the 1,158 is a
12 snapshot?

13 A. Yes.

14 Q. So the comparison you're making in that
15 question and answer is between held orders pending at
16 the end of August on a specific date to the cumulative
17 total of all orders for the year-to-date; is that
18 correct?

19 A. Yes, it is.

20 Q. Now, you indicate that the 1,158 held
21 orders are due to lack of facilities. Can you give us
22 the total number of held orders for all reasons?

23 A. I would like to not quote that here but
24 check that with my staff and give that to you.

25 Q. All right. That would be fine.

00569

1 JUDGE WALLIS: Mr. Smith, we are getting to
2 the point where we need to break to prepare for the
3 public session. Are you pretty close to completing
4 this line of questions?

5 MR. SMITH: Yes. I think less than five
6 minutes would be a good spot to stop.

7 Q. Mr. Okamoto, you break down that 1,158 into
8 groups of orders held over 30, 60, 90 and 150 days; is
9 that correct?

10 A. Yes.

11 Q. And the Commission rule on service
12 installations states that 90 percent of all
13 applications for installations of up to five lines
14 must be completed within five business days. Can you
15 tell me how many orders were held more than five
16 business days but less than 30 days?

17 A. No, I don't have that breakdown with me
18 between the five and 30 days.

19 Q. Is that a figure the company tracks?

20 A. I will have to check on that.

21 Q. Now, if we take your number of
22 approximately 276,000 and divide it by the eight
23 months it represents, would you accept subject to
24 check that the monthly average would be 34,470?

25 A. You're simply taking the 285 -- excuse me

00570

1 276,000 orders cumulative and dividing by eight?

2 Q. That's correct.

3 A. I agree with your arithmetic.

4 Q. And 1 percent of that would be 345; is that
5 correct?

6 A. I will accept that.

7 Q. Now, if we take your figures from page 7
8 where you show 318 orders held -- excuse me -- 255
9 orders held more than 90 days and 118 orders held over
10 150 days, that totals 373 orders held over 90 days.
11 Would you agree?

12 A. Yes. Agree with your arithmetic.

13 Q. So based on those figures, on average more
14 than 1 percent of your orders were not filled in 90
15 days; is that correct?

16 A. I'm sorry. Give me that again.

17 Q. Just based on your figures, on average --
18 well, 373 is more than 345. We can agree on that, so
19 that on average your figures show that more than 1
20 percent of your orders were not filled in 90 days; is
21 that correct?

22 A. Well, I mentioned in my rebuttal the 255
23 held over 90 days. Is that the number to which you're
24 referring?

25 Q. 255 plus the 118 which were held over 150

00571

1 days.

2 A. Yes.

3 MR. SMITH: Your Honor, this is a good spot
4 to break.

5 JUDGE WALLIS: Very well. We will be in
6 recess to prepare for the public hearing and we will
7 resume the evidentiary hearing at the conclusion of
8 the public session.

9 (Recess.)

10 JUDGE STAPLETON: Let's be back on the
11 record. The Commission has set this time and place
12 for receipt of public testimony. Mr. Trotter, would
13 you please call your first witness. I will remind the
14 parites we have a great number of people who intend to
15 testify today, and we also have proceedings we would
16 like to complete today with cross-examination of the
17 witnesses of formal parties in today's proceedings, so
18 I will ask you to limit your remarks to a maximum of
19 five minutes per person.

20 MR. TROTTER: Thank you. Walter Wolf.

21 Whereupon,

22 WALTER WOLF,
23 having been first duly sworn, was called as a witness
24 herein and was examined and testified as follows:

25

00572

1 DIRECT EXAMINATION

2 BY MR. TROTTER:

3 Q. Please state your name and spell your last
4 name.

5 A. Walter Richard Wolf, Jr., W O L F.

6 Q. Your address?

7 A. 10721 Ramona Lane Southwest, Olympia,
8 98512.

9 Q. And are you testifying on your own behalf
10 as a residential customer?

11 A. Yes, residential customer.

12 Q. Please proceed with your statement.

13 A. Thank you for the opportunity to address
14 this group. My wife and I have lived in rural
15 Thurston County for four and a half years, and I am
16 speaking in opposition to the residential rate
17 increase. There's lots of small factors but the main
18 factor is quality of service and it is not, for my one
19 particular, a horrendous experience. It is not good.
20 This happened, we were off line for more than 72 hours
21 and we found this to be tremendously distressing. My
22 wife's mother had passed away just a few weeks before
23 and we are still responsible for and attending an
24 elderly aunt of my wife's in a hospital in California.
25 Telephone communication was very important. Living in

00573

1 a rural area we don't have immediate neighbors. There
2 is no way to go just next door and use a phone. It's
3 five or six miles to the nearest pay phone and by
4 horrible coincidence that pay phone was off line. The
5 poor service was not weather-related. There wasn't a
6 stormy winter day or a stormy rain or a windstorm.
7 It was last August, beautiful clear weather.

8 We've heard in the earlier testimony today
9 from U S WEST that they were having troubles with
10 personnel because they were relocating. It sounded
11 like a lesson in geography and I can sure add to
12 that. My 1-800 in repair call was answered in Des
13 Moines, Iowa. Iowa, yeah. My next call -- please
14 call the next day, get some information. Next day I
15 got as far as Yakima. Several more calls to Yakima
16 and I was starting to ask for a supervisor. Can I
17 talk to a manager. I got Portland, Oregon.

18 Now, these people were not unpleasant but
19 they were not effective. The stock answers, all of
20 the answers were stock answers. Without knowing
21 anything about my complaint, oh, it will be fixed by 7
22 p.m. tomorrow night. Major outages in your area,
23 Mr. Wolf, major outages. That was supposed to placate
24 me, I'm sure, and I says, can you give me any details.
25 Well, no, because dispatch won't answer our calls.

00574

1 Communications company won't answer calls within their
2 own company? This was preposterous. I was getting no
3 satisfaction. Like I said, they weren't unpleasant.
4 They were just ineffective.

5 I took matters in my own hand and stopped
6 by a U S WEST wire splicing crew operation down here
7 at Trooper Road and Little Rock Road thinking that
8 maybe they were repairing this major outage. No, they
9 were putting in some new lines for the new Albertson
10 store, and they were sympathetic but they were
11 terribly demoralized about this reorganization that
12 had occurred within U S WEST months before. They were
13 not very helpful. That is, they couldn't do anything
14 for me. They did volunteer to call in my complaint.

15 My wife says why should I be so demoralized
16 just because they were late. She says why don't you
17 call the state Utilities Commission. Somebody there
18 will listen. I was fortunate, was immediately
19 connected with a man named Ken Chapman and now I knew
20 that somebody was listening. Eureka. No, I don't
21 mean another city. I just mean results. On the 70th
22 hour or thereabouts, if it was counting, my wife got a
23 call at home. I didn't happen to be home at the
24 moment and here was a man -- obviously the line was
25 working -- and he says, Mrs. Wolf, your line is --

00575

1 everything is okay now, and the irritation that I had
2 experienced changed to aggravation of no small
3 proportion. This wasn't a major outage. There were
4 six lines, six lines, were out. That's 12 hours per
5 line to fix -- no, it doesn't work that way. It was
6 terrible. It was a five-minute fix, but he says I
7 only heard about it five minutes ago. Just
8 preposterous. Some sort of a transfer switch
9 operation had gone awry, our six lines had been
10 transferred to a dead line. Nobody had detected it.
11 Nobody had checked back, but when the word finally got
12 through -- and I have to believe it was because of the
13 work that Ken Chapman had done in raising a big stink,
14 we got fixed now. Beyond aggravation.

15 In the next day or two in the paper, in the
16 morning paper we read the U S WEST seeks to double the
17 residential rates. That was the day I decided to be
18 first in line speaking here. My recommendations to U
19 S WEST, clean up your act. Get your own people
20 communicating. That you cannot -- that you can have
21 people not answering your own calls is preposterous.
22 And to the state Commission I think you should step up
23 your enforcement of complaints. Make U S pay. That
24 they offered me a one month's credit is just not
25 satisfactory. If the law provides a penalty, a

00576

1 financial penalty for their failure to provide that
2 service, enforce that rule.

3 Beyond that I must re-ask you to please
4 deny U S WEST doubling of residential rates.

5 Q. Thank you.

6 JUDGE STAPLETON: Thank you for your
7 testimony, Mr. Wolf.

8 MR. TROTTER: Glen Rose.

9 Whereupon,

10 GLEN ROSE,

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. Please state your name and spell your last
17 name.

18 A. My name is Glen M. Rose. Last name is R O
19 S E.

20 Q. Address?

21 A. 229 Southwest 183rd Normandy Park,
22 Washington 98166. This is the city between Burien and
23 Des Moines.

24 Q. And you're testifying on your own behalf
25 today?

00577

1 A. Yes.

2 Q. Go ahead with your statement.

3 A. Both my wife and I are retired but we
4 continue to be extremely active in our community and
5 this state, and to the Commission you have a
6 tremendous responsibility, and this area I think
7 carries with it many aspects of public utility, things
8 that are happening that's maybe really changing some
9 of our whole concept. Both my wife and I have several
10 degrees. My background is an economics utility and
11 labor and history and in management. I was born in
12 and raised on a farm in Dayton, Washington. I fought
13 in the World War II and was called back for the Korean
14 war and was not able to complete my PhD in economics.

15 Very briefly I served as a deputy insurance
16 commissioner for this state. I have been an assistant
17 to the governor and for over 20 years I was president
18 of a life insurance company. I have -- in my own
19 community I have served almost 25 years as a member of
20 the Highline school board, the fire district, and for
21 the last six years as a member of the Highline water
22 district where I was asked to come and serve because
23 of my knowledge in finance and utility.

24 I am here to remark on the general rate
25 rebalance of U S WEST and the aspect of competition.

00578

1 As an economist, business person and citizen, I
2 believe that the most important element to consider
3 in the telephone industry is the concept of universal
4 service. The telephone is so important that we all
5 must be kept on the network. It is truly something
6 that is affected with the public interest. It is also
7 a product that needs to be continually updated by
8 modern technology. Whether the service is for the
9 rural line that was on our farm in Dayton, Washington
10 or whether it is on the house we have in Normandy Park
11 where my neighbor is only 60 feet away, that is not
12 important. The importance is that the service is
13 there in whichever location.

14 As our country grew the concept of a public
15 utility developed and grew. Their monopolistic nature
16 in some areas became apparent, and they became
17 regulated and given certificates of convenience and
18 necessity for the public betterment. In the public
19 utilities as in all business you have different kinds
20 of business and competition develop. In this regard I
21 believe we must consider what is best to do for one
22 utility under regulation and law. Has competition
23 developed from unregulated firms that we then need to
24 take that aspect into consideration, because providing
25 the business if one firm or group of firms can come

00579

1 into an area and provide business in the profitable
2 areas of service where you have taken those profits
3 before and used them elsewhere, the original utility
4 must continue with all its -- as we have with U S
5 WEST, they must continue with the requirement they
6 have with their certificate of convenience and
7 necessity.

8 I believe that it is a cost behavior of a
9 public utility firm where economics becomes an
10 important part of the total economic study and
11 regulation of that public utility. In the utility
12 competition you have developed destructive or cut-
13 throat competition especially if all aspects or parts
14 are not subject to the same service and control. This
15 we have developing in cities like Spokane and Seattle
16 where telephone service is available in the business
17 areas which have been profitable, and now it is
18 available also in competition from firms that are not
19 subject to the same legal and pricing requirements
20 that must be met by the firm that holds the
21 certificate of convenience and necessity. If these
22 firms can still -- can sell this business as they wish
23 where in the CNN firm where are they going to get the
24 funds needed to sell and maintain and develop
25 universal service. In insurance, in some professional

00580

1 sports and elsewhere parts of industries, they are
2 required to donate to funds to cover the unprofitable
3 element.

4 In addition, I believe that those
5 uncertificated firms in competition with regulated
6 telephone service firms should also be licensed
7 including taking part in the universal service to the
8 same extent as a regulated utility. Economically, we
9 know that the normal law of supply and demand may be
10 or can be insufficient to correct maladjustments in
11 the market and also detrimental to the community.
12 This can be especially noted if part of the supply
13 side of a product is divided into two parts where one
14 part is subject to governmental control, prices,
15 mandate to provide service and regulation to finance
16 it, and the other part has no regulation in its supply
17 competition and can pick and choose the market as it
18 wishes.

19 I understand that for U S WEST the cost of
20 residential service in this state is about \$26 per
21 month. I've seen the national residential rate for
22 other states. The highest I understand from my
23 figures are Vermont and Ohio state which are about
24 \$22.50 and our competing rate up where we live is
25 \$10.75 and we're 46th in the nation. We have another

00581

1 aspect in this state impairing us, the Vermont and
2 Ohio geographically. We are much larger and a wider
3 spread of our population.

4 There are other aspects of things that I
5 would like to comment. I have some real concern as a
6 business person where you want to bring in the Yellow
7 Pages aspect into the rate structure. I don't think,
8 unless that is directly a part of the company itself,
9 that that should be done. I also believe that all
10 areas should be open to competition, should have the
11 same requirements that they should meet. I believe
12 that in what you decide on you must give a reasonable
13 rate of return because otherwise the company involved
14 is not going to be able to attract the investment
15 that's needed for it to grow in this state.

16 I think you also need to consider that an
17 element to develop of new technology and service
18 because in a city where I am on the water district we
19 had a company fail because they did not do this, the
20 old Normandy Water Company, and they did not replace
21 their water lines and we were asked to come in and
22 make it up and we spent almost \$2 million. I think
23 that the advertising should be a permitted element in
24 the cost and rate structure. How can the public know
25 about the existence and what is available. I think

00582

1 you also have, like we did when I came onto our board
2 in the water district, have a responsible depreciation
3 and those need to be brought into and become part of
4 the actual operations and in the consideration of the
5 rate structure. I think we need to consider in this
6 state what is happening to our growth, in our area.
7 We serve 55,000 people with our water district and
8 just in this 10 years in the first four years of the
9 '90s we have now passed the growth of what we were
10 considered for all of the years of the 1990s.

11 JUDGE STAPLETON: Mr. Rose, can I ask you
12 to sum up, please.

13 THE WITNESS: Pardon me?

14 JUDGE STAPLETON: May I ask you to sum up,
15 please.

16 MR. ROSE: I am completed, thank you.

17 JUDGE STAPLETON: Thank you. Any
18 questions?

19 Thank you, Mr. Rose, for your testimony.

20 MR. TROTTER: I guess our first two
21 witnesses did go over a little bit. Please do your
22 best. Bill Kyle.

23 Whereupon,

24 WILLIAM KYLE,
25 having been first duly sworn, was called as a witness

00583

1 herein and was examined and testified as follows:

2

3

DIRECT EXAMINATION

4 BY MR. TROTTER:

5 Q. Please state your name and spell your last
6 name.

7 A. My name is Bill Kyle, K Y L E. I live at
8 2001 - 19th Drive Northeast, Auburn. I signed up
9 speaking for myself. Actually I will speak on behalf
10 of Superior Insurance Service, Incorporated, which I
11 am the president of.

12 Q. Go ahead.

13 A. I think sometimes when I look at the bills
14 that we pay that we work for the telephone company.
15 That's a generic statement. Now I think as U S WEST
16 and U S WEST Direct, U S WEST Communications,
17 whatever. We spend a lot of money on our telephone
18 bill and advertising. I didn't realize until just
19 recently that one of the reasons that we spend so much
20 money on our telephone bill is that the business lines
21 subsidize residential lines. I wasn't aware of that.
22 I would be happy to have my rate reduced somewhat.
23 The insurance business as you may know -- and I will
24 stay with the five minutes -- the medical insurance is
25 in a great deal of transition and confusion, and

00584

1 apparently beginning in January people can form an
2 association and the association will not be bound by
3 the same rating rules that the insurance company is
4 bound by, and it doesn't seem to make any sense. And
5 the reason I bring that up is because -- actually, I
6 didn't talk to Glen before but he stole my thunder.
7 I'm saying a lot of what he was going to say so I'm
8 going to be repetitive. It would seem to me that
9 Electric Lightwave and Metropolitan Fire should be
10 playing by the same rules that U S WEST is playing by.

11 My next point is again what Glen said. He
12 was much more eloquent. In my business, expenses
13 are business expenses. I don't understand why the --
14 why the telephone company, U S WEST, is not allowed to
15 deduct its cost of publishing the Yellow Pages of
16 providing -- excuse me, refer to my note here; I lost
17 my place -- why the money that's being invested to
18 restructure business is not a business expense and why
19 advertising is not a business expense and why the U S
20 WEST is not allowed reasonable depreciation, and that
21 concludes my comment. Thank you.

22 JUDGE STAPLETON: Any questions of the
23 witness?

24 Mr. Kyle, thank you for your testimony.

25 MR. TROTTER: Donald Petersen.

00585

1 Whereupon,

2 DONALD PETERSEN,

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

4 herein and was examined and testified as follows:

5

6 DIRECT EXAMINATION

7 BY MR. TROTTER:

8 Q. Please state your name and address for the
9 record.

10 A. Thank you for this opportunity to appear
11 before the Commission and the staff and the
12 administrative law judge. My name is Donald F.
13 Petersen, P E T E R S E N. I reside at 423 Ranger
14 Drive Southeast. Either Lacey or Olympia, Washington
15 98503 will do since that address is really in rural
16 Thurston County. I am here to speak on my own behalf.
17 Though I am a member of the American Association of
18 Retired Persons and on the state legislative committee
19 of that organization and also serve as coordinating of
20 the capital city task force, the views I present
21 today will be those of my own, however.

22 I am here as a concerned individual,
23 citizen, to protest the proposal by U S WEST
24 Communication to increase residential telephone
25 service rates by my calculation in my case about 257

00586

1 percent over the next four years from \$10.25 per month
2 to \$26.35. As a concerned consumer I have read and
3 attempted to understand the information provided to
4 its customers by U S WEST to explain and justify this
5 increase in their residential rates, as well as I have
6 followed this issue in the media and also have read
7 the information provided by the association of --
8 American Association of Retired Persons in regards to
9 this rate rebalancing case. I have seen nothing that
10 convinces me that the U S WEST claim that residential
11 rates are subsidized by other services are correct. I
12 believe the staff and the public counsel are correct
13 in their conclusion that this is not the case, that
14 residential rate costs are covered by the current
15 rate. So I would urge the Commission to reject this
16 unfounded claim of subsidy. I support their
17 conclusion that the request is not justified and
18 should not be approved.

19 Let me elaborate just a little bit more on
20 the U S WEST claim that the cost of providing local
21 telephone services is well over \$20 a month. All it
22 seems to be is a matter of accounting, and perhaps to
23 give some justification for my talking on accounting
24 matters, I am a graduate of the University of
25 Washington with a degree in business administration, a

00587

1 magna cum laude. I also served considerable time on
2 the staff of the legislative budget committee
3 including six years as legislative auditor with being
4 charged with making a number of studies in terms
5 of economy efficiency, effectiveness and safe
6 government. I am advised that the U S WEST studies
7 allocate all the costs of the local loop, the line
8 from my house to the central office, to basic local
9 services. A lot of other services besides basic local
10 use do use this local loop but are not allocated any
11 of the costs. So I feel that if you use normal cost
12 accounting allocations that existing residential local
13 rates do cover their costs and therefore should not be
14 increased.

15 Also, I understand that based on the last
16 rate order that the Commission made that U S WEST is
17 over achieving their revenue rates and we also are --
18 I'm quite comfortable with the staff and public
19 counsel's conclusions that rather than increasing
20 rates that you should consider perhaps some reduction
21 in line with the previous conclusions and in terms of
22 their revenue needs. Also, I'm uncomfortable with
23 the U S WEST proposal to have this rate zone one and
24 zone two. This would -- I would suggest that this may
25 put an unfair burden on rural consumers and this is

00588

1 the first time I began to think of Olympia and a
2 number of other places being that rural. Yakima,
3 Everett and Olympia, they're usually calling us urban
4 areas now, and the Commission's current policy to
5 average all this on a statewide basis I think has
6 something to be said for it.

7 U S WEST proposed rate increases would also
8 have a detrimental impact in the Washington telephone
9 assistance program which provides help for low income
10 consumers in affording telephone service. I would be
11 very uncomfortable if the staff is correct that if
12 this rate increase requested by U S WEST were approved
13 that it would bankrupt this program in two years.
14 of service quality. As a consumer of course I feel
15 they should make a fair and adequate return but I
16 think the rates of return proposed by all the parties
17 are more than adequate.

18 To sum up, I would urge you to reject the
19 U S WEST proposal to unfairly increase residential
20 rates by as much as they're proposing. I am
21 satisfied that their current rates adequately cover
22 their real residential service cost and that no
23 subsidy exists. I wish also to emphasize that for
24 better or for worse they have made us dependent on
25 access to telephone services. It's urgently needed by

00589

1 senior citizens and all persons of any age that are
2 subject to disabilities. The areas are emergency
3 help, needed medical services, social contacts. Oh,
4 for example, my 90 year-old mother is trying to stay
5 independent and live in her own home but without the
6 availability at a reasonable cost of lifeline services
7 so she could call for help that would no longer be
8 possible -- I don't think that would be possible.
9 There's been a long standing public policy, as I
10 understand it, to promote universal public access to
11 telephone services at fair and affordable prices. I
12 urge the Commission to endorse, continue, reserve and
13 protect this policy for the public good. Thank you.

14 JUDGE STAPLETON: Are there any questions
15 of the witness?

16 You may step down, Mr. Petersen. Thank you
17 for your testimony.

18 MR. TROTTER: Your Honor, with your
19 permission I would undertake to notify the witness
20 just with the words "one minute" when there's one
21 minute left of the five minutes left.

22 JUDGE STAPLETON: If you would, please, Mr.
23 Trotter.

24 MR. TROTTER: Richard Hawkins.

25

00590

1 DIRECT EXAMINATION

2 BY MR. TROTTER:

3 Q. Please state your name and spell your last
4 name.

5 A. My name is Richard W. Hawkins, H A W K I N
6 S. Address, 5321 South Island Drive, Bonney Lake,
7 Washington, 98390.

8 Q. Are you speaking on your own behalf today?

9 A. Yes, I am.

10 Q. Go ahead.

11 A. I am speaking about the poor quality of
12 service that I received from U S WEST. We moved into
13 the area on the 7th of August. Approximately two to
14 three weeks prior to that we called U S WEST to
15 request telephone service be established around the
16 8th or 9th of August. Finally by the 12th of August
17 -- 12th of September, five weeks after we had asked to
18 have service connection, we finally got service
19 connection but that was after going through the
20 complaint system, coming through the Utility
21 Commission here, and the representative of the Utility
22 Commission helped work the situation out for us.

23 My wife took a job within the area here
24 with the prerequisite that we have phone service.
25 She's in the medical field. She and her doctor are

00591

1 the only two that are on medical call after hours. We
2 had to rely on cellular phone service through that
3 period. Now, for the first six months prior to the
4 move I averaged out what our phone costs were. \$46 a
5 month for cellular, approximately \$145 for local and
6 long distance service. Five weeks on cellular phone
7 it ran \$499. We did also have to pay \$93 a month or
8 thereabouts for the long distance service on top of
9 the cellular service. That was not -- in fact I
10 decreased my usage. My wife maintained about the same
11 usage she had. We didn't change our lifestyle too
12 much for that. Our cellular phone service now is down
13 to \$35 and our local long distance service is about
14 \$125. We had a significant financial impact for the
15 five weeks that we were put out of service.

16 I was in the military. We've had 16 new
17 phone connections through my military life. 15 of
18 those we had service within one to two days of moving
19 into our new residence. This is the first time that
20 we've had to wait five weeks, is totally
21 unsatisfactory.

22 Talked to my father about it. He's in
23 Arizona. He sent me clippings from the Arizona
24 Phoenix paper. That paper is carrying a series of
25 articles about lack of service from U S WEST across

00592

1 all the states that they serve. My problem isn't
2 unique. Things I would ask for consideration is those
3 that are put out because of lack of service be
4 reimbursed. Encourage more competition for
5 residential, telephone service beyond U S WEST, and I
6 would highly encourage the Commission if you haven't
7 already to talk to and work with the other state
8 commissions that regulate U S WEST and see if we can
9 come up with a common story line on maybe a common
10 procedure on how to work with U S WEST so that
11 customers get good service, U S WEST makes a
12 reasonable profit and assure that any incompetency
13 within U S WEST be weeded out. Thank you.

14 JUDGE STAPLETON: Any questions of the
15 witness?

16 CHAIRMAN NELSON: Mr. Hawkins, I would just
17 like to tell you that the 14 state commissions in U S
18 WEST's service territory actually do meet twice a year
19 to try to work on some of these quality service
20 issues.

21 THE WITNESS: Thank you.

22 JUDGE STAPLETON: Thank you for your
23 testimony.

24 MR. TROTTER: Arnold Livingston.

25 Whereupon,

00593

1 ARNOLD LIVINGSTON,
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.

9 A. Arnold Livingston, L I V I N G S T O N.

10 Q. Your address?

11 A. E 460 Beal Road, Shelton 98584.

12 Q. Who are you speaking on behalf of today?

13 A. I'm speaking on behalf of the senior
14 citizens lobby and some other clients that we're
15 concerned about that can't be here because they're in
16 school.

17 Q. Go ahead with your statement.

18 A. We're concerned as seniors. We're against
19 the proposed rate increase as seniors. The seniors
20 are some very poor, very proud people. There's others
21 that probably have stock in U S WEST. We cannot
22 pay any more these certain proud people. We're also
23 concerned about -- many years ago we testified and we
24 came to a concurrence with legislative bodies,
25 telephones are a necessity, not a luxury. I'm using

00594

1 911.

2 Also another thing that's probably come up
3 in your hearings, there are seniors very loan some
4 living alone, very lonesome. There's a lot of
5 problems besides a rate increase. Scam artists.
6 That's a problem there.

7 We're also concerned as seniors, all of
8 us, we pay a telephone bill at home each and every
9 month. We're also concerned, and we brought this up
10 to the legislature a number of years back, the biggest
11 users of telephones are the government, local, state,
12 federal and so forth. We are also taxpayers who pay
13 that bill. We are part of the government. We get hit
14 once more. We are concerned about businesses, small
15 businesses. They get increased. We agree that they
16 should make a reasonable profit. That increase,
17 sometimes their profit is tacked on a little increase.
18 We also pay that. There's a limit to what we can pay.
19 We're concerned about children. We have many seniors
20 now. There's three and four generations. We have
21 seniors 96 years old I talked to. I talked to a
22 lady yesterday. Her number is 93. She's taking care
23 of herself, too. Good. We're also taking care of a
24 lot of our grandchildren. I mentioned children. A
25 phone is very important to working -- poor working

00595

1 people. 911 so forth and so on. The reason I'm
2 concerned so much about these people -- and I
3 mentioned working poor. I think it's a disgrace to
4 all of us that people with four children, two
5 children, a family, have to work and get food stamps
6 to survive. This happened in Pierce County, Fort
7 Lewis. The lower ranking people are paid so little
8 with three kids. Some of them are defense people.
9 This is a shame to all of us. Have to be paid and get
10 food stamps to survive.

11 Q. One minute, Mr. --

12 A. Pardon?

13 Q. One more minute, sir.

14 A. I think I will conclude my program. Thank
15 you very much. I'm sorry, I have two hearing aids and
16 one is not working.

17 JUDGE STAPLETON: Are there any questions
18 of the witness?

19 CHAIRMAN NELSON: You did fine.

20 JUDGE STAPLETON: Thank you, Mr.
21 Livingston, for coming today.

22 THE WITNESS: Thank you.

23 MR. TROTTER: Vince Calloway.

24

25

00596

1 DIRECT EXAMINATION

2 BY MR. TROTTER:

3 Q. Please state your name and spell your last
4 name.

5 A. My name is Vince Calloway, C A L L O W A Y.
6 My address is 8304 19th Avenue Court East in Tacoma,
7 98404 and I work for Northwest Rain Net.

8 Q. What is that business?

9 A. We're an Internet service provider. Very
10 large U S WEST customer.

11 Q. Go ahead.

12 A. Couple of things. One has to do with the
13 restructuring of U S WEST. What we found over the
14 last nine months is that the restructuring seems to be
15 an elimination of anybody that knows what they're
16 doing. We have problems now, and we have network
17 circuit, we have phone lines, hundreds of phone lines
18 in the region. With the network circuits we used to
19 be able to make a telephone call and get whatever was
20 wrong resolved pretty quickly. That telephone call
21 goes to Minneapolis. Nobody here knows anything, and
22 in Minneapolis we have one person now that can
23 fix anything if something goes wrong and unfortunately
24 she's very seldom there any more.

25 As far as our telephone lines go, right now

00597

1 we have an issue. We need to install about 300 more
2 phone lines and we're trying to not put them in U S
3 WEST for the fact is we have enough problems with the
4 ones we have now. We'll place an order and the order
5 may or may not get done right away or even get done
6 right.

7 A few months ago U S WEST told us we
8 couldn't sell any more T1s because they didn't have
9 any more facilities. A T1 is a large band width data
10 line. During that time they managed to install two
11 more in my office that didn't work. So trying to keep
12 track of what they're doing has been pretty difficult.
13 As I said, we are a fairly large customer, and when we
14 do have problems -- I called U S WEST service a few
15 months ago, told them that we had phone lines that
16 didn't have enough current to hold a carrier on a
17 modem and they said, well, we can fix that but we're
18 going to charge you several hundred dollars to do
19 that. And I tried to explain to them that it's not
20 within spec and it falls on deaf ears that it's not
21 their problem. These are the kind of issues that we
22 seem to face.

23 Our customers have the same problems. They
24 will have problems with noise on a phone line which
25 for data service, just a normal household modem,

00598

1 generic stuff, any type of noise on a phone line
2 throws a modem off line. They disconnect. We have a
3 tremendous number of residential customers that seem
4 to have a lot of problems with noisy phone lines, and
5 U S WEST, their response is, well, we can check it
6 but their check usually means some guy in a terminal
7 central office takes a look at the line to see what's
8 there. Nobody ever actually goes out and tests a
9 line. That very seldom happens. That's pretty much
10 all I have to say. The owner of Rain Net is going to
11 be speaking later. He has some more issues.

12 JUDGE STAPLETON: Any questions?

13

14 EXAMINATION

15 BY COMMISSIONER HEMSTAD:

16 Q. How many lines do you have?

17 A. In U S WEST I'm not certain of the count
18 but I believe it's around 120 in our Tacoma facility.

19 Q. How many more did you say?

20 A. We're going to bring in another 300 and we
21 need to bring them into Tacoma and we're go a block
22 away from the central office and U S WEST has told us
23 that they may not be able to supply them.

24

25

00599

1 EXAMINATION

2 BY CHAIRMAN NELSON:

3 Q. Did you say you were going with a
4 competitor?

5 A. Well, we have redundant networks built.
6 One of the problems we have with U S WEST is with our
7 T1 circuits, they tend to go down a lot and for the
8 type of business we're in we can't have downtime. So
9 what we've done is some of the independent telephone
10 companies are also in the same dialing areas as U S
11 WEST and what we do is we place redundant links with
12 those sites because we have zero downtime with them
13 and that's also where we're going to be building our
14 new phone lines.

15 Q. So someone like Yelm or --

16 A. Uh-huh. I don't want to say too much
17 because some of this is proprietary.

18 Q. Understood. Is Rain Net associated with
19 any other provider that you're aware of? Are you a
20 stand-alone company?

21 A. We are a stand-alone company.

22 Q. Have you been surveyed by U S WEST about
23 service quality?

24 A. As far as service quality not that I am
25 aware of. We had one issue. The T1 that's in my

00600

1 personal office, we had some serious problems with
2 downtime, and after several complaints they told us it
3 was our hardware. We replaced our hardware, still had
4 downtime. We asked them to do a stress test on the
5 line which is a way of really hammering on the
6 equipment to make sure it works. They came out and
7 did it, said they couldn't find anything wrong but
8 miracuouly the problems went away but they're
9 claiming it wasn't their fault.

10 JUDGE STAPLETON: Thank you for your
11 testimony, sir.

12 MR. TROTTER: Arnie Bush.

13 Whereupon,

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

17

18 DIRECT EXAMINATION

19 BY MR. TROTTER:

20 Q. Please state your name, spell your last
21 name.

22 A. My name is Arnold Bush, B U S H. I reside
23 at 7702 - 54th Avenue Northwest in Gig Harbor.

24 Q. And your affiliation?

25 A. My affiliation is owner of Northwest Rain

00601

1 Net.

2 Q. Go ahead with your statement.

3 A. Mr. Calloway has already stated the basis
4 of the problem, which is the availability and quality
5 of the service that we obtain from U S WEST. Our
6 business is reliant almost 100 percent on the
7 availability of quality telephone services. Give you
8 one example. We had a customer in Seattle who began
9 as a T1 customer, and Vince described what that is.
10 But it's a very large band-width line which we resell
11 and offer Internet services to or through. This
12 customer has since become what would have been for us
13 about a \$30,000 a month customer. Because of the line
14 quality between the Tacoma and Seattle switches the
15 customer moved to someone else.

16 Some of the issues that we face on a daily
17 basis are the install times that it requires to get
18 T1's or even regular telephone lines installed. We
19 have lines or orders pending right now that are as
20 much as 90 to 120 days since the order was placed. We
21 continually get told there are no facilities
22 available. In the case of one order there were
23 facilities that had been installed previously and had
24 been disconnected about a week before we placed the
25 order and were told there were no facilities there.

00602

1 And this is what we typically find with U S WEST.
2 What we get -- when we finally get ahold of someone
3 who will talk to us, which is usually in Minneapolis,
4 is something to the effect of we've run a test on the
5 circuits and we can't find anything wrong. The
6 customers, however, continue to get dropped.

7 The service quality is terrible. We lose
8 customers and they eventually go somewhere else.
9 We've had absolutely no luck in getting these issues
10 resolved. In the case that I just spoke to you about
11 we requested records of trouble tickets from U S WEST
12 on those circuits. They told us that was proprietary
13 information, none of our business. We have yet to be
14 able to get any kind of records to pursue any action
15 against U S WEST in this case.

16 An interesting comment that another
17 individual made earlier today was about the Yellow
18 Pages. Wanting to know why U S WEST couldn't write
19 the cost of that off. Well, I have a real problem
20 with that. Our Yellow Page advertising runs us about
21 \$24,000 a year just to cover the Seattle/Tacoma/
22 Olympia area with quarter-page ad. Doesn't sound like
23 there's anything but profit in that to me.

24 One of the real big issues for us that
25 bothers me tremendously is the fact that our service

00603

1 is delivered over telephone lines. When there's a
2 problem with the telephone lines that reflects on us,
3 not on U S WEST. The customers will not believe that
4 U S WEST could be having a problem. It's impossible
5 for us to convince them, and that was the issue with
6 the \$30,000 account that we lost. So our business is
7 dependent entirely upon the quality of service that
8 U S WEST provides.

9 There's another major issue that reflects
10 directly upon their request for rate increases and
11 that is that our service also depends upon having an
12 inexpensive home residence service available in order
13 for people to afford to be able to access our service.
14 If these rates are allowed, that's going to affect our
15 business and about 50 other similar businesses in this
16 region.

17 Q. One minute.

18 A. Thank you. My concern here, and my
19 suspicion, is a lot of these rate increases, a lot of
20 the problems that we are facing the difficulty with
21 getting service, with getting repairs, with orders
22 being cancelled without being asked to, the billing
23 problems that we experience, I believe there's a
24 hidden agenda here. I believe that U S WEST is
25 deliberately causing problems for ISP's with the

00604

1 intent of competing with us themselves in the very
2 near future. Thank you.

3 JUDGE STAPLETON: Are there questions for
4 the witness?

5 CHAIRMAN NELSON: Yes.

6

7 EXAMINATION

8 BY CHAIRMAN NELSON:

9 Q. Mr. Bush, when you say the \$30,000 account
10 moved to someone else, do you know how the someone
11 else provisions?

12 A. They're now going through another carrier
13 for their local loop.

14 Q. Thank you.

15 JUDGE STAPLETON: Further questions?

16 MR. SHAW: I have one.

17

18 CROSS-EXAMINATION

19 BY MR. SHAW:

20 Q. Mr. Bush, when you order a telephone
21 service from the company other than T1 -- I'm talking
22 about the local exchange service -- what do you order?
23 Lines from the central office to your location or
24 lines from your end user customers to your location?

25 A. We do both.

00605

1 Q. And do you order residential service
2 connected to your location?

3 A. We don't place orders for residential
4 service, no.

5 Q. Do you buy business rated service?

6 A. We do.

7 Q. For all of your incoming service do you buy
8 measured business --

9 A. Yes, we do.

10 Q. -- exchange service?

11 A. Yes, we do.

12 MR. SHAW: Thank you.

13 JUDGE STAPLETON: Mr. Bush, thank you for
14 your testimony.

15 MR. TROTTER: Jim Myers.

16 Whereupon,

17 JAMES MYERS

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. My name is James Myers, M Y E R S. I

00606

1 reside at 180 South Old Flagler Road in Port Hadlock,
2 98339.

3 Q. Are you speaking on your own behalf today
4 or a group?

5 A. No. I represent Jefferson County on the
6 enhanced 911 coordinator for Jefferson County.

7 Q. Go ahead.

8 A. My remarks basically are directed at the
9 quality of service that is provided by U S WEST. In
10 their defense I have to say -- well, as the Commission
11 knows, the entire state is in the process of going
12 through an enhanced 911 implementation project.
13 Jefferson County has completed that process. In fact,
14 yesterday was our anniversary of our implementation
15 first year. And in defense of U S WEST I have to say
16 that during the implementation process we were quite
17 satisfied with their service and their assistance in
18 completing our project. They were more than helpful
19 during that process. The problems we have encountered
20 have occurred after implementation of E911. It seems
21 that U S WEST's interest in our project waned
22 significantly after implementation.

23 As a result, a couple of incidents that
24 have occurred have concern us. One is the fact that
25 Jefferson County has been overbuilt to the tune of

00607

1 almost 10,000 on enhanced 911 charges. There were
2 four lines that should have been disconnected, or the
3 lines in fact were disconnected as I understand.
4 However, this information wasn't transmitted to the
5 billing department so we continued to be billed for a
6 period of nearly six months for four lines that we
7 weren't using.

8 Secondly, there were four other lines that
9 we were being double billed for during that same
10 period of time. We discovered this error at a mid
11 year budget review in June. It took us some time to
12 run down exactly where the overcharges lay, and once
13 that was done it has taken us nearly five months to
14 get a resolution to the problem. We have been
15 promised a credit for the charges on four of the lines
16 and a refund for the other four lines. As of about
17 two weeks ago we finally received the credit on four
18 lines and we have yet to receive a refund for that
19 additional money, which is about \$5,800 as I recall.

20 Our concern is that it has taken us so long
21 -- well, first that the incident happened in the first
22 place but, secondly, that it has taken so long to
23 resolve this issue. Even once U S WEST recognized
24 there was a problem it's taken some time for us to get
25 this resolved and, as I say, we are still waiting on

00608

1 the refund for the -- on the one issue.

2 The other thing that concerns us is an
3 incident that happened on September 6 in which we had
4 a complete failure of the telephone system including
5 the enhanced 911 system for a period of about 30
6 minutes. The entire service area for the Port
7 Townsend central office had no telephone service
8 including cellular service. So there wasn't --
9 literally no telephone service in that service area
10 for a period of about 30 minutes.

11 Q. One minute.

12 A. We called U S WEST to inquire as to what
13 had occurred. I was told they had no record that any
14 such incident had occurred. It took about two days to
15 finally run down what the problem was. The
16 explanation I got was that they had a generic --
17 apparently they have generic updates to their main
18 frame computer at the central office. They had put
19 these tapes on the system to update it. It was a two
20 tape system. The first tape worked fine. They put
21 the second tape on. Assuming it was going to work
22 fine they walked away. Apparently there was a defect
23 in the tape. When the computer recognized the defect
24 it shut down the entire system and at that point there
25 was no technician there to realize that a problem had

00609

1 occurred, and it wasn't until they returned to the
2 central office that they discovered this was a problem
3 and they replaced the tape and the system came down on
4 line. Our concern is that such a thing can occur and
5 U S WEST had no record that any such thing had
6 happened. They didn't know what happened. It took
7 them two days to run down what the problem was.

8 JUDGE STAPLETON: Any questions of the
9 witness? Commissioner Gillis.

10 COMMISSIONER GILLIS: What was your point
11 of contact that you went through to resolve the issues
12 that you've been dealing with? Did you have a local
13 office or 800 number?

14 THE WITNESS: On the billing issue I dealt
15 with the 911 coordinator at U S WEST in Seattle and on
16 the issue of the system failure with their technician
17 in the Seattle office.

18 JUDGE STAPLETON: Thank you, Mr. Myers, for
19 your testimony.

20 MR. TROTTER: Tom L. Tochterman.

21 Whereupon,

22 THOMAS TOCHTERMAN,
23 having been first duly sworn, was called as a witness
24 herein and was examined and testified as follows:

25

00610

1 DIRECT EXAMINATION

2 BY MR. TROTTER:

3 Q. Please state your name for the record.

4 A. My name is Tom L. Tochterman. I reside at
5 (inaudible) Mill Creek, Washington.

6 Q. Could you spell your last name?

7 A. Yes. It's T O C H T E R M A N. And I am
8 representing myself and also in favor of the U S WEST
9 proposal to reduce and increase rates.

10 Q. Go ahead.

11 A. I am here today, Madam Chair and Judge,
12 Commissioners, I am here today to urge you to for once
13 develop policy that will allow free market economics
14 to determine the rates that I pay for my phone
15 services. As a small business owner in Bellevue,
16 owner and manager in Bellevue, I currently have and
17 use four lines. At my home I have one line and one
18 cellular phone. I understand that with rebalancing my
19 business rates will go down and my home rates will
20 increase. Even though I can generally pass off my
21 business expenses to my customers or my clients, and I
22 can't do that with my home expenses, I still feel that
23 with this rebalance, this is the least of all evils,
24 least of two evils.

25 Looking over my business expenses it's not

00611

1 uncommon to find charges, certain charges for specific
2 transactions, find some that are loss leaders to some
3 of the vendors that I use. On the other hand, certain
4 charges that I incur are what I would consider near
5 gouges for loss leaders that other people have --
6 supporting someone else's purchase of a loss leader.
7 This is not completely dissimilar to what's happening
8 with U S WEST and the phone companies. I pay more
9 than my share of -- I believe I pay more than my share
10 of the true costs of what I consume so that rural
11 areas can indeed have service at an affordable rate.
12 This is not an unreasonable manipulation of costs
13 necessary in a regulated environment.

14 The concern I have is that of the future of
15 reform, my local telephone service provider. I
16 believe they're being forced into financial despair at
17 the benefit of other less regulated nonlocal private
18 service providers. At the heart of this concern is
19 that government regulation is the driver of this. I
20 am very satisfied with the service that I am provided
21 by U S WEST in my business and also with the service
22 provided by GTE at my home. Why must I be forced to
23 change my service in my business or at my home to
24 another provider simply because U S WEST and GTE can
25 no longer afford to make the upgrades and repairs

00612

1 necessary to provide me world class service in the
2 future. Where will be the incentive for U S WEST, and
3 GTE for that matter, to make these upgrades when other
4 companies can basically come into the service area and
5 under different rules and regulations and skim off
6 customers like me, the service buyer.

7 Once again I would urge you to put an end
8 to the preferential treatment offered to companies
9 other than my phone companies. I believe the
10 political climate right now is calling for a
11 deregulation and I believe you want to act in concert
12 with that climate. In any event, I believe the phone
13 companies, specifically mine, are heading for a crash
14 while en route to this issue of deregulation. I think
15 you can help determine how many survivors there are.
16 I think you can help plan for a controlled crash and I
17 hope that I'm not one of the fatalities. Thank you.

18 JUDGE STAPLETON: Any questions of the
19 witness?

20 Mr. Tochterman, thank you very much for
21 your testimony.

22 MR. TROTTER: JUDITH COREBS.

23 Whereupon,

24 JUDITH COREBS,

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

00613

1 herein and was examined and testified as follows:

2

3

DIRECT EXAMINATION

4 BY MR. TROTTER:

5 Q. Please state your name and spell your last
6 name.

7 A. Judith Corebs, C O R E B S, and I'm the
8 associate director of Washington Citizen Action. 100
9 South King Street, Suite 240, Seattle, Washington
10 98104.

11 Thank you for the opportunity to testify
12 today. On behalf of the 50,000 member families we
13 represent I will be testifying against U S WEST's \$205
14 million rate increase request. Under the proposed
15 rate plan before you residential rates will as much as
16 triple by 1999. The question before this Commission
17 is whether the rate base rate of return setting
18 structure warrants such an increase in revenues and if
19 so what the fairest and most economically sound way
20 these revenues could be raised. It's our opinion that
21 U S WEST's allocation of costs and expenses within its
22 base rate proposal are not fairly distributed and lead
23 to an unfair burden on residential ratepayers.

24 First let's deal with the base rate issues.
25 We take issue, first of all, with U S WEST's

00614

1 contention that residential service is priced below
2 cost and join with us who have argued that the
3 company's cost assumptions are just plain wrong.
4 Additionally, we ask you to maintain the current
5 uniform state rate for phone service. Consumers
6 always benefit when the benefits and risks associated
7 with the cost of any service is spread out over a
8 larger rather than a smaller pool of customers. This
9 is one of the up sides of consumers for having a
10 public utility. In exchange for a captive monopoly
11 the utility agrees to have its profits and prices
12 regulated within the public interest. That means that
13 the utility has an obligation to serve rural areas
14 with the potential cost differentials offset by the
15 guaranteed consumer pool promised in area of service
16 contracts. If U S WEST is having trouble competing
17 with other companies attempting to step into the local
18 calling business then they ought to be seeking
19 general rate reductions rather than rate increases.
20 This is in line with the analysis of staff and public
21 counsel.

22 Secondly, we oppose the elimination of
23 Yellow Pages revenue from the inclusion in rate base.
24 Clearly U S WEST shareholders have not historically
25 made the capital investments that made the Yellow

00615

1 Pages profitworthy. Nor is it clear that they will
2 be taking on the investment risks in the future. In
3 our opinion, rate base regulation requires that
4 consumers fully participate in the benefits of their
5 investments since we so clearly participate in the
6 risks. Therefore, the revenue from the Yellow Pages
7 should be dedicated to the rate base as another source
8 of revenue.

9 Thirdly we take issue with U S WEST's
10 accelerated depreciation rates. The depreciation
11 rates set just this past spring by the WUTC ought to
12 form the basis of how consumers are billed.

13 Lastly, we join with others in requesting
14 more information about how U S WEST plans to use \$34
15 million to make its operations more efficient.
16 Obviously consumers ought to have a clear cost benefit
17 analysis before this can be proved. Part of that cost
18 benefit analysis must improve the impact of quote-
19 unquote efficiency efforts on U S WEST workers and the
20 quality of service U S WEST customers receive. And I
21 think there's been plenty of testimony on quality of
22 service. It's just not acceptable for consumers to
23 fund downsizing which both hurts the state's economy
24 and/or quality of phone service.

25 On the issue of rate of return U S WEST has

00616

1 proposed raising its rate of return from 10.53 percent
2 to 10.82 percent. With current annual dividend at
3 \$2.16 a share, it's hard to make the argument that U S
4 WEST is in need of shoring up its position on Wall
5 Street.

6 Q. One minute.

7 A. Seeing that U S WEST's net profit in 1994
8 was \$1.426 billion, a significant improvement over
9 1993, we join with the public counsel's recommendation
10 that U S WEST rate of return be reduced to 9.2
11 percent. Lastly we just want to point out that it's
12 readily apparent that the base rate of return
13 structure is imperative to any analysis of a rate
14 increase or decrease request as it offers consumers a
15 fair price while maintaining the financial health of
16 the public utility. This regulatory tool is now in
17 jeopardy as the bill goes to the president backed by U
18 S WEST which would disallow, outlaw, this Commission
19 from the use of base rate rate of return regulation.
20 We ask you to apply the rate base rate of return
21 regulation to your utmost ability in this case and do
22 everything in your power to save these principles from
23 destruction. It's easy to see U S WEST's agenda here.
24 They just don't want to go through the trouble any
25 more of doing this, of having the public interest

00617

1 analyzed in view of their rates. Thank you.

2 JUDGE STAPLETON: Any questions for the
3 witness? Mr. Hemstad.

4

5 EXAMINATION

6 BY COMMISSIONER HEMSTAD:

7 Q. What is Washington Citizen Action?

8 A. Washington Citizen Action is a statewide
9 nonprofit organization that represents lower and
10 moderate income people on the economic issues that
11 affect them, health care, taxes, utility rates, et
12 cetera. We also are a coalition of 15 senior labor,
13 religious, woman organizations.

14 Q. I was interested in your reference that you
15 represent 50,000 members.

16 A. We have 50,000 dues member paying
17 families.

18 Q. Pay dues to you?

19 A. Pay dues to the organization.

20 JUDGE STAPLETON: Any further questions?

21 Thank you.

22 CHAIRMAN NELSON: One follow-up. Do you
23 lobby in the state legislature?

24 THE WITNESS: Yes.

25 MR. TROTTER: Mark Peterson.

00618

1 Whereupon,

2 MARK PETERSON,

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

4 herein and was examined and testified as follows:

5

6 DIRECT EXAMINATION

7 BY MR. TROTTER:

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

10 A. Mark S. Peterson, P E T E R S O N. And my
11 address is 700 Fifth Avenue, Suite 2300, Seattle,
12 Washington 98104.

13 Q. Who are you appearing on behalf of today?

14 A. I am appearing on behalf of King County and
15 the Information Technology and Telecommunications
16 Association as well as myself. I'm a
17 telecommunications specialist for King County, a
18 position I've had the good fortune to hold for the
19 last 12 years, and wish to testify in this matter
20 regarding issues of great concern to us concerning the
21 grade of service that U S WEST is currently providing.
22 With the reorganization of U S WEST -- and a lot of it
23 is the centralization going to Denver we have seen
24 some trends that have significantly affected the
25 operation of our network which is the network that

00619

1 provides telephone service to the citizens of King
2 County so that they can communicate with their
3 government services, police, health, public works, et
4 cetera.

5 The recent trend has been, as stated by the
6 gentleman from Northwest Rain Net, it seems to get rid
7 of everyone who knows anything. We work with U S
8 WEST. We are a very large Centrex customer. We are
9 very much tied to the central office service just as a
10 residential customer might be. Our network is in
11 excess of 8,000 telephone lines. In some cases we are
12 using T1 interfaces to PBXs and in other cases a
13 direct Centrex connection using a leased D S 3 D S 1
14 high capacity network throughout King County to our
15 various offices.

16 In the recent, let's say, 18 months we have
17 seen a significant degradation in service. One of the
18 things that U S WEST has been implementing is moving
19 the representatives both from the order takers and the
20 repair testers into a large what they're calling a
21 mega center and what we are calling a mega death
22 center. The switch to the mega center is just one of
23 the situations that we see as a degradation.
24 Previously we were able to -- being a very large
25 customer -- we were able to have direct contact with a

00620

1 team of people who knew exactly the design of our
2 network and how to service it. More recently we are
3 given an 800 number to call in. It's very difficult
4 to access anyone who really knows our service, and a
5 recent example in October during an installation of
6 one of our PBXs someone in the central office
7 inadvertently mistyped some code, which will happen,
8 but it took us nearly 12 hours to resolve the
9 situation. We were unable to get ahold of anyone who
10 would take responsibility and carry it forward. The
11 result of that error in code caused the entire King
12 County network to lose connection to our long distance
13 provider for that entire time. That includes our 911
14 center and all of the 24-hour operations that the
15 county operates including on that particular day,
16 unfortunately, the Kingdome during the Mariners
17 playoffs. We concur with Mr. Wolf who stated to U S
18 WEST, clean up your act. I would be willing to
19 provide specific incidents and times and details to
20 Mr. Okamoto or the Commission. I didn't have the time
21 to prepare that today for this hearing but we can
22 certainly document our concerns.

23 We just wish to state that if there is
24 going to be such a significant reduction in service
25 please don't ask us to pay more. The network that

00621

1 King County operates is paid for by taxpayers in the
2 form of property and sales tax and many of those
3 people are the working poor and the elderly, and so we
4 also have a great concern to keep the cost of our
5 network down because we represent those people, those
6 hard working people. Thank you.

7 JUDGE STAPLETON: Any questions for the
8 witness? Mr. Smith.

9

10 CROSS-EXAMINATION

11 BY MR. SMITH:

12 Q. Just one. Mr. Peterson, when you referred
13 to the company's representatives going to mega
14 centers, were you referring to different cities or a
15 different organizational structure or something else?

16 A. It's a different organizational structure.
17 At this point when we call in during the business day
18 we are still routed to a group in Seattle. If it's a
19 problem that comes up after the business day is
20 concluded or during the weekend it's anyone's guess
21 where we might end up. We ended up having to call
22 Denver. The person from the 911 center who was trying
23 to get long distance service restored that particular
24 weekend was routed all over the map, the 14-state
25 region, and ended up talking to someone in Denver who

00622

1 had no idea what we even were.

2 JUDGE STAPLETON: Chairman Nelson.

3

4 EXAMINATION

5 BY CHAIRMAN NELSON:

6 Q. Mr. Peterson, when you started out you said
7 you were also representing an association?

8 A. The Information Technology and
9 Telecommunications Association.

10 Q. What is that?

11 A. That's a group of businesses and large
12 organizations, large users of telecommunications
13 services. It's formerly known as the TCA. We
14 recently got a name change.

15 Q. I know that name. If you would provide
16 in writing both to the company and Mr. Trotter the
17 detail you have, that would be very useful, I think,
18 to our record.

19 MR. TROTTER: We'll make it part of our
20 ratepayer letter exhibit.

21 A. Gladly.

22 JUDGE STAPLETON: Anything further?

23 Mr. Peterson, thank you for your testimony.

24 MR. TROTTER: George F. Tyler.

25 Whereupon,

00623

1 GEORGE TYLER,
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. Welcome back, Mr. Tyler. Please state your
8 name and spell your last name.

9 A. My name is George F. Tyler, T Y L E R. I
10 reside at 726 Oak Crest Court Southeast out in rural
11 Thurston County. My mail comes from Olympia, 98503.

12 Q. Speaking on your own behalf today as a
13 ratepayer?

14 A. I'm speaking for myself as a subscriber.

15 Q. Go ahead.

16 A. I'm a residential subscriber who uses just
17 residential phone. I may do a few long distance
18 calls. Call my son and daughter-in-law and their
19 family in Marysville several times a week. We speak
20 to my son-in-law and daughter who are in the military
21 stationed in Arlington, Virginia two or three times a
22 month. I have a number of long distance calls to
23 Seattle or Tacoma, Portland. I am opposed to the rate
24 increase proposal for residential subscribers and for
25 those of us in rural areas.

00624

1 I would like to state that I am a retired
2 Air Force NCO who started out as military career in
3 the Army Signal Corps and remained to do
4 communications and electronic maintenance for my
5 entire military career. So I am acquainted with the
6 technical aspects and services that the company
7 mentioned in the brochure which they kindly sent me on
8 these things. And I know that some of them are highly
9 technical equipment and highly specialized. Some of
10 them are extremely expensive, I know, and could easily
11 become stranded investments. They are, however, no
12 services that the ordinary residential customer like
13 me would need or use, so the costs of those services
14 in my opinion should be borne by the businesses or
15 other users, and I request respectfully that the
16 Commission determine the costs of these services for
17 addressing the rates, the schedules that they are to
18 develop. These are in my opinion business costs, or
19 special costs of specialized services.

20 I know that these costs should include the
21 costs of communication modems or fax machine users,
22 and I might state that in my -- I work for the state
23 of Washington general administration, and I have to
24 call long distance to Portland or Seattle or other
25 places and I have been told on occasion when noise

00625

1 came on the line by the other end of the line, oh, our
2 fax machine came on or somebody is using the modem, so
3 I know these things can cause an interference. I also
4 know that modems in residential homes can cause
5 interference because I've had that experience here
6 locally. I recognize what the problem is.

7 In recent days I've heard the report that
8 U S WEST is attempting to restructure itself into two
9 companies or something so that they can spin off
10 certain assets, this Yellow Pages, some other
11 profitable assets so that these will no longer show up
12 in revenues that they will have to base their requests
13 for rate increases. This is something similar to what
14 Puget Power did a few years ago when they spun off
15 their real estate which public counsel is aware of,
16 and also Burlington Northern Railroad spun off as
17 Burlington Resources, tremendous assets that they held
18 in timber rights, mineral rights and that so that they
19 would not show up in their ratemaking base for
20 revenues. And I request that the Commission staff
21 determine how much this will be so that we as
22 residential customers are not going to be burdened
23 with additional cost of that.

24 Q. One minute.

25 A. As far as I'm concerned service quality for

00626

1 me in general has been good. Other than if I noted
2 and causes. If you have any questions I will be glad
3 to have them.

4 JUDGE STAPLETON: Any questions for the
5 witness?

6 Mr. Tyler, thank you for your testimony.

7 THE WITNESS: Thank you.

8 MR. TROTTER: Douglas Hugh Dix.

9 Whereupon,

10 DOUGLAS DIX,

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. Please state your name and spell your last
17 name.

18 A. My name is Douglas Hugh Dix, last name is
19 spelled D I X. My home residence is 21002 Edwards
20 Road East, Sumner, Washington.

21 Q. And you're speaking on behalf of whom?

22 A. Well, essentially myself but as I will
23 explain here in a moment I am a publisher of a
24 newspaper that covers the communication industry as a
25 niche paper, so by extension I think you could say I'm

00627

1 also testifying on behalf of my many subscribers. The
2 newspaper of which I speak is Communicating newspaper
3 which I think most of you are familiar with. I've
4 done studies and interviews with the commissioners and
5 write about this on a semimonthly basis having to do
6 with trends in the industry.

7 My interest in being here today is to both,
8 I think, praise the WUTC for recent developments
9 which I feel has created an environment here in the
10 Pacific Northwest that is tremendous as an area of
11 advancing communications on a worldwide basis. I
12 think that we could say that the -- if the metaphor
13 that we're on the threshold of a communications
14 revolution, Seattle is recognized as an area and I
15 should say Puget Sound by extension as a hub
16 potentially of this communications revolution. Much
17 of the praise really does go to the WUTC for creating
18 an open, competitive environment, atmosphere, that
19 creates an opportunity for many businesses to start
20 establishing competitive services in the business
21 sectors of the greater Puget Sound area. Recently
22 Reed Hunt when he visited the area called this the
23 bullseye of the communications revolution.

24 As an example, Internet providers that I am
25 in touch with have indicated that recent statistics

00628

1 show that Seattle leads the world literally in
2 Internet connections per capita. We also have the
3 most Internet providers per capita. The greater Puget
4 Sound area is a switching center, joins five other
5 areas. There's one of five including New York,
6 Ruston, Virginia; Santa Clara, California; Portland,
7 Oregon, and Seattle as a hub switching area.

8 Reason I'm saying these things is simply
9 this. What you have created as an environment is
10 essential to continue, and to make this continuity
11 move forward it is absolutely essential that we have a
12 strong presence of local exchange carriers including
13 U S WEST, especially. But also of course General
14 Telephone and many of the other local exchange areas,
15 carriers. Right now today when we look at deployment
16 of communications throughout the area, we think in
17 terms of resident services, as you've heard many of
18 the earlier people testify. In addition to that,
19 however, the need is for a maximum deployment of mid
20 broad-band services, and in that area especially ISDN,
21 which is, as you know, integrated services digital
22 network facilities, ISDN deployment, especially led by
23 U S WEST as they already have and General Telephone,
24 will enable this area to continue to be, I would say,
25 the Florence of the communications renaissance if we

00629

1 wish to use that analogy.

2 Now, I could say a lot more. I do say that
3 right now Communicating has a subscriber list of
4 almost 20,000 business users. We're in the top 20
5 business and trade publications throughout the Pacific
6 Northwest. I am truly surprised to hear the testimony
7 indicating poor service results for U S WEST. On
8 occasion in my newspaper I have asked for testimony --
9 excuse me -- I've solicited reader responses, how is
10 your service and so forth and generally I've had very
11 few complaints from readers or anything else. Now,
12 these of course are businesses but, nonetheless, I
13 truly am surprised to hear the reports this morning of
14 service degradation to the extent that we hear it.

15 I really believe that ISDN as a service
16 deployment needs to be the focus for U S WEST in the
17 future, and they need to earn a rate of return that
18 makes us a comfortable environment for them to do
19 business. Just as the competitors say, hey, this is a
20 great place to do business, so should U S WEST be able
21 to say the same thing and of course General Telephone
22 and the other exchange carriers.

23 Q. One minute.

24 A. Okay. If I were to suggest consideration
25 by the -- in terms of rate setting I would suggest an

00630

1 ISDN average rate base -- which right now is about
2 \$63. If you want to do average pricing I would maybe
3 drop that down to a range of \$30 to \$40 per residence
4 and maybe considering buffering it up to maybe \$80 or
5 \$100 per business connection. Rates in that range
6 would make ISDN deployment a huge positive development
7 in creating this as truly the mecca of the
8 communications revolution for the entire globe. So,
9 thank you. I guess that's it.

10 JUDGE STAPLETON: Chairman Nelson.

11

12 EXAMINATION

13 BY CHAIRMAN NELSON:

14 Q. Mr. Dix, it's interesting that you mention
15 ISDN, and I would just like to probe that a little
16 bit. A few years ago the Commission had kind of what
17 we call bully pulpit hearing at the behest of -- it
18 was then Electronic Frontier Foundation, I think it
19 was, was pushing ISDN as a bridging technology toward
20 broad-band network. And at that point neither U S
21 WEST nor GTE were interested in providing the
22 technology and said so quite out loud.

23 Now, recently at a regional oversight
24 committee hearing we have heard that the company once
25 again is interested in providing the technology and

00631

1 will seek to do so, I guess, rather aggressively, but
2 the Commission has had as a philosophy to try to avoid
3 micro managing anybody's technological choices, so
4 when you say we should try to encourage this, how do
5 you think the Commission could, quote, encourage, end
6 quote?

7 A. Well, it's interesting you brought up
8 ISDN. Just as an aside, in my previous life before
9 starting Communicating about four years ago I took an
10 early retirement from AT&T, and I was the general
11 business manager for AT&T for a number of years and I
12 was their featured speaker to go out and talk on ISDN,
13 and back in those days, in the mid '80s especially, I
14 used to say, well, ISDN stands for "I Still Don't
15 Know" because it was such a high development type
16 industry and technology. It's fast emerging and I
17 think where you can help -- get back to your specific
18 of encouraging U S WEST -- is to encourage the
19 environment wherein they can earn an adequate rate of
20 return to make the investment in ISDN technology,
21 understanding that that includes both switching
22 technology and central office as it involves some form
23 of fiberoptic services or, say, high compression data
24 signaling to fiberoptic services at the local end and
25 this kind of thing. So there's a lot of facilities

00632

1 that need to have investment capital, so my advocacy
2 is create a rate of return environment where U S WEST
3 and General Telephone and other local exchange
4 carriers feel they can earn adequate rates of return
5 to make ISDN viable, especially in remote areas.

6

7

EXAMINATION

8 BY COMMISSIONER HEMSTAD:

9 Q. You referenced a suggested price for ISDN
10 and I don't have in front of me the current price.
11 Are you suggesting that those prices would reduce the
12 current rates for ISDN?

13 A. Well, right now the connection on ISDN is
14 approximately \$63 a month. I'm talking about an
15 ISDN single line connection which gives about 64 CCC,
16 is the way U S WEST describes it, but it's 64
17 kilobyte wide-band facility connection which is very
18 adequate, say, in a medium band-width configuration.
19 Now, that's \$63 for either residence or business. My
20 advocacy -- and here again I've really spoken to a lot
21 of my own constituents in Communicating who are both
22 business users and Internet providers and advertisers,
23 and so forth, and all of them are pretty much of the
24 opinion that if ISDN rates could be made a little more
25 competitive for residence, say in the \$30 to \$40 range

00633

1 you would have greater development in that area, and
2 say if businesses were up maybe \$80 to \$100 or so that
3 would probably be palatable also.

4 So these are just ballpark ranges. I think
5 the important thing is create the environment where U
6 S WEST can earn an adequate rate of return to just
7 investing, realizing this, that U S WEST, as any
8 company, has choices. They can come to Seattle,
9 perceived to be the Florence of the renaissance
10 revolution as it were, or they could go someplace
11 else, maybe Portland as an example. Well, you've
12 right now created such a positive environment that
13 many of these other companies, ELI, TCG, et cetera,
14 are investing millions of dollars in facilities here.
15 The same thing should also apply to U S WEST and
16 General Telephone and the local exchange carriers.
17 It's vital that they all participate. Let's put it in
18 that context.

19 JUDGE STAPLETON: Further questions?

20 Mr. Dix, thank you for your testimony.

21 THE WITNESS: Thank you.

22 MR. TROTTER: Phil Glenn.

23 Whereupon,

24 PHILLIP GLENN,

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

00634

1 herein and was examined and testified as follows:

2

3

DIRECT EXAMINATION

4 BY MR. TROTTER:

5 Q. Please state your name, spell your last
6 name.

7 A. I am Phillip M. Glenn. That's G L E N N.

8 Q. Your address?

9 A. I reside at 6609 South 131st in Seattle,
10 98178.

11 Q. And who are you representing today?

12 A. I'm here on behalf of myself. My name is
13 Phil Glenn, really, I'm known. I'm the president,
14 state president, of the National Association of
15 Retired Federal Employees, an organization of 13,000
16 members in the state of Washington.

17 Q. Go ahead.

18 A. I'm appearing before you today in support
19 of the rebalancing of rates so that prices are based
20 on costs. I believe that in the long run this policy
21 will be in the best interests of seniors and of
22 ratepayers. I have had more experience in price
23 rebalancing for monopoly businesses than most people
24 in this room. I was a supervisor in the United States
25 Postal Service for 20 years. When I started in the

00635

1 postal service we operated a lot like the phone
2 company does now. We subsidized residential delivery,
3 especially those that lived in high cost rural areas;
4 business customers and those in dense urban areas were
5 less costly to serve. These rates subsidized the
6 residential rural deliveries. Don't let anybody tell
7 you that the costs are the same to provide service,
8 any service, to rural customers as it is to urban
9 customers. What I can tell you from the years of
10 experience, that residence customers cost far more to
11 serve than business customers, especially when the
12 rural customers are 10 miles apart in the country.

13 Of course, what happened to the postal
14 service is the same as what's happening to the phone
15 company. We got competition, Federal Express, UPS and
16 many others. Our companies were first most interested
17 in serving business customers where quick profit could
18 be made. Our revenue went into the sink in a hurry.
19 Unlike the phone company we could run a deficit for a
20 while. Our owner could afford it. But unlike the
21 phone company there weren't really any new products we
22 could develop to try to balance the books. So what
23 happened? Congress made a decision to price our
24 services more closely on costs. Since 1982 the postal
25 service has been required to break even. That's why

00636

1 the cost of first class postage stamp has gone from 20
2 cents to 32 sent in the past 13 years, a 60 percent
3 increase. Today our customers are getting the best
4 postal service in the world and our competitors are
5 still flourishing all because prices are based on
6 actual costs.

7 If I were to tell you I'm in love with the
8 idea of doubling residential rates, I'm not, but it
9 may be necessary since competition has been allowed
10 into the business, and I think that's going to be
11 good. But you can't use the same rules as we did in
12 the postal service. I'm not here to tell you that the
13 phone company's cost studies are any good. How would
14 I know? How would anybody in this room who didn't
15 have an economist degree and a weak of spare time.
16 But I can tell you that the statistics and studies
17 can be misleading if convenient items are left out. I
18 told the others who claim -- I'm told the others who
19 claim to know what the phone company's true costs are
20 have omitted some expensive items like the cost of
21 repair service. I could have cut down on the price of
22 a stamp, too, if we never fixed our trucks but long
23 before the service would be not -- but before long the
24 service would be nonexistent.

25 There's something I can tell you. Wishing

00637

1 that competition will go away won't work. Competition
2 is coming whether my neighbor or I like it or not.
3 Forcing the phone company to subsidize residence
4 customers by charging the big corporations more is
5 crazy. The biggies are going to go elsewhere faster
6 than any hardy-har. What happens, the profits go
7 out the door, seniors may just end up paying more and
8 more and more and more.

9 I want to offer you my help and that of the
10 seniors I represent. You have heard from other
11 organizations representing seniors. I'm just as
12 concerned about low income seniors as they are but I'm
13 not going to ignore the competition train that's
14 coming. Rather than deny there's a problem why don't
15 we get together with you and anyone else who wants to
16 and work out a way to help the low income senior on a
17 fixed budget and people living in high cost areas.
18 That would make sense. Then competition could be
19 increased because the phone company will want to play.
20 Then we all get together. Thank you for allowing
21 me to speak.

22 JUDGE STAPLETON: Any questions of the
23 witness?

24 Mr. Glenn, thank you for your testimony.

25 MR. TROTTER: Nancy Hubburt.

00638

1 Whereupon,

2 NANCY HUBBURT,

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

5 THE WITNESS: Hello, Madam Chairman and
6 Commission members. My name is Nancy Hubburt. I have
7 an office address at the Bellevue Downtown Association
8 which is located at 50010 8th Avenue Northeast in
9 Suite 210 in Bellevue, Washington.

10

11 DIRECT EXAMINATION

12 BY MR. TROTTER:

13 Q. Would you spell your last name for us so we
14 get it right.

15 A. H U B B U R T. I am here representing the
16 Bellevue Downtown Association. I am not speaking on
17 behalf of the members of the organization but rather
18 sharing the experience of small -- as a small business
19 representative. U S WEST is our telephone provider.
20 My request to the Commission is to allow U S WEST to
21 operate under the same rules as other telephone
22 companies in regard to rate charges. I understand
23 that U S WEST is rebalancing which means it will
24 decrease long distance rates as well as business
25 rates. This decrease will benefit small businesses

00639

1 such as the Bellevue Downtown Association, a nonprofit
2 membership organization.

3 This rebalancing by U S WEST is being done
4 primarily to meet business rates offered by the
5 competition. The rebalancing will also increase
6 residential rates over a four-year period. While I am
7 not necessarily in favor of increasing residential
8 rates, I am in favor of having fair competition among
9 similar providers. U S WEST is required to provide
10 telephone service to all residential and business
11 locations regardless of the line costs involved while
12 new telephone companies do not have to provide
13 telephone service to residences or businesses. In a
14 monopolistic society we could afford to have
15 subsidized rates but in a capitalistic market the
16 price of goods and services should reflect the true
17 costs.

18 One suggestion would be that if other
19 telephone service companies do not have to provide the
20 residential telephone service they should be required
21 to contribute to a statewide fund to help keep the
22 residence costs lower for U S WEST. This would be one
23 way to make the playing field more fair. Another way
24 would be to grant U S WEST a nationwide average and
25 the new telephone companies who are selective in who

00640

1 they serve could make up the difference. The
2 Washington Utilities and Transportation Commission has
3 many requests and arguments to weigh. The decision
4 could be a creative way of everyone paying into a fund
5 or a combination of rate increase and a fund or
6 another alternative altogether. I will leave it up to
7 you to decide. Thank you for the opportunity to make
8 this presentation and I do have copies of this for
9 you.

10 MR. TROTTER: Thank you. Mike Pelly.

11

12 DIRECT EXAMINATION

13 BY MR. TROTTER:

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

16 A. My name is Pelly. Last name is P E L L Y
17 and I live at 1106 Partridge Drive Northwest, Olympia,
18 98502.

19 Q. You're a customer of U S WEST?

20 A. Yes, I am.

21 Q. Go ahead with your statement.

22 A. A request of this much means only one thing
23 to me. U S WEST is either extremely greedy and is
24 under the misguided impression that we're all gullible
25 hay seeds. This past October 12 our home lost phone

00641

1 service for a full week. We first realized on
2 Thursday night our phone was dead. On Friday morning
3 we were told it would be 'til Monday. We were
4 patient. Okay, Monday. Monday came and went. Next
5 it was Tuesday. Then Wednesday. We finally had phone
6 service that following Thursday. While we were
7 without phone service we dumped tons of quarters into
8 pay phones and made calls and tried to get any
9 information on the status of getting phone service
10 again. Our calls would no doubt end up in some city
11 in another state as far away as Arizona. There would
12 be a nice person who would inform us that they
13 wouldn't have a clue what was the problem only that
14 repairs will be done in the morning. It was
15 impossible to talk to any local persons for a straight
16 answer. Never did. It took so long that they
17 acquired the nickname U S WAIT instead of U S WEST.
18 This week-long loss of phone service occurred in
19 October when we were experiencing nice fair weather.
20 If it had occurred as a result of an Inauguration Day
21 type storm I, of course, would easily understand the
22 long wait, but a wait of a week, a wait of a week and
23 then to see my bill. I am being charged for this week
24 anyway. Come on, give me a break. They didn't deduct
25 it from my bill.

00642

1 Through this first hand account I've seen
2 how out of touch U S WEST has let itself become. It's
3 supposed to be providing us all with phone service.
4 We can't get it anywhere else. They own the
5 concession yet they have a monopoly on us. My point
6 in bringing all this up is so that you will look into
7 areas where this corporation needs improvement and
8 guide them back to how it ought to be done like the
9 days when they got their charter.

10 Also, I would like to voice my opposition
11 to our basic residential phone rates here in zone two.
12 They are too high. Lower them. Along with my single
13 voice there are many, many other people living from
14 day-to-day on fixed incomes, barely squeaking by. To
15 most of them their phone is a lifeline. To raise
16 their rates is a burdening a bunch of over stretched
17 income budgets way past reality. Among this group are
18 friends who as well oppose these increases but due to
19 child care and work commitments or other personal
20 hardships they couldn't be here but asked me to let
21 you know they're out there and upset about the
22 possible rate hikes.

23 I urge this Commission to look into your
24 hearts at the faces of these phone service users and
25 visualize the hardships that this can cost them. Our

00643

1 rates are already too high. If U S WEST investors
2 would have a hard time with a rate of return of 9.2
3 percent as proposed by the public counsel maybe it's
4 time they divest themselves and instead invest in
5 another riskier high yield corporation. At what point
6 this Commission -- at that point this Commission can
7 open up to a bidding competition or even better yet
8 make it possible for citizens to start a phone service
9 collective as a way to keep rates affordable for
10 everyone the way they should be. In any case, please
11 follow all of public counsel's recommendations for U S
12 WEST's new rate structure. Thank you.

13 JUDGE STAPLETON: Any questions for the
14 witness?

15 Mr. Pelly, thank you for your testimony.

16 MR. TROTTER: Barry Holldorf.

17 Whereupon,

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

21 MR. HOLLDORF: Thank you. My name is Barry
22 Holldorf. I'm representing a company called Wizards
23 of the Coast based in Renton, Washington.

24

25

00644

1 DIRECT EXAMINATION

2 BY MR. TROTTER:

3 Q. How do you spell your last name?

4 A. Holldorf, H O L L D O R F.

5 Q. Your address?

6 A. I reside at 427 South 325th Place,
7 Apartment V7, Federal Way, Washington, 98500.

8 Q. Can you describe what Wizards of the Coast
9 is?

10 A. We are a gaming company.

11 Q. Go ahead.

12 A. I'm addressing the Commission today in
13 response to service and quality issues. I'm using the
14 basis of this as a letter that I sent to both this
15 NC and to the Consumer Appeals Commission for U S
16 WEST. It was dated September 22nd at the time.

17 I'm writing this letter to express my
18 frustration. We are conducting a facility move,
19 moving our offices from one business park to another.
20 We placed orders for our move, services from U S WEST,
21 in the first part of June of this year. We were then
22 given August due dates for all voice and data service.
23 The first of the services was to be installed August
24 8. This was for two circuits both being T1's. For a
25 frame relay application this ties between our two

00645

1 locations. One circuit was to be installed at our
2 existing location and one at our new location. The
3 circuits had not been installed and we had not been
4 given no information whatsoever as to when we can
5 expect the installation of these circuits to be
6 installed. We were given no information from the
7 central office as to when the T1 plugs were going to
8 be available. Basically what I am saying there is
9 that the T1's were designed and they did not have the
10 circuitry to support these when they finally were
11 installed at our location.

12 Initially, these frame relay circuits were
13 designed improperly and were delayed for redesign.
14 Now that the redesign work is complete, however, U S
15 WEST did not have the necessary hardware to support
16 either circuit. They finally got the circuitry to
17 support this on October 16, two months later
18 approximately. At that time we were in the process of
19 moving people which left them off our network and
20 phone capabilities, being able to access outside phone
21 lines, and data networking services that are vital to
22 my company's operation. To put a number on the
23 downtime on productivity and salaries of these people
24 standing around not able to access these phone lines,
25 I cannot even begin to give a number on lost sales.

00646

1 The next part of the service was for voice
2 lines and that was to be installed on August 10. This
3 was for three more voice T1's. Two of these were to
4 support our local dial tone and the third was to tie
5 our buildings together again. We were told that these
6 circuits had been designed wrong and were back for
7 redesign again for the voice circuits also. The
8 balance of our new service was to be installed on
9 August 15. This was for the DFI, which is basically
10 the channeled service over the T1's, and all our new
11 DID numbers. We have been told that this would not
12 happen until the T1's had been tested and installed in
13 their location. They were actually installed on
14 August 21 and August 28 respectively. The existing
15 services that we had terminated from our old location
16 were moved on August 31. When this was done we
17 learned that the new services, the T1's and the FHI
18 channels were again designed wrong causing us to lose
19 the capability of dialing outside our PBX for most of
20 our calls. The central office was seeing all our
21 calls as internal intercom dialing and putting local
22 exchange prefixes in front of every number we
23 attempted to dial. Thus we were not able to connect
24 all our calls. This design problem was not corrected
25 until September 11. U S WEST insisted that it was a

00647

1 PBX error and after two days realized that there were
2 design problems and were able to correct these within
3 an hour. Having our PBX technician on site for those
4 two days troubleshooting the problems that were not
5 PBX design problems with U S WEST, missing these
6 critical due dates, our company has incurred extreme
7 costs. We have been forced to pay subcontractor over-
8 time rates for time needed to meet time deadlines and
9 we had contractors required to have a telco room
10 ready, a telephone room ready to meet contractual
11 dates that were given to us by U S WEST.

12 Q. One minute.

13 A. Also, our facilities overtime costs around
14 10 hours at \$24 per hour. This time includes
15 coordinating delays of contractors not being able to
16 build out the phone room, awaiting the completion of
17 the install of the T1 circuits so programming and
18 placement of the phone system main frame could be
19 completed. I also have additional list of contractual
20 costs from my contractors that I can supply as a copy.
21 I also sent an invoice with the letter to the
22 Commission. We feel strongly that U S WEST should
23 bear some responsibility in these costs. These costs
24 were only incurred due to an installation time frame
25 pride by U S WEST. This cuts into our budget for our

00648

1 facilities move to a level we could not have
2 anticipated. Thank you.

3 JUDGE STAPLETON: Questions for this
4 witness?

5 CHAIRMAN NELSON: What kind of games are
6 these?

7 THE WITNESS: It's a deck of cards with
8 fantasy art and text and you play against another
9 person so it's very like Dungeons and Dragons.

10 CHAIRMAN NELSON: Thank you.

11 MR TROTTER: John Weil.

12 Whereupon,

13 JOHN WEIL,

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

16

17 DIRECT EXAMINATION

18 BY MR. TROTTER:

19 Q. Please state your name and spell your last
20 name.

21 A. John Weil, W E I L.

22 Q. Your address?

23 A. South 6220 Arcadia Road in Shelton.

24 Q. Speaking on your own behalf today?

25 A. Yes, sir.

00649

1 Q. Go ahead.

2 A. About the first of July I requested new
3 service to our new residence in Shelton and at that
4 time I was told that it would take about two weeks,
5 and two weeks went by and I didn't hear anything from
6 U S WEST. Didn't see anybody show up, and I called
7 and they said that they didn't have any facilities
8 available. It took approximately seven weeks to get
9 phone service in my new house, and it took
10 approximately eight hours of being on hold being
11 connected to one person and then connected to another
12 person and then talking to a dead end phone line.
13 That happened three times. It was a real frustrating
14 experience and I just feel that U S WEST is really
15 disorganized and it's got some kind of a huge
16 bureaucracy that can't be penetrated and they want
17 more money from us, the ratepayers. I feel that they
18 could probably increase their profit by 25 percent by
19 improving their organization. And that's all I have
20 to say.

21 JUDGE STAPLETON: Any questions?

22 Thank you, sir, for your testimony.

23 MR. TROTTER: Lorien Miller.

24 Whereupon,

25 LORIEN MILLER,

00650

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

3

4 DIRECT EXAMINATION

5 BY MR. TROTTER:

6 Q. Please state your name. Could you spell
7 both of your names for us?

8 A. My name is Lorien Miller, L O R I E N
9 Miller, M I L L E R, and I live at 3735 North Shirley
10 in Tacoma, Washington, and like a lot of other
11 ratepayers here, residential, I'm just representing my
12 wife and myself and a dog and a cat. I moved -- we
13 found our dream house and we went to move there, and
14 basically what happened is two or three weeks earlier
15 my wife called U S WEST to have the lines changed on
16 the date of July 1st. My wife already made the order
17 and we contacted Brinks Home Security to have our
18 security system hooked up and everything. We were
19 told that July 3rd we were supposed to get our phone.
20 Well, July 3 came, no phone. July 6 we did get a
21 phone line hooked up although we were hooked up to
22 a wrong line. We were given phone calls coming in
23 from Lakewood. Well, my wife called for the problem
24 and the problem was solved. We were unhooked.

25 Basically on July 11th -- my mother was

00651

1 calling. She was basically made the go-between
2 between us and U S WEST for when we were going to be
3 getting our lines hooked up. We were told several
4 times that we would be hooked up. We never did.
5 Finally on July 18th, which was my wife and I's
6 anniversary, we went to the great white castle up in
7 the Bell building. I got tired of talking on the
8 phone line, and when I got to the U S WEST building in
9 Seattle I was still told to go talk on another phone.
10 Being alienated by a company in the way that U S WEST
11 has done to its customers is almost insulting and to
12 be told that we're going to have our rates raised to
13 this extreme is still insulting.

14 What can I say? I mean, I am just a simple
15 person who has just a household, but my wife had no
16 911 service and if I had a child in that house that
17 child would have no 911 service. We were told that
18 residents in the neighborhood had up to six phone
19 lines for computers, faxes and everything like that.
20 All I was asking for was one phone line and I don't
21 think that's too much to ask for, but still, it still
22 took us up to about a month to finally get our phone
23 line hooked up, and for basically all that was
24 happened to us, we got roughly \$30 credit towards our
25 phone bill.

00652

1 And another thing I did notice while I was
2 there was that the stock price was really posted on
3 the wall and it seemed to be a priority to the
4 company. Now, I work for what is called a world class
5 company -- not right now, I work for Boeing and I am
6 on strike but we're told world class, world class.
7 Well, there's three different worlds, first world,
8 second world and third world. What world is this
9 coming -- what class is this company in, you know?

10 And I would like to acknowledge a Bev
11 Wilson who, after 40 minutes of arguing on a phone in
12 the lobby of the U S WEST building, she finally did
13 come down and told me that we're going to be getting
14 some work done, but the work still had to go through
15 an engineer in Colorado that has nothing to do with --
16 he nowhere lives near Tacoma, Washington but just the
17 sheer frustration of going through this was
18 aggravating. And another thing, too, my brother was
19 going through a move at the same time. Well, his wife
20 called the phone company two weeks before their move
21 and told them we would like to request our lines to be
22 moved on this date. As soon as she hung up the phone
23 she went to call somebody else, the line was dead. In
24 other words, the line was moved instantaneously. If
25 the Ford dealership out here or any other business out

00653

1 in the region alienates themselves from their customer
2 as far as U S WEST has, the problem would be solved.
3 There would be no business. But U S WEST does have a
4 monopoly and I as a customer would love to see some
5 competition, and that's about all I have to say.

6 JUDGE STAPLETON: Any questions to the
7 witness?

8

9

EXAMINATION

10 BY CHAIRMAN NELSON:

11 Q. Just one. Was this a new subdivision or
12 already existing one?

13 A. The phone I lived in was built in 1920
14 -- not the phone but the home I live in was built in
15 1920.

16 Q. So it's an established neighborhood.

17 A. And we did buy it off some friends of
18 ours, and I've been in the home before we even bought
19 the place and used it there. We were basically
20 unhooked and left dangling for about a month.

21 JUDGE STAPLETON: Mr. Miller, thank you for
22 your testimony.

23 MR. TROTTER: Dennis Matson.

24 Whereupon,

25

DENNIS MATSON,

00654

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

3

4 DIRECT EXAMINATION

5 BY MR. TROTTER:

6 Q. Please state your name, spell your last
7 name.

8 A. For the record my name is Dennis Matson, M
9 A T S O N. Thank you for the opportunity to appear
10 here this morning. I want to talk a little bit about
11 opportunities.

12 Q. Before you do that, could you give us your
13 business address?

14 A. I'm sorry. My business address is 721
15 Columbia Southwest, Olympia, Washington.

16 Q. And you're speaking on behalf of whom?

17 A. The Economic Development Council of
18 Thurston County.

19 Q. Go ahead.

20 A. I want to talk a little bit about the
21 advances in telecommunications and the -- and
22 transportation technology and the effect that is
23 having on global competitiveness. Rather macro topic
24 but it gets right down to some of the opportunities
25 and challenges we're facing here in Washington state

00655

1 and in Thurston County. Washington businesses need to
2 be allowed to compete effectively in both national and
3 international economies. If we're going to develop
4 the new jobs of the future, knowledge-based jobs,
5 we have to invest in new infrastructure to do that.
6 There's been a lot of policy decisions made in the
7 past by state and local governments that have affected
8 Washington state's climate, business climate, and our
9 ability to be a competitive place to do business.
10 We're an expensive place to do business. The
11 Washington round table recently completed an analysis
12 and looked at 17 business factors that affect
13 competitiveness in Washington state and of those 17 we
14 were only in the top 25 percent in one area and we
15 were in the bottom in most of the others. I encourage
16 you if you have a chance to look at that report called
17 Principles for Prosperity to do so.

18 I would like to focus my remarks very
19 briefly on retaining expanding economic opportunities
20 for us residents and within that talk about how
21 businesses compete locally and domestically and
22 internationally, and specifically talk about why
23 companies need a return on investment that allow them
24 to make investments in new infrastructure. Without
25 modern telecommunications capacity we will not be able

00656

1 to compete in Washington state. The same competitive
2 issues apply to the setting of rates. Residential
3 rate, as I understand it, is currently about \$10.75 in
4 this area. The business rate is currently about
5 \$33.50 in this local area. That's three times of
6 course -- the business rate is three times the cost of
7 a residence rate and it's been 13 years since
8 residential rates have been changed, as I understand
9 it. It's important to recognize that there's always
10 tradeoffs in decisions that are made. What I would
11 encourage in this situation is that a fair rate for
12 residential rates be balanced against a competitive
13 rate for business. Ultimately residential consumers
14 will benefit as well if we maintain our business
15 competitiveness in Washington state. Thank you very
16 much. I would be glad to answers any questions.

17 JUDGE STAPLETON: Any questions for the
18 witness?

19 Thank you, Mr. Matson, for your testimony.

20 Whereupon,

21 DAVID OFFNER,
22 having been first duly sworn, was called as a witness
23 herein and was examined and testified as follows:

24

25

00657

1 DIRECT EXAMINATION

2 BY MR. TROTTER:

3 Q. Please state your name and spell your last
4 name.

5 A. My name is David Offner. My last name is
6 spelled O F F N E R.

7 Q. Your address?

8 A. My business address is 11511 Main Street,
9 Bellevue, Washington 98009.

10 Q. And you're speaking on behalf of whom
11 today?

12 A. I'm speaking on behalf of the city of
13 Bellevue.

14 Q. What's your position with the city?

15 A. I am the assistant finance director with
16 the city of Bellevue.

17 Q. Go ahead.

18 A. As I said, I'm the assistant finance
19 director for the city of Bellevue where my
20 responsibilities include the oversight of the city's
21 budget. I am not a telephone expert. I don't know
22 PBXs and T lines and things like this. I just attach
23 numbers to the things that the telephone experts tell
24 me. I'm here to represent the city and comment on the
25 financial effect that the proposed tariff increase on

00658

1 terminal loop lines will have on Bellevue and urge the
2 Commission to carefully scrutinize this proposed
3 tariff increase to assure that it's justified on a
4 cost of service basis.

5 Bellevue did not intervene as a party
6 against this specific tariff increase as we did in the
7 prior tariff request in 1994 due to current staffing
8 and budget limitations, but this nonintervention
9 should not be interpreted as a lack of interest in
10 this issue. The proposed tariff increase will
11 significantly affect us as we currently have
12 approximately 304 terminal loop lines. The tariff
13 will increase our costs for providing telephone
14 service to fire stations, to recreation centers, to
15 maintenance facilities and other city facilities that
16 are served by this type of line. Bellevue's annual
17 expenditure for this type of line to serve these
18 facilities would triple from approximately \$85,000 a
19 year, which is a subcomponent of our total telephone
20 bill, but for that particular service it would go from
21 about \$85,000 a year to \$254,000 a year. So this is
22 an increase of \$169,000. This cost increase, because
23 of its magnitude, will likely lead to budget cuts in
24 existing services and will have a negative impact on
25 our ability to respond to possible requests for

00659

1 service additions in the future.

2 Providing the extra \$169,000 a year
3 necessitated by this tariff increase will not easily
4 or painlessly be accommodated. The proposed tariff
5 increase is better than the one that we viewed
6 approximately a year ago, however, in that that prior
7 request would go into effect immediately and this
8 current increase in the terminal loop lines would not
9 begin again until -- if it was adopted as proposed
10 until the third year after the new rates went into
11 effect. While this is better than the earlier rate
12 proposal, we continue to believe that changes of this
13 magnitude, if found supportable by the Commission,
14 should be imposed more slowly. Municipal budgets have
15 considerable difficulty reacting to such rapid cost
16 increases. Thank you.

17 JUDGE STAPLETON: Questions for the
18 witness? Thank you, Mr. Offner, for your testimony.

19 MR. TROTTER: There's one witness who I
20 think left. Marjorie Saher. Jeff Crane. Excuse me,
21 he wished not to testify. I'm sorry. Peter Boorman.

22

23 DIRECT EXAMINATION

24 BY MR. TROTTER:

25 Q. Please state your name and spell your last

00660

1 name.

2 A. My name is Peter Boorman, B O O R M A N.

3 Q. Your address?

4 A. I reside 3515 Baker Road, Port Orchard
5 98366.

6 Q. And what is the name of the organization
7 you're representing?

8 A. I am here to represent myself firstly as a
9 residential and the business manager for a consulting
10 organization.

11 Q. Go ahead.

12 A. Madam Chairman, thank you. Gentlemen. I
13 am here today to not only oppose the rate increases by
14 U S WEST but to challenge U S WEST with respect to
15 their service. I can give enumerable occasions where
16 I have attempted to resolve service problems with this
17 organization and eight months later from my beginning
18 in February of this year we are no further along a
19 path to a resolution. I believe that U S WEST has
20 positioned itself very much like a rope. You can pull
21 on it, you can tug on it for as long as you like.
22 U S WEST's position is that one day you're going to
23 get tired and you're going to fall off it and the
24 problem will go away.

25 I have sent to Mr. Shaw a certified letter

00661

1 asking for information. That certified letter was
2 never responded to. I have sent a letter to Mr.
3 Dennis Okamoto describing the problems that we face.
4 That letter has never been responded to. I have asked
5 U S WEST to make proposals to alleviate the problems
6 that we experience. I have been told to seek a
7 lawyer. I have communicated and attempted to
8 communicate with the federal communications committee.
9 At present, the FCC is receiving 1,000 calls per day,
10 letters, and are presently backlogged approximately
11 three months in their attempt to resolve the problems.

12 I think that if we from experience look at
13 the number of people who have addressed the Commission
14 today, I have found it difficult to find one person
15 who has responsibly come forward on the side of this
16 proposed increase or in fact on the side of a proposed
17 service acknowledgement whereby U S WEST has achieved
18 something that could be said to be customer
19 satisfaction driven. I would draw the Commission's
20 attention to an advertisement which is placed in
21 Forbes magazine and it states, "U S WEST
22 Communications makes the right connections." And then
23 it goes on to say, "to meet the needs of 25 million
24 customers spanning 14 states, U S WEST Communications
25 is doing more than talk about customer service. It's

00662

1 listening." And I respectfully submit to this
2 Commission that is the last thing that U S WEST is
3 doing. Businesses throughout this state are
4 suffering. Residents are suffering based upon the
5 actions of U S WEST's inability either by choice to
6 communicate with these people and deal with their
7 problems or they are reacting by withdrawing from the
8 situation and failing to acknowledge they even exist.
9 And I think that the challenge that we face today are
10 one, that other states in the United States supposedly
11 being served by U S WEST have already dealt with --
12 and I refer to the state of Utah where U S WEST has
13 violated its agreements. A district judge found that
14 U S WEST had more than increased its allocated
15 percentage of revenue return on investments by nearly
16 8 percent.

17 Q. One minute.

18 A. In addition, in the state of Colorado, U S
19 WEST is being found to be guilty of service problems.
20 In other states similar patterns exist, and it would
21 seem to me from the evidence that we've seen today
22 that such a pattern exists in the state of Washington,
23 and it is my position that this increase, unless it's
24 associated with a marked improvement of customer
25 service relations it is unfounded. Thank you.

00663

1 JUDGE STAPLETON: Questions for this
2 witness?

3 Mr. Boorman, thank you for your testimony.

4 MR. TROTTER: Dwayne Cornell. No wish to
5 testify. Ms. Rita and Ed Prangler, do you wish to
6 testify, either of you? J. R. Simmons.

7 Whereupon,

8 J. R. SIMMONS,
9 having been first duly sworn, was called as a witness
10 herein and was examined and testified as follows:

11 THE WITNESS: My name is J. R. Simmons,
12 that's S I M M O N S, and our address -- I am
13 representing here many clients. We are a consulting
14 firm Telecom Management Concepts Company. Address is
15 34008 18th Place South in Federal Way.

16

17 DIRECT EXAMINATION

18 BY MR. TROTTER:

19 Q. What kind of business is that?

20 A. Consulting firm.

21 Q. Go ahead.

22 A. I'm here today representing over 50 of our
23 current clients, business and government clients. I'm
24 the chief operating officer. We have a number of
25 consultants that work with the clients and we've had a

00664

1 lot of feedback from our clients that they ask that we
2 representing their interests speak on today. In
3 general our clients support the elimination of the
4 complex line definition, but they do recognize there's
5 a difference in provisioning costs between urban and
6 rural areas. They do seem to recognize the curiosity
7 that exists by defining urban and rural based upon
8 where the competition exists as opposed to a
9 concentration of business.

10 The clients generally agree with the public
11 counsel position in support of the local loop cost
12 allocation issues, the depreciation schedule and the
13 inclusion of Yellow Page revenues in the rate of
14 return analysis. However, the clients feel that it's
15 rather illogical that U S WEST would request rate of
16 return increases while service quality is at an all
17 time low. Clients could pass on numerous examples of
18 service problems including installation intervals
19 taking excessively long times, services that used to
20 be due in two and three weeks taking four and five
21 months to get installed and repeated line and service
22 outages especially on some complex services that are
23 critical to their business.

24 We have not encouraged our clients to
25 complain to the Commission and have usually tried to

00665

1 work with U S WEST on those issues, although this
2 special interface that we used to have to contact U S
3 WEST, that position was eliminated. It was a special
4 person designed to work with the consulting community
5 and since that time we've experienced the same maze of
6 confused and ineffectual representatives at U S WEST
7 in trying to resolve service problems. Because of
8 that I think our clients will begin the process of
9 issuing more formal complaints. They previously felt
10 that the problems were so pervasive that another
11 complaint to the Commission wouldn't make much of a
12 difference I think there's now recognition on our
13 part that every single complaint might help to the
14 total issues.

15 We agree in concept with the need to
16 restructure rates and our client support the position
17 similar to the WUTC staff proposal. They find it
18 incomprehensible, though, that raising profit levels
19 is the answer, the proper way to deal with the
20 competitive environment that U S WEST now faces.
21 Thank you.

22 JUDGE STAPLETON: Any questions for the
23 witness?

24

25

1 EXAMINATION

2 BY CHAIRMAN NELSON:

3 Q. Mr. Simmons, just to try a trial balloon on
4 you. Trade press reports that the Idaho staff and U S
5 WEST may have agreed on a kind of a settlement of a
6 rate case there that would include allowing rates to
7 rise a specified amount per year in exchange for the
8 company meeting service quality improvements metrics,
9 very specific ones. Does that seem like a good idea
10 to you?

11 A. The clients that have expressed a strong
12 opinion on the matter are not against the recognition
13 that rates will change. They know that rates will go
14 up. We've discussed in previous hearings, for
15 example, the term loop issue. They recognize some
16 rates will need to rise. Their problem is in service
17 issues, and they feel especially in those areas where
18 there is not competition they're left with no choice.

19 We have very large clients that have told
20 me at the drop of a hat they would switch to a
21 competitive provider if one were only available.
22 Unfortunately, the competitive providers are in the
23 small concentrated areas of the -- course are downtown
24 areas and we're left with no choice but to try and
25 work with the local company in the areas that are not

00667

1 right in the high concentration of business.

2 Therefore, I think there is an acceptance
3 on their part that service is much more important to
4 them than a slight adjustment in rates. That doesn't
5 mean that they necessarily agree with increasing
6 profits to all time highs. At the same time they
7 recognize that there is a cost of business
8 restructuring.

9 CHAIRMAN NELSON: So maybe, maybe not?

10 THE WITNESS: To some extent, yeah,
11 exactly. It really would have to depend upon
12 deliverability. We've had several meetings including
13 some back in Denver with U S WEST officials where
14 they've acknowledged that the restructure would take
15 time. There would be difficulties; eventually results
16 would be produced. Well, the eventual seems to be
17 pushed back further and further all the time. We're
18 still waiting for some increased production.

19 COMMISSIONER GILLIS: What is the make up
20 of your client base again?

21 THE WITNESS: It's quite large and diverse.
22 We represent clients such as Puget Sound Blood Center
23 who has a 24-hour operation. Critical care. If
24 their service goes out -- one of our clients that
25 specifically wanted me to speak on that -- they cannot

00668

1 supply blood to the hospitals in time for critical
2 operations. A lot of city government accounts that
3 have 911 and emergency service provision but also
4 business service too. Large clients like Pemcos of
5 the world and small clients that have five lines.

6 JUDGE STAPLETON: Mr. Simmons, thank you
7 for testifying.

8 MR. TROTTER: Trish Louis.

9 For the Commission's information, I am
10 counting around 11 witnesses who have signed up that
11 remain.

12 Whereupon,

13 TRISH LEWIS,
14 having been first duly sworn, was called as a witness
15 herein and was examined and testified as follows:

16

17 DIRECT EXAMINATION

18 BY MR. TROTTER:

19 Q. Please state your name and spell your last
20 name.

21 A. Trish Lewis, L E W I S.

22 Q. Your address?

23 A. My business address is 605 A Southeast
24 164th Avenue, Vancouver, Washington.

25 Q. And are you appearing on behalf of an

00669

1 organization today?

2 A. On behalf of my business and my husband's
3 business. We're both sole proprietors.

4 Q. Could you just identify those businesses
5 and then make your statement?

6 A. My business is TL Pension Resources. I'm
7 a third party pension administrator firm. My
8 husband's business is Lewis Chiropractic Health
9 Service and he's a chiropractic physician.

10 Q. Go ahead.

11 A. On April 18 of 1995 my husband and I signed
12 a lease for a new office space that we were going to
13 share together. At that time we called U S WEST and
14 asked that three lines be established on May 30. We
15 knew in Clark County there were delays with getting
16 service so we wanted to get our bid in early enough
17 that we would have service. We were planning on
18 opening the office on June 1st. We wanted one line
19 moved from my home and a new home phone line put in
20 there because I have been working out of my home for
21 some time. He had an existing office sharing
22 arrangement. We needed one line moved from there and
23 we had one new line coming in. We were assured at
24 that point that there would be no problem meeting that
25 date.

00670

1 Based on that we made arrangements for his
2 office sharing arrangement to stop and we moved all of
3 his office into the new office location before the 6-1
4 date. Without any prior notice U S WEST came out the
5 day after they had promised us service, late in the
6 day, found that the existing line pair that they
7 thought that they were going to be able to hook up for
8 our service would not work. There was some kind of
9 problem with it. The first thing that ran into my
10 mind was, there was one line pair? We had three
11 promised on the day before. Why are you here late in
12 the afternoon the day after service was to be
13 disconnected just to find out if there was a line pair
14 and only one.

15 So we weren't too happy to begin with but
16 we tried to be patient. They kept saying it will be a
17 couple of more days. Unfortunately they told us
18 this day after day after day. My husband spent a lot
19 of time on the phone getting bounced from person to
20 person because no one wanted to take authority for it.
21 Winded up in Denver quite a bit of the time talking
22 with someone there, and so he spent a lot of time on
23 the phone, hours and hours and hours. In the meantime
24 his business was without a reliable business phone.
25 They did forward our calls to the cellular phone, but

00671

1 if anyone has ever had to try and deal with a cellular
2 phone they will know that they are not reliable. You
3 lose calls. You can't hear very well sometimes and
4 sometimes the phone just shuts off and you don't
5 realize it's done that because maybe the battery has
6 been pushed or something.

7 And on top of all that we're paying
8 cellular phone costs which amounted to about \$400 four
9 months in a row. Finally, at the end of June they
10 finally fessed up that they were going to have to lay
11 cable on 164th Avenue, which is one of the busiest
12 areas in Vancouver since you're not from there. And
13 they were going to actually have to lay a cable before
14 they could get us service and it would probably be two
15 weeks.

16 My home business line in the meantime, I
17 had remained at home and told them, well, don't touch
18 my line. We'll transfer it after we get the phone
19 take care of. Well, they disconnected me once and did
20 not connect the new phone, the new home line, and
21 then they disconnected me a second time. The first
22 time took at least 24 hours to reconnect, the second
23 time took over 72 hours. My business is totally by
24 referral. If I had somebody call up in that period of
25 time and get a disconnect notice and thought that I

00672

1 had gone out of business that could be thousands of
2 dollars in lost revenue for me.

3 Anyway, that's when my husband finally got
4 really annoyed and finally quit being pleasant with
5 these people and blew up and got finally to a
6 supervisory level that would actually take action. He
7 took personal responsibility, called the local service
8 people, had them work over time and we had a line
9 finally connected. From our request date of April 18,
10 we had phone service at 4:55 p.m. Friday night July 7.
11 It took them almost three months and it was five and a
12 half weeks after the promise date.

13 I think that U S WEST maybe needs to quit
14 assuming that they are entitled to a profit just
15 because they are in existence as a company. I think
16 that they need to come back to reality and work in the
17 same world as the rest of us do. If I don't give my
18 client good service I lose them. If I don't give my
19 client good service then I don't make money. I don't
20 see why the company, because it's a phone company and
21 has a monopoly thinks that it has rights that the rest
22 of the world does not have. Thank you.

23 JUDGE STAPLETON: Any questions for the
24 witness?

25 Thank you, Ms. Lewis, for your testimony.

00673

1 MR. TROTTER: Dr. John Lewis, did that
2 prior testimony cover it?

3 DR. LEWIS: I would like to add a few.
4 Whereupon,

5 JOHN LEWIS,
6 having been first duly sworn, was called as a witness
7 herein and was examined and testified as follows:

8 THE WITNESS: And I hate to talk in front
9 of crowds. I'm sorry. This makes me uncomfortable.

10

11 DIRECT EXAMINATION

12 BY MR. TROTTER:

13 Q. Start by asking you just to say your name
14 and spell your last name.

15 A. Doctor John Lewis, L E W I S. My residence
16 is in Vancouver, 1905 Southeast Belvita Road. I wish
17 today to protest the rate increase. I just feel that
18 U S WEST isn't adequately performing their duties as
19 they promised. They offer us a lot of service and the
20 testimony that my wife had given, it doesn't nearly
21 describe how upset that you get dealing with these
22 people every day and the lack of chain of command.
23 They're not following through with the things that
24 they say they're going to do. When they tell you
25 something is going to happen, you expect it and you

00674

1 keep expecting it and you keep being nice to people.
2 We didn't get any response whatsoever until I had to
3 explode and I told them, look, I've talked to
4 everybody nice, I want to talk to management. I don't
5 want to talk to you, I don't want to chew you out, and
6 you had to really fight to get anything. It's
7 ridiculous.

8 Everyone that I talked to at U S WEST felt
9 that they were significantly under staffed, and that
10 was in all departments. Repair was also a real
11 problem. They felt that there weren't enough
12 technicians to deal with the issues that were pressing
13 in our area. Clark County is from what I've heard one
14 of the fastest growing counties in all of Washington
15 and we're getting six weeks -- well, it was five
16 weeks, a little over five weeks to get the service and
17 -- I don't know. It just seems like things should be
18 promised and then followed through and to ask for more
19 money for doing less service, it just doesn't fit for
20 me, and we took a lot of time today to drive up here
21 just to say that. Thank you. Any questions?

22 JUDGE STAPLETON: Thank you, Dr. Lewis, for
23 your testimony.

24 CHAIRMAN NELSON: Thank you.

25 MR. TROTTER: Thank you. John R. McKim.

00675

1 Whereupon,

2

JOHN MCKIM,

3 having been first duly sworn, was called as a

4 witness herein and was examined and testified as follows:

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 John R. McKim, M C K I M. I'm
11 representing 24 Carat Designs which is a jewelry
12 manufacturing firm in Seattle, Washington. I'm also
13 representing -- over the past year and a half I've
14 talked to probably hundreds of my customers who have
15 also had problems with U S WEST, and I put up a sign
16 when I started having problems with them wondering
17 whether it was just me and I was a unique thing, and
18 I put a sign on my door saying if you've had problems
19 please tell me, and the stories I heard was just
20 horrendous. It was one after another. A lot of them
21 were from small businessmen and many others.

22 I'm going to go into the problems that
23 I've had in my business, and that is, first of all,
24 from point go they were late hooking me up. They
25 hooked me up wrong. They couldn't find the lines even

00676

1 though there had been existing lines that were in.
2 They disconnected one line from the previous business.
3 This went on and on and on and on and on. Then when
4 they fixed the lines they unfixed it, they did
5 something else. They give me services I didn't want.
6 I looked at the bill, the billing was wrong. We
7 finally figured this out four or five months later and
8 at first I thought they were very pleasantly
9 incompetent and now I just think they're incompetent
10 at what they're doing. This went on and on, not to
11 mention the mysterious voices that I pick up on my
12 line occasionally. Keep in mind I'm a jewelry store
13 and a gemstone wholesaler and I'm very sensitive
14 about my security, so when I'm talking to a customer
15 who is going to be flying in from New York with a
16 million dollars of diamonds and I get another line
17 picking up -- and I don't mean just a ghost voice that
18 we all hear from U S WEST service customers, but I'm
19 talking about a voice that picks up, listens for a
20 minute and then they dial; I'm getting somebody trying
21 to dial out on my line -- I have major problems with
22 that and that's been a whole issue that I've been
23 addressing for the past I guess it's been 18, 19
24 months now. I recently finally got so fed up I called
25 the Commission here a while back, and currently

00677

1 working with a couple of your investigators here on
2 this issue.

3 You know, in the investigation they sent
4 out and did a great song and dance routine, sent out
5 their special line corps out to take care of my
6 problems and everything. Special line corps comes
7 out, analyzes my problems and says, well, we don't
8 find anything wrong with this. I'm like, okay, fine.
9 During when the Commission was open and the
10 investigation was open my line was just fine. It was
11 marvelous. I had no problems at all. It was great.
12 It was the first time in the entire existence I didn't
13 have any problems with my line. Then the minute I
14 called and I talk to him, I said, well, Gene, I
15 haven't had any problems. I'm satisfied. They're
16 showing up every week.

17 How are things going?.

18 I go, fine, I think they probably remedied
19 the problem finally. So they wrap up the
20 investigation. Of course U S WEST was informed that
21 the investigation was finished and closed. Great.
22 Well, what do you think happens the next day. The
23 same problems reappear. Amazing.

24 So I'm still dealing with the same
25 problems. I call Gene down there and I said, hey,

00678

1 look, I'm still having the same problems. Going
2 through this stuff again. He goes, well, you have
3 to call their complaint division, have them come out
4 and investigate it. So I call them. Never showed up.
5 This has gone on and on and on and on. You know, I
6 requested a copy of the piece of paper here, and it
7 said -- very clearly it said that they had discovered
8 problems with the software that they were using.
9 Well, it's amazing but being a jeweler we get a very
10 good crossover of people who come in and some of them
11 who come in are U S WEST employees and you know what?
12 They don't like their upper level middle management at
13 all and it's amazing how much they're more than happy
14 to explain to you what's going on. I was explained
15 it's not surprising that you've had the problems you
16 are considering they're running 200,000 lines through
17 a 90,000 line switching station up in our area. I'm
18 not quite sure, and I don't understand exactly the
19 true laws that the Commission oversees, but my
20 understanding was that they're supposed to be
21 following up and doing investigations if there's
22 questions on whether they're not complying with what
23 the state guidelines are and everything.

24 Q. One minute.

25 A. I'm at such a total loss right now on this

00679

1 I can't even see straight. You know, so many of the
2 other states -- and it was in the Seattle Times said
3 very clearly that they are either suing them or they
4 are in the process of doing major investigations and
5 everything and that I don't understand how come this
6 hasn't been instituted in this state. I'm just -- I'm
7 really at a loss and I'm a layman on this, but I will
8 tell you there's a lot of this small businesses who
9 are getting really hurt on this stuff.

10 And I'm not even telling you what happened
11 at my home. My phone had been given to somebody
12 else's telephone number and then given to
13 Ballard Pediatric Clinic. Do you know how many
14 people have babies in the middle of the night? I
15 was being woken up 330, 4:00. I finally said take it
16 out. I don't care. I don't even have a phone at my
17 home. That's how ticked off I am.

18 I am just one small business. My line went
19 out in the middle of Christmas last year for five
20 days, five days between 18th and 23rd. 70 percent of
21 the jewelers's business is during that time, including
22 what we put in for advertising and that cost me
23 thousands and thousands of dollars of damage. They
24 put my name out on a mailing list. I tell them not
25 to specifically. I'm working on the bench. I get

00680

1 interrupted every 15 minutes.

2 I guess my bottom line here is that I don't
3 understand -- first of all, was this ever followed up
4 on? Was there ever a follow-up to see if they had
5 indeed changed the software as they claim as what the
6 problem was? Second of all, do you -- I guess I'm
7 asking you questions even though you should be asking
8 me questions here -- do you actually investigate
9 whether they're in compliance with what the laws that
10 you've set down? I mean, because I'm getting the
11 impression it's like God going into the wind here.

12 CHAIRMAN NELSON: This hearing is about
13 that and, yes, you know Gene Blake, I take it, is who
14 you're referring to?

15 THE WITNESS: Good guy with his hands tied
16 is what my impression was.

17 CHAIRMAN NELSON: Well, I guess I would ask
18 you to speak to our lawyers about just what our
19 authority is. There is a story in the newspapers that
20 Colorado has solved all of its problems. I talked to
21 the Colorado people and they haven't solved all of
22 their problems. I will let it go at that and let the
23 lawyers and let Ms. Dutton who's Mr. Blake's
24 supervisor try to answer your specific complaints
25 about your own situation.

00681

1 COMMISSIONER HEMSTAD: I have a question.

2 How many lines do you have in your --

3 THE WITNESS: That's the funny thing. Now,
4 remember, I'm in the middle. I'm on 117th and 15th
5 Avenue Northeast by the Northgate mall. Well-
6 established area. Has been there since the turn of
7 the century. I have two lines. I have one line that
8 is call recovery into a second line that is call
9 waiting and then I have caller ID. I have a separate
10 and third line for my fax but that's it. This is not
11 complicated. And to me it's so simple. How can they
12 be asking for more money if they can't even get their
13 act together on what they're doing now. That to me is
14 so ludicrous I can't even believe it, and I'm being
15 forced as all other consumers to pay for 100 percent
16 of service when they're only providing me say 50
17 percent, 75 percent. They're not even giving me the
18 service they're legally obligated to give me and you
19 know what happens if you argue with them and don't pay
20 them, right? They hold all the cards.

21 JUDGE STAPLETON: Further questions of the
22 witness?

23 Mr. McKim, thank you for your testimony.

24 MR. TROTTER: Michael J. Tardiff.

25 Whereupon,

00682

1 MICHAEL TARDIFF,
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. Would you please state your name and spell
8 your last name.

9 A. My name is Michael J. Tardiff, T A R D I F
10 F. Here on behalf of Northwest Nexus, an Internet
11 service provider in Bellevue, Washington. Our address
12 is 10800 Northeast 8th Street, Suite 802, Bellevue,
13 98004.

14 Q. Go ahead with your statement.

15 A. I'm here to speak on two issues, first
16 service and then rates. Because our entire business
17 depends on telephone service we have an unusually
18 close relationship with U S WEST. I spend more time
19 talking to them than I do to people I like. We have
20 an unusually devoted account representative who works
21 hard to get us the service we need and I'm acquainted
22 with many of their installers who work long and hard
23 as well and I can echo what other people have said.
24 These people feel frustrated in their ability to
25 perform the services that they want to perform and

00683

1 that we need and depend on, but we've worked on
2 building a working relationship with them and it's
3 worked out reasonably well, but currently the
4 geographically distributed service system is a
5 nightmare. Reporting trouble is something that I
6 generally don't do. I call my business rep since
7 reporting trouble only let's me speak to someone in
8 some state who politely tells me they don't know where
9 I am or what I'm reporting and can't help me.
10 Determining installation dates depends on people in
11 cities far away who again have no connection with our
12 business and what we're doing. The restructuring may
13 have trimmed costs but it hasn't improved efficiency
14 in delivering service.

15 I have a few examples. For two months,
16 many of our customers in Olympia have when they call
17 during evening hours frequently received all circuits
18 are busy intercepts. We've repeatedly raised this
19 issue with our best representative with repair and
20 with upper management. I have an example of a
21 customer who called me just this week who said that
22 they have called U S WEST five times to report this
23 problem. All five times U S WEST has told them, tell
24 your company that their telephone arrangements are
25 insufficient to give you the service you need. Well,

00684

1 this is something we work on checking. We have
2 business studies provided us by U S WEST showing what
3 service we received and we have zero busy signals on
4 the services we have in Olympia.

5 Over a period of two months we've been told
6 by various parts of U S WEST that it's not our -- not
7 their problem. It's our problem. Hard to tell if
8 this is a coincidence, but as I was sitting waiting to
9 give testimony I was paged by U S WEST and I was told
10 that they have discovered that there was a problem,
11 and that sometime next week someone will be placing a
12 card which will return our service to where it should
13 have been.

14 Similarly, in Olympia we're trying to bring
15 a service called ISDN to Olympia. Our order was
16 placed in the middle of September. We were told we
17 would have service activated at the beginning of
18 October. It is now well into November and that
19 service doesn't exist. We've had advertised that that
20 service exists. We've been told that there's a
21 missing card. None of them exist in the 14-state
22 region but they certainly hope to get one someday.
23 That's again two months of waiting.

24 I have a list of 22 customers who have
25 ordered frame relay lines, relatively expensive lines

00685

1 on which customers depend for high volume
2 communications with the Internet. These customers
3 average six to eight weeks over two months to get
4 their lines installed. That's over double what it was
5 before the reorganization. I would like to say that
6 on the Internet six months is like a decade so two
7 months' installation costs is a very long time for
8 these businesses and for ours.

9 The second thing I want to speak to is
10 rates. Specifically ISDN rates. ISDN is a technology
11 to support the high tech businesses in this area,
12 reduce commuting, encourage growth. Companies like
13 Pacific Bell are driving ISDN rates lower. Presently
14 their monthly rate is \$30 and they're driving it down
15 to the level of residential rates \$17 or so. Other
16 RBOCs in the country are doing the same. When U S
17 WEST announced a \$63 flat rate ISDN charge I have to
18 confess that we were amazed. We did not expect it.
19 However, we welcomed it and as a result we received
20 over 50,000 requests to provide ISDN service. It was
21 not exactly with delight that I received a phone call
22 two weeks ago telling me that U S WEST has proposed to
23 change that \$63 rate to either \$184 or \$245 depending
24 on whether or not you're lucky enough to live in
25 Olympia or Bellevue.

00686

1 This is the wrong direction and it's going
2 to negatively affect our business and cause the
3 citizens of Washington to be left behind other states
4 in moving ahead on work at home, telecommuting and
5 building information infrastructure. ISDN technology
6 that is specifically aimed at these folks, people like
7 you and me, not necessarily large businesses, and we
8 are very likely to stop selling this product given
9 this pricing change. That's all I have to say.

10 JUDGE STAPLETON: Any questions for the
11 witness?

12 Mr. Tardiff, thank you for your testimony.

13 MR. TROTTER: W. I. Underwood.

14 Vic Ericson.

15 Whereupon,

16 VIC ERICSON,
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, spell your
23 last name.

24 A. My name is Victor L. Ericson. Last name is
25 spelled E R I C S O N and I'm at 701 Fifth Avenue,

00687

1 Room 2510, Seattle, 98104. I'm here representing the
2 Economic Development Council of Seattle and King
3 County where I'm the president, and I have some
4 comments relative to economic development that I would
5 like to pass on to the Commission as you deliberate
6 the matter before you today.

7 As you know, economic development councils
8 are private nonprofit organizations that are primarily
9 interested in retention of jobs and creation of new
10 jobs. There are three issues raised by the case
11 before you which affect the ability of businesses in
12 Washington to create the living wage jobs we all seek.
13 The first issue is cost. Today costs are the primary
14 consideration in business decisions. Whether the
15 decision is to locate a plant or whether to purchase a
16 new machine, global competition has forced firms to
17 examine every expense so they can keep the price of
18 their products and services as low as possible while
19 maintaining the highest quality. When companies we
20 deal with consider an expansion or relocation they are
21 looking closely for differences between states and
22 regions in the cost of doing business. Nothing is
23 overlooked.

24 The cost of telecommunications is obviously
25 a significant consideration in their analysis and in

00688

1 their selections of potential sites. If Washington's
2 business rates are higher than those in other
3 locations because those rates are subsidizing
4 residential rates, we are at a distinct disadvantage
5 in the competition for jobs. This is true whether
6 those jobs are from new companies coming into the
7 state or they are existing jobs which may have to be
8 eliminated because costs of doing business are too
9 high.

10 Rebalancing the business/residence
11 telephone rate disparities and driving rates closer to
12 costs is an obvious answer to this problem from an
13 economic development standpoint and allows us to
14 continue our ability to provide jobs for our citizens.

15 The second issue is service.
16 Telecommunications infrastructure is one of the
17 primary considerations for companies we seek to
18 attract at King County. They want to know about
19 fiberoptics, ISDN and the quality of service. We are
20 very positive about U S WEST's facilities in King
21 County, and contrary to many of the comments you have
22 heard today about service, we have not received
23 complaints from the companies that we work with about
24 the quality of service. As an example, when the super
25 mall in Auburn was put together a communications

00689

1 network was established in what was essentially an
2 open field. The quality of fiberoptics was there
3 delivered on time and the tenants are happy with their
4 service. I can only report to you from the service
5 standpoint that while this may be true in some areas
6 of the company operations and also in some reportedly
7 growing areas it has not been something that we have
8 been aware of or at least dealing with at the Economic
9 Development Council.

10 The last point I would like to make is on
11 regulation, and regulation in my view should be the
12 means by which rate competition is kept fair until
13 such time as the prices of all services are linked
14 directly to costs. If there's a need for phase-in
15 increases in residential rates over time to reduce the
16 subsidy residence customers receive from business
17 rates, one provider should not be asked to shoulder
18 the full weight of that obligation while others who
19 enjoy the opportunity to compete for business
20 customers avoid any obligation to share those costs.
21 Regulation in an openly competitive marketplace should
22 both stimulate competition and protect vital services
23 for all providers and customers. If we expect to have
24 open competition all providers of service should be
25 required to play by the same rules.

00690

1 I hope these comments will be helpful to
2 you as you consider the matters before you. Thank you
3 for the opportunity to speak.

4 JUDGE STAPLETON: Questions for the
5 witness?

6 COMMISSIONER HEMSTAD: Just a couple of
7 questions.

8

9

EXAMINATION

10 BY COMMISSIONER HEMSTAD:

11 Q. I understand with your background in
12 telecommunications I assume you would agree that
13 inability to obtain quality service would have an
14 effect, impact, on economic development, wouldn't it?

15 A. Absolutely.

16 Q. Do you give credence to any of the
17 descriptions that you've heard here this morning?

18 A. In terms of the service quality?

19 Q. Yes.

20 A. I would say any time there's a service
21 quality problem it's going to have a negative effect
22 on the businesses that are impacted by it and having
23 been on the other side of this issue I can empathize
24 with those comments that were heard today.

25 COMMISSIONER HEMSTAD: That's all I have.

00691

1 JUDGE STAPLETON: Thank you for testifying.

2 Whereupon,

3 MARIE FARIS,

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

5 herein and was examined and testified as follows:

6

7 DIRECT EXAMINATION

8 BY MR. TROTTER:

9 Q. Please state your name, spell your last
10 name.

11 A. My name is Marie J. Faris, F A R I S. I
12 live at 5535 Marian, M A R I A N, Drive Northeast
13 Olympia, Washington 98516. I'm representing myself
14 and 82 people who I received signatures from that are
15 friends and people I'm involved with in the school
16 where I volunteer, and I thank you for letting me
17 take this time to talk. I will read the letter that I
18 had posted at the school where I volunteer and then go
19 on to say something personally for myself regarding
20 the U S WEST proposed residential rate increase.

21 Dear members of the Commission. We the
22 undersigned believe it is time to speak up regarding
23 the proposed increase in telephone rates for basic
24 residential service. We believe that an increase of
25 over 160 percent for basic residential service over a

00692

1 four year period is not justifiable. We hope that you
2 the Washington Utilities and Transportation Commission
3 feel as we do and will deny this request made by U S
4 WEST. Sincerely.

5 These are people that are working and not
6 able to attend today. They are people that are
7 retired in the community I live in, and speaking for
8 myself and my husband, he has a small business out in
9 Sumner and he's not very satisfied with U S WEST. In
10 fact he tries to get on a netting system where he can
11 make telephone calls through a 700 number to get away
12 from the service that U S WEST provides. I think he
13 has three or four lines, a fax machine, and does a
14 business with people all over the nation.

15 My personal feelings for myself is last
16 year we were building a home, and we have two small
17 children, a nine year-old and a seven year-old, and
18 I had communicated with U S WEST I would say probably
19 three months before in the process of our home being
20 built. I asked them if it was possible to have a
21 phone connection hooked up in our new residence and
22 also continue the service at our old residence where
23 we were living. I was spending a lot of time at the
24 building residence because of the fact that you need
25 to observe what they're doing when you're building a

00693

1 home. Otherwise things don't get built right. They
2 said, oh, there was no problem with that. They could
3 do that. I said I wanted it to ring at both places at
4 the same time and continue to have the same number. I
5 did not want to change numbers. They said there would
6 not be a problem and to notify them just two weeks
7 before. Well, I did do that and I went to the house
8 and asked them when is the phone going to be done.
9 I called them. No. We'll get to you. We're going to
10 schedule it on this date. Fine. When I went to the
11 house to hook up the phone it was not working at the
12 new construction home and when I did go back to my old
13 residence where I was living at the time that phone
14 had been disconnected so then I had no phone service.

15 I called them back up and complained about
16 it and said that I need a phone. I have two young
17 children. I have to call my husband and communicate
18 with people in the building industry. I'm eight miles
19 one way away from the nearest phone. I needed to have
20 phone access. They said that they would take care of
21 it. They had to run lines and everything. This was
22 an existing neighborhood in Beachcrest. It's an older
23 community. It was not a problem. All they had to do
24 was string something but they just couldn't get it to
25 work right. Finally sent another gentleman out to

00694

1 hook up my phone line at my residence where I was
2 living but in the meantime I had to use my husband's
3 cellular phone. I know about the problems with
4 connections. I've had problems.

5 I'm on the PTA board at the school and I
6 try and call people to work at the school and help out
7 and volunteer. There's a family that lives about, I
8 would say, 10 miles away from me. Numerous times I've
9 tried to contact them and I get a circuit busy signal.
10 Now, I've never run into that in the past. I've lived
11 in another state in the past where things like that
12 occur when there's earthquake or holidays or tragic
13 disease happen in our world, and I can understand
14 circuits being busy for that, but for a house to be
15 eight miles away from me or 10 miles away and circuits
16 to be busy, I don't understand. And I call local
17 telephone U S WEST to complain about it and they just
18 say we'll have to check the line and I don't think
19 that's kind of a responsible response.

20 I hope that you will understand all these
21 people -- I have three more sheets of people signed
22 but I was not able to attain them today, but just to
23 let you know how we feel. Thank you very much for
24 letting me speak today.

25 JUDGE STAPLETON: Thank you. Any

00695

1 questions?

2 Thank you, Ms. Faris, for your testimony.

3 MR. TROTTER: Janelle M. Keller.

4 Whereupon,

5 JANELLE KELLER,

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

7 herein and was examined and testified as follows:

8

9 DIRECT EXAMINATION

10 BY MR. TROTTER:

11 Q. Please state your name for the record.

12 A. Good afternoon, Commissioners, my name is
13 Janelle Keller. I'm the legislative director for the
14 Washington State Grange. My name is spelled J A N E L
15 L E K E L L E R. Our address in Olympia is P.O. Box
16 1186, Olympia, 98507. On behalf of our more than
17 62,000 members I wish to voice our opposition to the
18 pending U S WEST rate increase. I have made up a
19 couple of packets, one of originals for staff and
20 copies for each of the commissioners. And enclosed in
21 this packet you will find a copy of our resolution
22 passed at our 1995 state convention voicing our
23 opposition, and I have also included several letters
24 from members and from individual granges across the
25 state supporting this position.

00696

1 The Washington State Grange was founded on
2 a commitment to promote and protect the interests of
3 rural citizens. U S WEST rate proposal unfairly
4 burdens rural citizens with an excessive increase in
5 the cost of residential service that on the average
6 more than doubles their current rates. This increase
7 could have a disastrous effect on our rural citizens.
8 These rural areas possess an ever increasing
9 unemployment rate and much of the rural population is
10 made up of senior citizens living on fixed incomes.
11 Recent reports on poverty show that the areas of the
12 state which receive the highest amounts of state
13 assistance often are rural counties where an increase
14 of the magnitude proposed by U S WEST could cause many
15 of these rural citizens to abandon their telephone
16 service.

17 The Washington State Grange agrees with the
18 recommendation of the UTC staff to set a flat fee of
19 \$10 per month for service. We also support the
20 proposal introduced by the public counsel section of
21 the attorney general's office which would decrease the
22 residential rates even further.

23 We oppose adoption of a two-tier rate class
24 system which would divide customers into urban and
25 rural zones. We specifically oppose the adoption of a

00697

1 higher rate for rural areas. While we recognize the
2 need for U S WEST to remain competitive in a new and
3 changing telecommunications market, we urge careful
4 consideration of the effects of their decisions on
5 rural customers. Rural customers have a right to
6 equitable treatment and dependable service from their
7 telecommunications provider. The Washington State
8 Grange has traditionally stood up for these rights and
9 will continue to do so. Thank you for your time and
10 consideration of our views.

11 JUDGE STAPLETON: Any questions?

12 Thank you, Ms. Keller, for your testimony.

13 MR. TROTTER: Bruce Palm. Dale Croes.

14 Whereupon,

15 DALE CROES,

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

18

19 DIRECT EXAMINATION

20 BY MR. TROTTER:

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

23 A. My name is Dale Croes, C R O E S. I live
24 at 1624 Sunflower Lane Southwest, No. 202, Tumwater,
25 Washington 98512. I'm a U S WEST customer. I'm also

00698

1 a professor of archaeology at South Puget Sound
2 Community College and a research faculty at Washington
3 State University but don't hold that against me. I am
4 really not clear on all the ins and outs.

5 JUDGE STAPLETON: Commissioner Gillis will
6 think that's a plus.

7 THE WITNESS: A Cougar on the stand.

8 A. I'm not clear, really, on all the ins and
9 outs on the rate case thing but my motivation for
10 being here is to really ask that U S WEST be treated
11 fairly for their earnings and competition standpoint.
12 They certainly have treated me fairly. You see, I've
13 already tried the competition. When I first moved
14 here a little over a year ago I was coerced into using
15 another system, ATM. When I moved here from Seattle I
16 got a little welcome to Olympia card. It had my
17 address on it. It had my phone number on it and my
18 cable system. The phone number was an ATM phone
19 number and I had really no idea that I had other
20 choices. Their billing was exorbitant. Certainly
21 twice what I was used to paying in Seattle with U S
22 WEST. This is the billing. Their charges from this
23 competition was at least twice for the monthly fees.

24 Finally called U S WEST and basically --
25 well, I found out that I could have this option of U S

00699

1 WEST, and I had used their services before. I
2 coordinated an international conference for our state
3 centennial at the Seattle Center and they had come in
4 and very quickly set up for this international
5 conference and gave us our phone system. So when I
6 found out they were available I thought, boy, this is
7 a great opportunity to have a good service here in
8 this area, so I called them and they said, oh, sure,
9 but ATM has to disconnect you. So I called ATM and
10 basically they said they could disconnect me but it
11 would be \$31 to disconnect the line and I further was
12 told that they wouldn't do that until my check had
13 cleared after I sent the check.

14 I called your Commission at that time and
15 said is this legal, can they do that? You looked
16 through it and you said, yeah, I guess they can do
17 that. And so I sent my check and eventually it
18 cleared and U S WEST was eventually able to step in
19 and gave me services, thank God.

20 Another colleague of mine I just talked to
21 the other day, Dr. T. Chang from Taiwan lives in the
22 same apartment complex and he asked me about that. He
23 says, I've been spending \$100 a month just to keep in
24 touch with relatives and things in Taiwan. Is there
25 any other way to have a phone service here? He had no

00700

1 idea that he could use U S WEST, and I said that by
2 all purposes get off ATM. You're going to save a lot
3 of monies with their services, their services.

4 So I basically draw two points that I want
5 to come out on this is that if phone service can
6 really provide service at a reasonable rate then
7 they're not really going to be able to string
8 additional lines to customers who need good service.
9 Much of our country's economy certainly depends on
10 communication services. Number of people have
11 mentioned that it's very important for our
12 infrastructure to keep our national and international
13 competition at a high standards, and this kind of
14 service is greatly -- this kind of quality of service
15 is greatly needed in general in this area, which we've
16 called world class, and to continue competing in a
17 world market.

18 Secondly, by the nature of my job, I spent
19 a lot of time in rural areas in the state involved in
20 the Odessa dig in my graduate work and I've directed
21 the 3,000 year-old Hoko River project and presently
22 we're working in the Chehalis River Valley to see if
23 we can demonstrate that the first Americans came into
24 the country then through the Chehalis River below the
25 ice flow coming down the coast, so we're out in these

00701

1 areas and we greatly need the top notch services so we
2 can have computer hookups whether it's computer
3 hookups into WSU or into my own computer.

4 One thing I failed to mention is, ATM, when
5 I first got here said they weren't even sure if they
6 could hook me up to electronic mail, to Internet.
7 They had to check. They hadn't had those services,
8 and certainly those are available through a company
9 like U S WEST. And those services are well
10 established in places like Magadon, Siberia and so
11 forth, but I couldn't even get those services here
12 with a company I was first involved with. But we're
13 out there and we're out there with state-of-the-art
14 geographic positioning systems out in the Chehalis
15 River Valley looking for sites that we're looking for
16 and recording where they are from the satellite
17 systems. We need to be able to download this into
18 computer systems. We also need to, in these rural
19 areas, have the best systems for doing this, and so I
20 think after 13 years a rate hike so that they can
21 continue to increase their services to these kinds of
22 areas is crucial just in general economic competition
23 in an international world market. So thank you.

24 JUDGE STAPLETON: Questions? Thank you,
25 Mr. Croes, for your testimony.

00702

1 CHAIRMAN NELSON: Mr. Croes, would you stop
2 by and talk to Ms. Dutton on your way out. I don't
3 like the answer that you were given about the ATM
4 exit fee. That's not the way I understand our law.

5 THE WITNESS: I did call and work through
6 and it seemed like there was nothing they could do
7 about it. In fact I called your Commission and they
8 investigated it.

9 CHAIRMAN NELSON: Well, Ms. Dutton is the
10 head of the consumer complaint section and perhaps you
11 had the problem of talking to the wrong person that
12 day. I just would like her to investigate a little
13 more.

14 THE WITNESS: Thank you, Ms. Nelson.

15 MR. TROTTER: Is there anyone else? I may
16 have missed someone on the list unintentionally. Is
17 there anyone else in the hearing room at this time
18 that would like to testify in this docket?

19 I think that completes the ratepayer phase
20 of the hearing today.

21 CHAIRMAN NELSON: Thank you all for your
22 excellent testimony.

23 JUDGE STAPLETON: Thank you for coming.
24 We'll stand in recess. Let's be back at 1:45 p.m.,
25 please.

00703

1 AFTERNOON SESSION

2 1:45 p.m.

3 JUDGE WALLIS: Let's be back on the record,
4 please, following our public session and our noon
5 recess. As a matter of information, I've polled
6 counsel and understand that counsel are estimating
7 less than three hours in cross-examination for the
8 remaining witnesses today. I am going to suggest that
9 we take the staff witnesses last, and that way if
10 something does happen and cross-examination is more
11 extensive than people are estimating and we want to
12 defer cross-examination of staff, they won't have to
13 come in from out of town at least for that purpose.

14 Mr. Smith, I believe you were in the midst
15 of examining Mr. Okamoto, and you may proceed.

16 MR. SMITH: Thank you, Your Honor.

17

18 CROSS-EXAMINATION

19 BY MR. SMITH:

20 Q. Mr. Okamoto, before the public session, I
21 had asked you whether you had the total number of held
22 orders for all reasons and were you able to get that
23 information?

24 A. I'm sorry, no, I was not.

25 Q. Has the company lost any of its engineering

00704

1 outside plant or interoffice facility records as a
2 result of the re-engineering effort?

3 A. Lost any of its records?

4 Q. Yes.

5 A. Not to my knowledge.

6 Q. Page 10 of your rebuttal testimony you
7 state at line 6 that 68 percent of the company's
8 trouble cases have been cleared within 48 hours. Do
9 you see that testimony?

10 A. Yes, I do.

11 Q. Would you accept that the Commission's
12 rules require that all interruptions to service except
13 for those caused by certain emergency interruptions
14 must be completed with 48 hours?

15 A. Yes. I understand that to be the rule.

16 Q. Back on page 2, beginning at the top you
17 answer the question of how you insure that Washington
18 is appropriately staffed to provision primary
19 residential and business service and the response that
20 begins on page 2 you state that you communicate often
21 with those responsible for the provisioning and
22 maintaining service and personnel to provide technical
23 and network support. When you say you communicate
24 with them, what do you mean by that?

25 A. I check with them as to the service

00705

1 experience that is occurring, what the weather
2 conditions are in various part of the state, how that
3 is affecting service, and the status of overtime
4 being worked and so forth so that I'm fairly
5 knowledgeable on a current basis of the effort of the
6 work force.

7 Q. And do you look at any statistics to
8 determine how well they're performing their jobs?

9 A. Well, occasionally we have the service
10 action team that I mentioned in my testimony review
11 the statistics that we measure in order to see how
12 we're performing, and at that time we will review
13 various aspects of our service delivery.

14 Q. And do the results of those statistics have
15 any relationship with bonuses paid those employees?

16 A. Well, making service quality benchmarks is
17 one of the conditions for payment of some bonuses, and
18 if service achievement is not made then those bonus
19 payments are not paid.

20 Q. Page 14, lines 17 through 19, I don't need
21 you to refer to it, but you state there that you
22 believe that most of the company's customers consider
23 U S WEST to be a high quality reliable
24 telecommunications services provider. Is that belief
25 based on surveys or some other basis?

00706

1 A. Well, it's based on the fact that we are
2 providing service as required in a high quality manner
3 to 99 percent of our customers, and I'm not at all
4 denying that there are instances where we dropped the
5 ball, where we can't do things better, but on the
6 whole and on the average we are providing excellent
7 service. The fact that we have slipped a notch is of
8 great concern to me, and listening to the testimony
9 taken from the public today is of huge concern and we
10 intend to address that, but by and large and on the
11 whole I believe we continue to deliver excellent
12 service.

13 Q. Back to my question. Was that based on any
14 particular survey of customer attitudes toward the
15 company's quality of service?

16 A. Well, we do take surveys, yes. And one of
17 those was the one that I shared earlier that had a
18 selected list of customers on it, and the grades that
19 they were giving us.

20 Q. And as I understand it, how was the sample
21 for that or how were the companies shown on that
22 survey selected?

23 A. My understanding is that that is a
24 scientific sample, a selection, a scientifically
25 selected sample of our customers.

00707

1 Q. Because it appears to be a -- well, you
2 have a column there that says problem area which
3 suggests to me that the universe of this sample is
4 customers who have had problems with the company.

5 A. No. I don't believe that to be the case.
6 In fact you see several entries there where there's no
7 problem listed. It's simply a column that says if
8 you're giving us a grade do you have any comment about
9 why you might be giving us a grade. They might be
10 less than satisfactory.

11 Q. What percent of total business customers
12 does the survey shown in 136 encompass, if you know?

13 A. I'm sorry, I don't know that percentage.

14 Q. According to the company's internal
15 customer service measurement for management team
16 awards, what percent of this customer survey should be
17 at A minus or better?

18 A. I would have to check that. I don't know.

19 Q. Now, you indicate in your testimony that
20 there's five cities in particular that encompass most
21 of your quality of service problems, and are you aware
22 that the Commission staff has met with the company
23 management I think every year since 1991 to discuss
24 the quality of service problem in those five cities?

25 A. Well, I returned to the company in 1992, at

00708

1 the end of '92, so I don't know what happened in '91.
2 I assumed the position that I am in in 1993, so prior
3 to that, no, I am not aware. I don't believe I
4 was involved in them prior to that. However, I have
5 attempted to communicate to the Commission staff and
6 to the commissioners ongoing processes in our
7 re-engineering and some of the service problems we
8 were having in an attempt to keep that dialogue open.

9 Q. Page 12, you state that there's a conflict
10 between staff witness Beaton's testimony and Dr.
11 Selwyn's testimony, and I don't want to belabor this
12 here, but do you understand that Dr. Selwyn's
13 testimony was relating to future investment in plan
14 and that Ms. Beaton's testimony was based on growth
15 remaining stable during the test year?

16 A. Yes. I understand that perfectly, but the
17 message that I was getting as I read that was a
18 conflicting message in terms of what do I learn from
19 that testimony. On the one hand it suggests that we
20 are over investing and because we have over invested
21 we can then slack off our investment as we lose market
22 share and so we won't strand any plant. On the other
23 hand, I think the other witness claimed that we were
24 under investing and therefore were unable to serve at
25 the levels that were required. So, it represented, at

00709

1 least to me, a clear conflict of the messages that
2 those two testimonies were sending.

3 Q. Aside from whatever message you might have
4 perceived, do you understand they're testifying about
5 two different things?

6 A. No, I don't think they are testifying about
7 two different things. The question is --

8 Q. Well, is your answer that Dr. Selwyn's
9 testimony that you cite on page 12 and Ms. Beaton's
10 testimony are covering the same topic?

11 A. I'm testifying that they send different
12 messages to me and they both talk about investment and
13 the risk of that investment.

14 Q. What are the current company goals for
15 service and repair intervals?

16 A. Current company goals are to achieve repair
17 in the 48-hour time frame as the Commission rule
18 states.

19 Q. And has that goal changed since 1990?

20 A. Has not.

21 Q. Is the company meeting its own internal
22 service and repair intervals currently?

23 A. No, not on repair. The statistics would
24 show that we are not at 100 percent repair in 48
25 hours. In fact there are going to be instances where

00710

1 we will not be able to reach that goal. I believe
2 that should be a goal. However, I believe there
3 should also be exceptions and there are some
4 exceptions granted by the reading of the rule. For
5 example, acts of nature, big floods, storms and the
6 like. There are also unusual circumstances when
7 there's snow on the ground and you can't plow the
8 ground and so forth, but the 48-hour requirement is
9 certainly our goal.

10 Q. And you're not testifying that your trouble
11 cases that extend beyond 48 hours are caused by the
12 situations of emergency and weather that you just
13 described, are you?

14 A. Some of those reasons do exist. I have not
15 enumerated how many of them, and I think I have
16 changed my testimony to indicate that sometimes
17 they're caused by conditions that are beyond the
18 company's control.

19 Q. One last question. Does the company have
20 any goals regarding held orders?

21 A. Yes. The company intends to reduce the
22 level of held orders. We are attempting to set some
23 targets internally that will reduce the levels that we
24 are currently at.

25 Q. Could you share those internal targets

00711

1 today?

2 A. I would prefer not to at this moment
3 because they're still under discussion and they relate
4 to our ability to continue to invest the capital
5 that's necessary to build those facilities, but they
6 are targeted to be at lower levels than they are
7 today.

8 Q. I can just ask a couple of more questions
9 on Exhibit 136, which is the survey you introduced on
10 surrebuttal. Up in the upper right-hand corner
11 there's a handwritten note that that was revised on
12 10-95. Who made the revisions and why?

13 MR. SHAW: Sorry, Counsel, could you point
14 out which page that's on?

15 MR. SMITH: Page 1, upper right-hand
16 column, at least on my copy.

17 A. I do not have an explanation of what that
18 revision refers to. I can only surmise that it means
19 it's updated as of October of 1995.

20 Q. Would the same companies appear in each
21 quarterly survey?

22 A. No. I believe that that statistical
23 sampling is run each quarter, and different companies
24 surveyed.

25 MR. SMITH: Thank you, Mr. Okamoto. Those

00712

1 are all my questions.

2 JUDGE WALLIS: Mr. Trotter.

3 MR. TROTTER: Thank you.

4

5 CROSS-EXAMINATION

6 BY MR. TROTTER:

7 Q. Mr. Okamoto, you attended the ratepayer
8 hearings in Spokane and here; is that right?

9 A. Yes, that's correct.

10 Q. Did you read the transcript from the other
11 hearings or did you attend any of the others?

12 A. I did not attend any of the others. I got
13 feedback from others that did attend.

14 Q. So you've been briefed on those?

15 A. Yes.

16 Q. And you're not here today challenging the
17 veracity of those witnesses who had problems with
18 service quality of U S WEST?

19 A. Absolutely not. In fact, I empathize with
20 them and I get angry as I listen to the testimony
21 because we must and will do better than that.

22 Q. And if six months from now we hold another
23 hearing, a series of hearings like these, and those
24 problems are persisting, what then?

25 A. I would suspect you won't have Mr. Okamoto

00713

1 to question. I probably won't be here. I'm sincere
2 about that. It's our intent to fix those problems.
3 We're doing everything in our power to do that, and
4 it's my intention that in six months from now those
5 complaints will dramatically decrease. At the same
6 time I can't promise you perfection. I don't think
7 we're ever going to be perfect. We are a huge
8 company. Hundreds of thousands of transactions a day.
9 We're going to drop a few of those but I can tell you
10 it's at the very core of everything we're doing to
11 improve the kind of customer service that we're
12 delivering.

13 Q. And by dramatically decrease what do you
14 mean?

15 A. Well, I'm saying that from a generic sense.
16 I am not going to give you numbers. I've done that
17 before. I've been part of the governor's council of
18 economic advisers. I know that making forecasts is
19 not a winning game and so I don't want to make that
20 kind of a prediction. I'm saying it in terms of
21 business survivability we need to do that and we
22 intend to do that.

23 Q. You testified earlier that with regard to
24 the re-engineering process that your employees were on
25 the learning curve or the learning curve was coming

00714

1 up. Do you recall that testimony?

2 A. Yes.

3 Q. And by coming up you meant that they were
4 reaching the top of the curve so that they were very
5 efficient and capable at operating the new system. Is
6 that what you meant by that?

7 A. Well, in some of our centers, there has
8 been as much as a 50 percent turnover and that has
9 required a significant amount of training, and in some
10 of our operations we've got training going on 24 hours
11 a day and so there are students going through those
12 classes. With that kind of effort, over time that
13 learning curve is going to increase and hopefully
14 increase at an exponential rate, and I hope to get all
15 of those employees trained in that peak performance in
16 a short time frame.

17 Q. Did the learning curve start, at least with
18 respect to the current re-engineering effort, in 1993
19 with the Share the Vision program?

20 A. Yes, we had training beginning then but
21 it's really accelerated now.

22 Q. When will the curve -- you characterized
23 the curve was coming up. When will it be here?

24 A. Well, I think given the complexity of the
25 systems it's going to take a while yet before these

00715

1 employees get fully trained. We lost employees during
2 the movement that occurred during our re-engineering
3 process, employees who had many, many years of
4 service, and so we have new employees now who will
5 take some time to go through the training and then
6 experience the experiences on the job and then go back
7 through additional training so that it will come up
8 over time, but I expect that that will be fairly rapid
9 given the quick learning capability of our work force.

10 Q. Now, you mentioned it will be a while yet,
11 some time and fairly rapid. Are you able to give us
12 some general dates like within six months, within a
13 year? What is your current thinking on that?

14 A. Well, it would certainly be my intent that
15 within a year we would see significant improvement in
16 terms of the knowledge level and the training level of
17 employees, but I'm not a teacher so I can't give you
18 quantifiable statistics on how learning occurs. These
19 are new employees operating new systems and so it's a
20 learning process as we go through it.

21 Q. You refer to being at PNB in 1983. Were
22 you there at that time?

23 A. Yes, sir.

24 Q. Did you participate in the rate case around
25 that time?

00716

1 A. Yes, and without these glasses, too.

2 Q. And I did not, but in reviewing the record
3 in that case I did not find a type of customer
4 dissatisfaction that we're seeing in this proceeding.
5 Is that a fair statement?

6 A. I believe that's a fair statement, yes.

7 Q. Now, with respect to Exhibit 134 I noticed
8 there were no Internet providers on that list. Could
9 you just take a look and see if my observation is
10 correct?

11 A. Well, I would accept your observation
12 subject to check. I'm not sure I would recognize
13 Internet provider by the name.

14 Q. Turn to page 6 of your rebuttal testimony.
15 And there's a question on line 8, "Does U S WEST
16 prioritize services for business customers over
17 residence customers?" Do you see that?

18 A. Yes, I do.

19 Q. And without regard to prioritizing, isn't
20 it true that the receipt to clear time for residential
21 customers is over 19 hours longer than for business
22 customers in 1994?

23 A. I don't have that statistic.

24 Q. Would you accept that subject to check
25 based on your response to our data request 637?

00717

1 A. I will accept that subject to check, yes.

2 Q. On page 9 you were asked on line 5, "Is
3 re-engineering the source of any service problems and
4 if so why has U S WEST continued with its
5 implementation?" And in reading your response I
6 didn't -- I assume that the answer to the question was
7 that -- was yes with your answer. Is that correct? I
8 didn't see the word yes or no at the front of that one
9 unlike some of your other responses. Do I correctly
10 assume that the answer to that question is yes with
11 your explanation?

12 A. Yes. There are some problems resulting
13 from the re-engineering effort.

14 Q. Now, beginning in 1990 U S WEST had a
15 program that was called "Winning in the '90s."

16 A. I was not under the employ of U S WEST in
17 1990.

18 Q. You have not heard of that program?

19 A. I have heard of that program.

20 Q. You had that program but you're not sure
21 when it began; is that correct?

22 A. That's correct. I left the company in 1990
23 through the end of 1992.

24 Q. And I think we agreed earlier that the
25 Share the Vision program began in 1993; is that right?

00718

1 A. That would be my recollection, yes.

2 Q. And did the Share the Vision program, is
3 that the one that's currently ongoing today?

4 A. Well, I wouldn't characterize it with that
5 title as such. We sometimes ascribe those titles to
6 messages that we give our employees, and for example,
7 in that time frame the message we were trying to
8 convey was that the world of telecommunications was
9 changing and that with it U S WEST had to change, that
10 it had no choice. That is part and parcel of my
11 answer to the re-engineering question why we haven't
12 turned back on that because there have been a few
13 problems associated with it. The change in the
14 environment simply said that with competition coming
15 we had to streamline our operations and reinvent
16 ourselves and reduce costs and become more efficient,
17 so that was one of the programs that started that
18 message being delivered to employees.

19 Q. I see. So in your opinion Share the Vision
20 was not a program. It was just a theme?

21 A. Yes.

22 MR. TROTTER: Your Honor, I have a
23 multi-page exhibit that I would represent to Mr. Shaw
24 that this is an excerpt from a data request the
25 company responded to in a pending Arizona docket. I

00719

1 have the complete response. I would also note for the
2 record that the pagination in the lower right-hand
3 corner is my own.

4 JUDGE WALLIS: Marking as Exhibit 135 for
5 identification a multi-page document the first page of
6 which bears a pictorial representation entitled Mass
7 Market Service Delivery.

8 (Marked Exhibit 135.)

9 Q. Mr. Okamoto, do you recognize the first
10 four pages of this exhibit to be basically a slide
11 show with text at the very top of each page? There's
12 a rather blurry Share the Vision notation?

13 A. It appears to be the kind of material
14 prepared in support of a slide show. However, I don't
15 recognize the material.

16 Q. Well, I would like to ask you subject to
17 check that this was provided in response to an Arizona
18 corporation -- a response by U S WEST to Arizona
19 Corporation Commission staff request 005114774.

20 A. All right.

21 MR. SHAW: Your Honor, this is somewhat
22 unusual. I don't understand quite asking this witness
23 to identify something that is alleged to have been
24 produced in Arizona. I don't doubt Mr. Trotter's
25 word. I've never had any reason to doubt his word,

00720

1 but a document produced in another state in another
2 proceeding about what, I'm not sure how it's going to
3 be relevant to this docket, particularly when the
4 witness has never seen it before. If it had been
5 asked for and produced in this case we would have some
6 knowledge of it, I presume.

7 MR. TROTTER: Well, it has been produced in
8 this case. We produced it in response to your
9 discovery.

10 MR. SHAW: Well, I guess I have problems
11 with crossing this witness on something that he's
12 never seen before and has no knowledge of. If he can
13 identify it, fine.

14 MR. TROTTER: I asked him to accept it
15 subject to check that it was a company response to the
16 data request I mentioned and why don't we just -- if I
17 can ask him the questions and we'll see if he can
18 respond. It's obviously authenticated. I think it's
19 obviously relevant.

20 JUDGE WALLIS: Let's let the witness hear
21 the questions and see what his responses are.

22 MR. TROTTER: Thank you.

23 Q. Referring to the first page, do you
24 recognize the data under the "what we're delivering"
25 column as being company concerns regarding its service

00721

1 quality in 1993? And I'm assuming, and you can
2 correct me if I'm wrong, this would be total company?

3 A. That's what it appears to be, but again I
4 can't personally verify that. I have not seen this
5 and I have no knowledge of these particular slides or
6 numbers.

7 Q. So where it says that the company had over
8 700,000 missed commitments in -- so far in 1993 that's
9 a statistic that you are unfamiliar with. Is that
10 true?

11 A. That's correct. I didn't assume my
12 position until September of 1993, so I had no cause to
13 be knowledgeable of those numbers.

14 Q. Turn to page 3 of the document and under
15 the second bullet it identifies the statement,
16 "Earlier solutions were Band-Aids, superficial changes
17 to the current ways of doing business. Helpful but
18 didn't address the underlying problems of processes."
19 Do you see that?

20 A. Yes, I do.

21 Q. Then in the next bullet it refers to the
22 Winning in the '90s as being an example of that. Is
23 that right?

24 A. That's what it purports to say, yes.

25 Q. Is that consistent with your understanding

00722

1 of the company's characterization of the Winning in
2 the '90s program?

3 A. Well, again, I would repeat I was not here
4 during Winning in the '90s and so I don't know what
5 the characterizations were of that program at that
6 time.

7 Q. I would ask you to accept subject to check
8 that U S WEST's summary annual report to shareholders
9 for 1989 on page 3 in the letter to shareholders
10 signed by Jack A. McAllister, Richard D. McCormack,
11 contains the following statement. "Beginning in 1990,
12 we plan to increase our annual investment in our
13 telephone business by nearly 15 percent to 2 billion a
14 year to enhance further -- to enhance even further our
15 ability to serve our customers. To free up money for
16 this added investment we've asked every management
17 employee at U S WEST to participate in a comprehensive
18 top to bottom review of everything we do. We're
19 asking them to reduce expenses wherever possible
20 without harming customer service. We call this
21 effort 'Winning in the '90s'. We believe it will
22 significantly improve our ability to be responsive to
23 customer needs."

24 Would you accept subject to check that I
25 have read that correctly from your 1989 report to

00723

1 shareholders?

2 A. Yes. I certainly will.

3 Q. Turn to page 5 of the exhibit, and it's a
4 little unclear in the lower left but the following
5 page shows that this is a January 3, 1995 excerpt from
6 U S WEST Today. Would you accept that subject to your
7 check?

8 A. Yes.

9 Q. And on page 6 it refers to some positions
10 that continue to need applicants. Is that true?

11 A. Yes, that's the title.

12 Q. And on page 7 in the box on the upper
13 right-hand corner after the bullets, it says, "These
14 initiatives and more are still on track to" keep the
15 company -- "to help the company achieve its service
16 vision making the company a leader in service quality
17 by the end of 1996." Do you see that?

18 A. Yes, I do.

19 Q. This publication was in early '95. Is that
20 statement still true today?

21 A. I believe for the most part it is still
22 accurate, although we have slowed down our planned
23 deployment of broad-band networks.

24 Q. Turn to the next page, page 8, and through
25 the end is a restructuring business case update from

00724

1 October 26, 1994. Page 9 of the exhibit shows a
2 restructure business case in the left quadrant, upper
3 quadrant. Do you see that?

4 A. Yes, I do.

5 Q. Am I correct -- again the shading isn't
6 very good here, but the -- looking at the series of
7 three blocks of data, a block on the left is the
8 benefit block, the middle block is expense and the
9 right-hand block is capital. Is that true?

10 A. I can't read this well enough to
11 corroborate that.

12 Q. Just the way it's set up you don't know
13 whether or not it's in that order. Let me ask you
14 this. Under your business case for your
15 restructuring, is it correct that the benefits are
16 expected to far out pace expense capital outlays over
17 the 1997 through '99 period?

18 A. Well, reading the line that is labeled
19 benefits I do see '96 and 212 and 385, 510 and 510 as
20 compared to expensing capital numbers. I have not
21 studied this so I don't know the implications of that.
22 There's simply numbers portrayed here.

23 Q. So you don't recognize this restructuring
24 business case update?

25 A. Not this particular chart, no.

00725

1 Q. Do you know in looking at the figures here
2 whether this restructure business case update is still
3 current, is still valid today?

4 A. No, I have no knowledge of that.

5 Q. Do you know when the restructuring is
6 anticipated to have its benefits exceed expenses and
7 investment?

8 A. Well, I don't have a plan in front of me.
9 However, I would expect that to begin to occur
10 beginning in about 1997.

11 Q. And that's what's reflected?

12 A. I believe that's still an accurate general
13 description of when those benefits should start to
14 flow.

15 MR. TROTTER: Move the admission of Exhibit
16 135.

17 JUDGE WALLIS: Is there an objection?

18 MR. SHAW: What is the purpose of the
19 exhibit and how does it relate to this testimony? I'm
20 concerned, Your Honor, because it seems to be excerpt
21 again of discovery in another state that apparently
22 came into the possession of Mr. Trotter's consultants.
23 This witness didn't represent any data from this in
24 his direct testimony, and I cannot understand that
25 it's being offered to impeach anything that he said so

00726

1 what is the purpose of entering this exhibit?

2 MR. TROTTER: Well, I hope my
3 cross-examination was more interesting than that. I
4 think it's pretty plain that this company has had
5 several service redeployment programs. Some haven't
6 worked and so they've then changed to a different one
7 and we're hearing now that they're constantly
8 changing, and I think this is indicative of results
9 that have occurred over past programs, company's
10 assessments of what those programs -- from the annual
11 report what those programs were going to do and the
12 reality is they didn't do it.

13 With respect to the benefits analysis I
14 think that's highly probative of many issues in this
15 case in terms of the company's expense or investment
16 and expenses are exceeding the benefits now in
17 anticipation that it's going to be turning around, but
18 that's a forecast and this witness is unable to even
19 identify what the current forecast is so I think it's
20 probative of virtually every issue in this docket let
21 alone the ones teed up for today.

22 JUDGE WALLIS: I'm concerned that the
23 witness has little personal knowledge of the documents
24 or of the material that's represented. How would you
25 respond to that concern?

00727

1 MR. TROTTER: Well, I'm surprised but I
2 think he can accept these. I think the document is
3 plainly authenticated. It's plainly relevant, and I
4 think that's enough. I think the document in many
5 ways speaks for itself.

6 MR. SHAW: I will continue to object. I
7 don't think it's been authenticated at all.

8 MR. TROTTER: I have the complete response
9 here on the table and Mr. Shaw is welcome to go
10 through each and every page.

11 MR. SHAW: Well, that's not the way it
12 works, Your Honor. Obviously, Mr. Trotter would like
13 to put in a lot of paper through Mr. Okamoto, but if
14 Mr. Okamoto is not able to sponsor that paper, then
15 there's been no foundation laid.

16 MR. TROTTER: That's the nature of a
17 subject to check. If he checks and this is not a U S
18 WEST document we will pull it voluntarily.

19 JUDGE WALLIS: Very well. On that basis
20 Exhibit 135 is received.

21 (Admitted Exhibit 135.)

22 Q. Turning back to the first page for one
23 final series of questions. Do you know what the
24 company is -- focusing on that right-hand column for
25 any period in 1995, do you know what the company

00728

1 overall is delivering?

2 A. I do not have the total company numbers,
3 no.

4 MR. TROTTER: That's all I have. Thank you
5 very much.

6 JUDGE WALLIS: Ms. Proctor, I'm going to
7 ask you to move the mike up just as close as you can
8 get it there.

9

10 CROSS-EXAMINATION

11 BY MS. PROCTOR:

12 Q. Good afternoon, Mr. Okamoto.

13 A. Good afternoon.

14 Q. I'm Susan Proctor from AT&T. Earlier this
15 morning when you began your testimony you talked a
16 good deal about capital and the competition for
17 capital. U S WEST Communications pays 100 percent of
18 its dividends to its parent U S WEST Inc., does it
19 not?

20 A. That's correct.

21 Q. And would you accept subject to check --
22 and this is from Standard and Poor's utilities rating
23 service -- that in 1994 U S WEST Communications paid a
24 dividend of virtually its entire net income of 1.1
25 billion dollars to the parent?

00729

1 A. I would accept that subject to check, yes.

2 MR. SHAW: Your Honor, I'm going to
3 interpose an objection. I don't think that this has
4 anything to do with what we're here today for. And it
5 has nothing to do with anything that Mr. Okamoto has
6 testified to in his -- in his direct, and I don't
7 think it's appropriate to ask him to go out and do
8 research in some Standard and Poor's document.

9 JUDGE WALLIS: Ms. Proctor.

10 MS. PROCTOR: Yes. The Standard and Poor's
11 document was provided to U S WEST by the staff in
12 response to U S WEST's request to the staff request
13 No. 2. And I have a copy of it here. I would be
14 happy to share it with Mr. Okamoto and Mr. Shaw if
15 they would like to verify that number, and I only had
16 one or two questions. I think it's entirely relevant.
17 U S WEST contends that the problem is investment and
18 that they don't have the capital, and I think that the
19 financing documents all show that they have plenty of
20 capital. It's just a question of where they're
21 directing it.

22 JUDGE WALLIS: Very well.

23 Q. Mr. Okamoto, do you know of the 1.1 billion
24 dollars that U S WEST Communications paid to its
25 parent how much of that money was returned to U S WEST

00730

1 Communications in investment?

2 A. No. I don't have those numbers in my head
3 here with me.

4 Q. Would you again accept subject to to check
5 from the Standard and Poor's document that U S WEST
6 Communications received back an equity infusion of
7 \$544 million in 1994?

8 A. I would accept that subject to check.

9 Q. Thank you. And again you discussed the
10 competition for capital investment this morning.
11 Would you agree that the company's 1995 commitment to
12 existing international ventures of approximately \$400
13 million would constitute competition for the parent's
14 investment dollars?

15 A. The U S WEST parent investment in
16 investments overseas, is that your question?

17 Q. Yes.

18 A. I would say that's similar to the
19 investment made by AT&T in their equipment business or
20 in their international ventures. All of our
21 competitors make those kind of investments so that
22 certainly is a choice that the parent company can
23 make.

24 Q. So the answer to my question is yes? That
25 does represent competition for the corporate

00731

1 investment dollars?

2 A. Absolutely. The shareholders demand that
3 managers of the business invest the capital dollars
4 appropriately and where they can get the best returns,
5 and that is one of the choices.

6 Q. And another one of the choice would be the
7 cable TV operations in Atlanta?

8 A. That would be correct. And also the half
9 million dollars they reinvested with the company to
10 upgrade its telephone systems. All of those are
11 investment choices.

12 Q. Mr. Okamoto, you've been talking about
13 large customers today of U S WEST. Would you agree
14 that AT&T is a large customer of U S WEST?

15 A. Very large customer and our former parent
16 and a customer we value very greatly.

17 Q. In fact, according to the U S WEST annual
18 report for 1994 the access revenues paid by AT&T to
19 U S WEST Communications constitute 13 percent of U S
20 WEST's total revenues. Would you be willing to accept
21 that subject to check?

22 A. I would accept that and thank you very
23 much.

24 Q. In your testimony thus far today you talked
25 about held service orders and the views of customers.

00732

1 Is it fair to say, however, that the views of AT&T and
2 any backlog of orders for AT&T are not reflected in
3 the numbers that you have filed in your testimony?

4 A. I don't believe they were. I didn't see
5 them specifically.

6 Q. In your testimony?

7 A. In my testimony.

8 Q. Have you reviewed the testimony of AT&T's
9 witness in this proceeding, Ms. Parker?

10 A. No, I have not.

11 Q. So you're not aware of the testimony that
12 AT&T has submitted on the problems that it is having
13 with service quality with U S WEST?

14 A. No, I am not aware of the testimony.

15 Q. So you're not aware that AT&T's, one of
16 your largest customers, view of U S WEST quality point
17 is that U S WEST is not meeting AT&T's expectations?

18 A. Well, I recently did become aware of that
19 and that's a big disappointment and I can assure you
20 that's temporary. I don't have the specific data but
21 I was aware that our marks were not as good as they
22 have been in the past.

23 JUDGE WALLIS: Marking as Exhibit 136 for
24 identification a multi-page document the first page of
25 which appears to be a letter under date of November 7,

00733

1 1995 indicating that it consists of AT&T's responses
2 to U S WEST's third data request Nos. 35 through 38.

3 (Marked Exhibit C-136.)

4 Q. Mr. Okamoto, I've handed you what the
5 hearings officer has just described as Exhibit 136,
6 and if you would be good enough to turn to the
7 response to data request No. 36, and there is an
8 attachment to that data request, and I would ask you
9 to turn to the first page of it. It is a document
10 entitled Provisioning Expectations. Do you have that
11 in front of you?

12 A. I believe I do. It's page 1 of 6 or page
13 27 of 53. I see both markings in the upper right-hand
14 corner.

15 Q. Yes. And the page 1 of 6 was our
16 designation in response to the data request. You
17 mentioned that you had learned that U S WEST was not
18 meeting AT&T's service expectations. Is this the kind
19 of document that you were provided in order to be
20 advised of that fact?

21 A. Well, I haven't reviewed any specific
22 document. I just became aware of it through a verbal
23 report.

24 Q. So you were not provided the report?

25 A. I've seen something similar to this. I

00734

1 can't tell you it's exactly the same thing but I saw
2 that same kind of abbreviations on it.

3 Q. And would you be willing to accept subject
4 to check that this is a report that AT&T does provide
5 to U S WEST on a quarterly basis assessing the service
6 quality expectation and performance?

7 A. Yes. I can accept that.

8 Q. When you were advised of the concerns that
9 AT&T had, were you advised of any of the specifics of
10 the details of the failure to meet AT&T's
11 expectations?

12 A. I have no knowledge of the specifics, but I
13 am aware that we have had a facilities problem
14 particularly in the provision of high capacity
15 services, and I would surmise that's some of the
16 reason why AT&T is at this point dissatisfied with our
17 service.

18 Q. Were you provided any specifics about the
19 problems with provisioning of high capacity services?

20 A. No. I'm just stating that as a surmise on
21 my part.

22 Q. If you could turn to data request No. 37
23 and the attachment to that document. First page is a
24 chart, AT&T provisioning performance week of 9-25-95.
25 Do you have that in front of you?

00735

1 A. Yes, I do.

2 Q. You didn't have any knowledge of the type
3 of performance and the percentage of due dates missed
4 for AT&T when you were provided this information about
5 U S WEST performance?

6 A. No. I did not have any of this detailed
7 knowledge.

8 Q. Would the numbers reported for this
9 particular week surprise you in their level of
10 performance?

11 A. Well, it would be difficult for me to draw
12 a conclusion in that this is the first time I'm
13 looking at this. There is a market unit, as you're
14 probably aware, that deals specifically with AT&T, and
15 so I am not dealing with these kinds of the details on
16 a daily basis and therefore not familiar in specific
17 with them.

18 Q. So when you were addressing service
19 quality, you weren't addressing in any way the
20 concerns of your largest customer?

21 A. Well, I think I address service concerns
22 from a generic standpoint and the matrix that we
23 looked at the survey of customers indicated what that
24 survey showed. I was merely reporting generically on
25 what those results seem to show. I was not purposely

00736

1 ignoring AT&T. I simply was speaking in generic terms
2 about grades the customers had given us. If AT&T had
3 been on that survey it would have come up whatever the
4 grade given was and it would have been so recorded.

5 Q. So the answer to my question is that your
6 comments were not addressing the service quality
7 concerns of AT&T?

8 A. I'm not sure which comment you're referring
9 to.

10 Q. Your testimony.

11 A. I just said I was talking generically about
12 service to customers in general, and the sample survey
13 had picked out some of those customers and we talked
14 about those customers, but I don't think I
15 specifically included or excluded AT&T as a matter of
16 individual recognition or singling out.

17 Q. If you could turn to the next page of this
18 particular response, and it's a graph, AT&T, DS
19 services missed due date. And I can represent to you,
20 Mr. Okamoto, that this is a document prepared by U S
21 WEST and provided to AT&T that is stated in our
22 response, and it provides some explanation of the
23 reasons for missing due dates on installation of high
24 capacity services, and looking at that graph, would it
25 be fair to say that the unavailability of or problems

00737

1 in the work force were a very large contributing
2 factor to the missed due dates?

3 A. I want to make sure I understand the -- are
4 you referring to the numbers or to the graph in
5 particular, the outside work force?

6 Q. I was looking at the graph because I'm a
7 visual person and I noticed that the first graph,
8 which is the work force which U S WEST ascribes as
9 accounting for I guess 34 percent of the misses, and
10 then also looking at the outside work force and then I
11 guess we have the CO work force. So those three
12 combined together.

13 A. Well, they seem to be a large portion of
14 those. If you add those three bars together they
15 would be a large portion of the total, yes.

16 Q. And would that be consistent with your
17 understanding of some of the service quality problems
18 experienced by other customers of U S WEST as well?

19 A. I have not seen an analysis like this for
20 other customers so I couldn't make that statement, no.

21 Q. And, similarly, the fact that the second
22 largest basis used by U S WEST as causing the missed
23 due dates was no local facilities. Do you have any
24 knowledge that would indicate that that's consistent
25 with the service quality problems experienced by other

00738

1 customers of U S WEST?

2 A. Yes. That would be a cause of some of the
3 held orders that we have.

4 Q. But you're not familiar with these
5 particular reports provided by U S WEST to AT&T; is
6 that correct?

7 A. That's correct.

8 Q. When you had this discussion about the
9 concerns that AT&T had, were you presented with any
10 report similar to the first page that you said you
11 had seen before?

12 A. No. It was just a page similar to the one
13 that's the first page of this.

14 Q. The provisioning expectations?

15 A. Yes.

16 Q. And for what time period do you know was
17 the report that you saw?

18 A. Well, I believe it's a relatively current
19 one. It may have been this one we're looking at but I
20 couldn't confirm that.

21 Q. You don't know whether it was the third
22 quarter?

23 A. No, I don't.

24 MS. PROCTOR: Judge Wallis, I'm a little at
25 a loss here because Mr. Okamoto is the U S WEST

00739

1 witness on service quality. These are responses that
2 we provided to U S WEST and I would have assumed that
3 he would have been familiar with them. If you prefer
4 I can wait and offer this exhibit through my witness
5 who can obviously substantiate them.

6 JUDGE WALLIS: Is there an objection to
7 receiving this document? Mr. Shaw?

8 MR. SHAW: The first data request No. 35
9 doesn't have anything to do with the subject matter of
10 this part of the hearings so I do object to that. It
11 is somewhat unusual for AT&T to put in the responses
12 to their data requests to us through our witness. I
13 think that that's generally inappropriate and is
14 harmful for competition -- to discovery. We ask
15 many questions on discovery that aren't necessarily
16 going to be part of our sponsored case. If she can
17 lay a foundation that this somehow impeaches anything
18 that Mr. Okamoto has said it can come in through him,
19 but since it does not I don't think it is appropriate
20 to come in through him.

21 JUDGE WALLIS: Very well. Ms. Proctor,
22 we'll allow you to take that up with your witness.

23 MS. PROCTOR: Fine. Thank you. I have no
24 further questions.

25 JUDGE WALLIS: Ms. Deutsch.

00740

1 MS. DEUTSCH: No questions.

2 JUDGE WALLIS: Mr. Kennedy.

3

4 CROSS-EXAMINATION

5 BY MR. KENNEDY:

6 Q. Thank you. I have just a few questions.

7 Good afternoon, Mr. Okamoto.

8 A. Good afternoon, Mr. Kennedy.

9 Q. Steve Kennedy representing TRACER. Like
10 you to turn if you would to Exhibit 134 which is the
11 quarterly survey that we talked about earlier today.

12 A. All right.

13 Q. And my first question is, are the
14 questionnaires that form the basis of this exhibit
15 prepared by U S WEST personnel? They're not prepared
16 by an independent organization, are they?

17 A. Well, I'm not positive of that. I believe
18 they are viewed by U S WEST personnel. Whether we
19 outsource that or not, I'm not sure.

20 Q. What about the selection of the customers
21 who are interviewed or polled for a particular
22 quarter? I think you said it was some kind of a
23 scientific?

24 A. My understanding it's a scientific sample.
25 I don't know the exact procedure but it was

00741

1 represented to me that that was a scientific sampling
2 process.

3 Q. And the question is, is that scientific
4 sampling process performed by U S WEST personnel or is
5 that outsourced?

6 A. Again, I don't know the answer to that.

7 Q. With respect to the underlying
8 questionnaires, do you know if there are any standards
9 in place that help to insure that, for example, one
10 person's B plus is roughly equivalent of another
11 person's B plus? For example, I know there's many
12 schools where a C really means an F. Do you know if
13 there's any standards that are inherent in the
14 questionnaire that help the company to know that a B
15 plus from, say, school No. 1 is the same as a B plus
16 from a bank?

17 A. Well, I can only tell you that my
18 presumption is that this is done as professionally as
19 we can have it done and if you do a scientific
20 sampling then we also have to have a professionally
21 designed questionnaire that attempts to sort that out.

22 Q. But you're not aware of any specific
23 standards as you sit here today?

24 A. No, I don't know the exact process to get
25 at those standards.

00742

1 Q. I think you mentioned that for any
2 particular quarter the customers who are interviewed
3 may be different from those who were interviewed in
4 the previous quarter; is that correct?

5 A. That's my understanding.

6 Q. Is there any way then to tell whether there
7 are any trends with respect to a particular customer?
8 For example, if there's a customer on this list that
9 has a B minus grade to U S WEST, is there any way to
10 tell whether that customer in the previous quarter or
11 a year ago would have given an A plus grade or an F
12 grade?

13 A. I imagine only if that selected customer
14 would show up on a previous survey.

15 Q. Does the company make any effort to look at
16 that and to determine trends?

17 A. Yes, it does. There are several customers
18 to whom account teams are assigned and those customers
19 in particular would be tracked and trends notified,
20 service levels monitored so we would know over time
21 what was happening.

22 Q. What about customers to whom there's no
23 dedicated account team?

24 A. I'm not sure if there would be a recurring
25 check on specific ones of those unless they came up as

00743

1 a matter of the selection process.

2 Q. Do you know if there are third quarter '95
3 results available?

4 A. I'm not sure that they are available yet.

5 Q. In any event you have not seen --

6 A. I have not seen those.

7 Q. Subject to your check would you agree that
8 with the exception of the University of Washington,
9 none of the particular customers discussed in Mr.
10 Bookey's testimony, which I believe you stated you
11 reviewed, are listed in this survey?

12 A. Subject to check, yes.

13 Q. You testified earlier that some U S WEST
14 personnel are in line for bonuses for meeting certain
15 service quality benchmarks; is that correct?

16 A. Yes. Most of the managers as a matter of
17 fact will not get bonuses unless certain service
18 standards are met.

19 Q. Can you state with certainty that none of
20 those personnel who are in line to either receive or
21 lose a bonus are involved in putting together these
22 surveys and following up and preparing the surveys
23 such as Exhibit 134?

24 A. I can't say specifically who's involved in
25 doing that and who isn't.

00744

1 MR. KENNEDY: No further questions. Thank
2 you.

3 CHAIRMAN NELSON: Pass.

4

5 EXAMINATION

6 BY COMMISSIONER HEMSTAD:

7 Q. Good afternoon, Mr. Okamoto.

8 A. Good afternoon, Commissioner.

9 Q. First, a process or procedural question.
10 I'm looking at the supplemental notice to file
11 rebuttal testimony and it's dated December 8, 1995,
12 and a reference to October 3, 1995, and on the second
13 page it says, and I'm quoting, "The Commission
14 therefore directs the company to provide on October 3,
15 1995 the rebuttal testimony of those USWC personnel
16 with actual responsibility for appropriate staffing of
17 functions directly related to provisioning of primary
18 residential and business services, and to providing
19 the technical and network support necessary to meet
20 demands for these services. I was surprised that
21 you're the only witness. Is it the company's position
22 that you are that person?

23 A. Yes. I am ultimately responsible here in
24 the state of Washington to insure that all of our
25 operations are coordinated, adequately staffed, that

00745

1 our relationships are correct and so forth and so I
2 would be the logical person to appear before you.

3 Q. Well, is there -- can you give me names of
4 individuals who would have first responsibility for
5 appropriate staffing of functions directing related to
6 the provisioning of primary residential services?

7 A. Well, I, Commissioner, am involved in that
8 process. There are several other vice-presidents who
9 get involved in specific activities associated in each
10 of those markets, and there are several of them each
11 market unit having its own leader and staff. If you
12 feel it would be expeditious I could testify to the
13 overall provision of service and the quality of that
14 service here, and that's why I'm here testifying. I
15 can certainly give you those names and whether they
16 have appeared in other venues, but here in the state
17 of Washington I consider myself and I believe the
18 other officers of U S WEST would consider me
19 responsible for assuring that in the corporate
20 resource allocation process that I delivered that
21 input so that those resource allocations are made
22 based upon that input.

23 Q. Well, I may want to come back to that. One
24 of the purposes of this hearing was to try to get
25 concretely to the issues of any service problems in

00746

1 the system and what is occurring or what can be done
2 about that. In any event --

3 A. Commissioner, maybe I could add, just in
4 line with resource allocation, what I've done over the
5 course of time I've seen some of these results is
6 number one, we requested and got an allocation of an
7 additional \$30 million of capital investment for the
8 state of Washington. That's over and above the
9 original budget that was allocated to the state.
10 Secondly, we have requested and have received approval
11 to add outside technicians in order to beef up our
12 repair performance, 75 of them, and so we've -- we are
13 issuing requisitions to hire those. And so that is
14 what I'm talking about in terms of my responsibility
15 in terms of requesting those resources and in getting
16 them.

17 Q. Would you agree that as a rather broad
18 generalization that service quality standards of U S
19 WEST Communications have declined over the past five
20 years?

21 A. I don't know the actual numbers,
22 Commissioner. Certainly not the standards. Perhaps
23 our performance has slipped on the margins.

24 Q. I said standards. I should have said
25 performance.

00747

1 A. Yes. On the margins I believe it has
2 slipped, although I haven't seen data from as far back
3 as five years but in the last three years.

4 Q. Well, now, I realize that taking public
5 testimony generates what one can describe as anecdotal
6 testimony of individuals with specific problems, but
7 what has struck me about the public hearings we've
8 held around the state and here today in contrast to a
9 typical public hearing where ratepayers come and say
10 don't raise our rates is not a pricing response from a
11 typical ratepayer. Here waves of witnesses have come
12 in, quite knowledgeable about their telecommunications
13 systems, in varying degrees of anger and frustration
14 expressing their -- expressing however they could
15 their dissatisfaction with their service quality. If
16 such public hearings had been held five years ago,
17 would we ever see the same kind of responses?

18 A. You're asking me to guess?

19 Q. Yes, I am.

20 A. I don't know, I wasn't here.

21 Q. Well, in part that's what troubles me about
22 your testimony or your response on cross-examination.
23 I mean, you said you didn't start until 1993 and yet
24 we're trying to get some handle on what if anything,
25 put it that way, has gone wrong, and you seem

00748

1 incapable of responding to the question because in
2 part you say you weren't here, but somebody in the
3 company must know what the standards and the
4 performance levels were over this period of time.

5 A. Well, I'm sorry you consider me incapable
6 of doing that, but I believe I've represented that
7 over the period that I have been back that on the
8 margins that service has slipped. I also think we've
9 heard that the nature of the service that we are
10 required to provide has changed dramatically and the
11 environment that we're asked to provide it in has
12 changed. I continue to believe, Commissioner, that we
13 still provide to the vast majority of our customers
14 excellent service. It despairs me to hear the kind of
15 testimony that I heard today, and I can tell you that
16 we are working to fix it, but the environment has
17 changed so much that -- for example, we've talked
18 about some of the causes. Some of the causes are
19 related to the complex nature of forecasting that is
20 required in today's environment. In the past when new
21 developments, real estate, housing developments, came
22 on line, there was a pretty standard number of
23 facilities that you could put in to satisfy that
24 development. In today's world that number has gone up
25 dramatically so the numbers of facilities you need to

00749

1 put in per new home going in has increased
2 significantly.

3 Secondly, the movement of employees across
4 our state is unpredictable. Employees move, families
5 move into old neighborhoods and revitalize them. We
6 have several old neighborhoods, tacoma, Seattle,
7 Spokane, where facilities have been in place for a
8 long, long time and those facilities were never
9 provisioned at a level that anticipated the kind
10 of use that the telephone system is getting today.
11 It's a good news, bad news story for us, use of
12 modems, faxes, second, third and fourth lines. It is
13 a great boon to business. On the other hand it really
14 means that we need to go into many older
15 neighborhoods, many of which have been long
16 established and many of which have not had over 50
17 percent turnover and yet in that neighborhood the
18 facilities will be used up. When that occurs there is
19 a long lead time to replace those facilities, and we
20 have to do that, and that's part of the problem we're
21 undergoing now.

22 Q. Did you read Rebecca Beaton's testimony for
23 staff?

24 A. Yes, I did.

25 Q. Did you look at her attached exhibits? Let

00750

1 me raise it this way. Has the percentage increased on
2 demand? Has there been an increasing percentage of
3 demand for new service in the past five years?

4 A. It has been a different kind of demand,
5 Commissioner. It has not increased as much as some
6 other states. Washington is not one of the fastest
7 growing states, although I recently heard our governor
8 indicate that our economy is simply booming and that
9 we're doing great and so certainly I don't dispute
10 that. But I think the character of the growth is
11 what's so different. I just can't believe that we're
12 that poor at forecasting. What we're not good at yet
13 is forecasting the location of the growth and the type
14 of growth we're going to get in that location. It's
15 different than it's ever been before.

16 Q. But at least in the sense of overall demand
17 the company is hardly in terms of percentage increases
18 being overwhelmed?

19 A. Not in this state, no. I think it's,
20 again, distribution of that growth in Yakima and
21 Spokane and in older neighborhoods that are getting
22 redeveloped, I think it's that character that has
23 changed it a lot.

24 Q. Has the company found Washington to be an
25 attractive place for earnings over the past five

00751

1 years?

2 A. Washington is an excellent market. We know
3 it's a market to be in but on a comparative basis we
4 have not earned as well in the state of Washington as
5 we have in other states.

6 Q. Well, now, there has been an alternative
7 form of regulation in place, sharing arrangement?

8 A. Yes.

9 Q. And except for the last year there has been
10 substantial dollar amount of shared excess revenues,
11 hasn't there?

12 A. Yes, that's correct.

13 Q. So at least that would seem to be an
14 indicator that this has been a reasonably attractive
15 place for investment?

16 A. Well, it indicates that we met the target
17 set in that form of regulation.

18 Q. I understand. I wasn't here at the time
19 when that was entered into, but that was an agreed
20 upon arrangement with the company, wasn't it?

21 A. Yes, that's correct, but of course there's
22 always 20/20 hindsight. One has to look back. I
23 think you asked me whether or not it has been a good
24 investment, and I'm merely relating the results on
25 a comparative basis to other states.

00752

1 Q. Would you say that Washington has been an
2 attractive state for U S WEST Communications for
3 business customers, for your business customers?

4 A. Yes, I believe it has been.

5 Q. Substantial demand and presumably with a
6 very attractive rate of return on those business
7 rates. Isn't that true?

8 A. I don't know the rate of return on the
9 business. I don't know which businesses you're
10 talking about.

11 Q. When I say rate of return I mean the
12 earnings from your business customers have to be quite
13 attractive inasmuch as you're asking for a substantial
14 reduction in those rates?

15 A. Yes. I think that's why we've got so many
16 friends coming into the market.

17 Q. But my point is at least over the past five
18 years that surely has been for you an attractive area
19 for you for earnings?

20 A. That's correct.

21 Q. I've been struck by the testimony that we
22 have received from Internet providers. The witness --
23 and I don't believe you were there, the witness in
24 Vancouver who was promised the service -- going from
25 memory now. Started business. I think he wanted 40

00753

1 lines. Months and months later he was dead in
2 the water and had essentially to close the business
3 down and find other work because he couldn't get
4 service in a downtown location in Vancouver.

5 Some of the same kind of testimony in Yakima from
6 also an Internet provider, and I think we heard at
7 least two of them here today and all of them are
8 business customers asking for large numbers of
9 presumably attractively priced lines from you.

10 Doesn't it follow from that that you are losing a lot
11 of revenue from your inability to provide those
12 services and, I'm sorry, how do you answer that?

13 A. I can't estimate how much revenue we're
14 losing, but surely we are losing the revenue that we
15 otherwise would have had if we had the facilities in
16 place and had that business, yes.

17 Q. And the profits from those lost lines would
18 be impressive. The per line return is really quite
19 attractive, is it not, under present pricing?

20 A. It should be, yes.

21 Q. Again, inasmuch as you're asking for
22 reductions in those prices in order to meet
23 competitive risks?

24 A. Yes.

25 Q. I read in the general literature here

00754

1 recently that U S WEST plans to go into the Internet
2 service business. Is that true?

3 A. Yes, it is.

4 Q. When do you plan to do that?

5 A. It will be rolled out sometime within the
6 next six to nine months.

7 Q. Do you expect there will be delays in your
8 ability to provide service to U S WEST Internet
9 service?

10 A. I certainly hope not.

11 Q. Well, frankly, I have to be puzzled by the
12 fact that none of these Internet providers seem to be
13 able to get adequate service from you, and, now, maybe
14 we're only hearing from those who are complaining and
15 there may be others who are happy, but we're certainly
16 hearing from those who are complaining about their
17 inability to get service. Very attractively priced
18 large numbers of lines in Vancouver, Yakima, Seattle,
19 Tacoma and they can't get them. Do you have any
20 specific technical reason why that is currently
21 happening?

22 A. Well, we do have a backlog in designing
23 those facilities. In virtually every one of those the
24 reason that those lines are not available is because
25 the facility is not there. We have to engineer it,

00755

1 design it and build it, and that's taking us some time
2 and we're backlogged on that and that is a problem.

3 Q. Can you give any reason why your marketing
4 people, I suppose, if I'm using the right terms, would
5 be advising these potential and actual customers that
6 the service can be provided even with dates and then
7 they're never met? And I'm now specifically talking
8 about those Internet providers.

9 A. Well, I don't know the exact arrangements
10 between our marketing folks and our engineering folks
11 as to what dates they are committing to, but certainly
12 the process that we intend to have in place would
13 provide a date that we meet. Now, the fact is we're
14 not meeting that date. Our process isn't exactly
15 right. We've got to fix that. Part of that is some
16 of this training that is going on with some of the new
17 engineers we have in Denver. Part of it is because we
18 have this large backlog and I think it's a combination
19 of those things that is causing the slowness of
20 response.

21 Q. Well, when we were in Port Angeles a quite
22 knowledgeable witness obviously needing high quality
23 services indicated that he -- if my memory serves me
24 correctly he responded to a marketing advertisement
25 seeking customers, and I believe it was for ISDN

00756

1 services if I'm not mistaken, and the response was,
2 oh, well, we're never going to provide that service in
3 Port Angeles. What I guess struck me about that was
4 the disconnect between the marketers and the engineers
5 and your delivery personnel. Is it fair to say there
6 is a complete disconnection going on between what your
7 marketers are saying and your engineers and your
8 service delivery people can deliver?

9 A. No, I hope it's not fair to say there is a
10 complete disconnect. We are certainly dropping the
11 ball in some of those instances. We have reevaluated
12 for example, our position on ISDN.

13 Q. My comment wasn't necessarily directed
14 specifically at ISDN. It was rather at what seems to
15 be the back office confusion within the company about
16 who is doing what and the ability then to deliver. Is
17 it fair to say that's a direct result of the
18 re-engineering program that the company -- that
19 has somehow gone seriously awry?

20 A. Well, it is certainly attributable in part
21 to the re-engineering which, as I've described, is a
22 massive re-engineering.

23 Q. But who is responsible for that kind of
24 disarray?

25 A. Well, I think all of us as managers in the

00757

1 business are. I accept that responsibility. I'm not
2 satisfied with the kind of thing you're talking about
3 where coordination is not perfect, and we intend to
4 fix it. This change was massive. There was no other
5 way to make the kind of change we're talking about and
6 you're seeing some of the fallout from it.

7 Q. Let me ask it this way. Was the
8 re-engineering program as designed in the state --

9 A. No, I don't believe so. I believe we could
10 have been much better at executing it. I believe we
11 are getting better, but I believe not to have
12 re-engineered would have left us with antiquated
13 systems that would have had high incidence of repair.
14 The basic systems that we use to run our business,
15 we've redesigned those, we've moved people. We've got
16 some training to do. We've got to re-establish these
17 new processes that people have gotten used to for 100
18 years and so we've redesigned all of those. It's
19 going to take some time to come back up to speed.

20 Q. Well, one of the mantras of contemporary
21 business literature is the phrase business to
22 survive has got to get close to its customers,
23 and from the tidal wave of letters that we're
24 receiving as well as the public hearing testimony
25 reflects the enormous frustration about asking for

00758

1 service and being shunted to Yakima and then Phoenix
2 and Minneapolis and Omaha and Denver and Seattle and
3 back. When the re-engineering program is working
4 close to whatever are your objectives, will that
5 arrangement be the norm?

6 A. The shuttling should be transparent. It
7 really shouldn't matter where an employee is. The
8 object of re-engineering is to create databases that
9 allow employees to know precisely the status of a job,
10 the status of a customer's account, the status of the
11 kind of services that customer is receiving no matter
12 where they are located. What it replaced was a system
13 where we had several works groups, as I mentioned, 560
14 of them distributed all across our territory and they
15 worked fine but they were very high cost and they were
16 using old systems that we had never reprogrammed from
17 the days before our merger when we were Pacific
18 Northwest Bell and Mountain Bell and Northwestern
19 Bell, and it just became obvious to us that that was
20 the kind of overhead that we simply could not tolerate
21 going forward. It was a system that was made
22 successful by throwing lots of people at it.

23 Q. Do you think there's any perverse
24 relationship between what seems to me to be over the
25 past several years a declining level of quality

00759

1 performance and the fact that an alternative form of
2 regulation with the revenue sharings is in place?

3 A. I would not say that there is a direct
4 relationship there, no.

5 Q. Well, ultimately what I'm left with is a
6 certain level of frustration is then trying to get a
7 handle on quite specifically to what you attribute the
8 decline, and you have referenced difficulties in
9 dealing with the re-engineering. And apparently,
10 although we haven't talked about it here, some impact
11 of downsizing and the lack of personnel to provide at
12 the delivery end. I guess I'm having difficulty
13 concretely determining what is the cause and therefore
14 what are the remedies for getting back to some norm.
15 Are you not able to give some kind of a time frame?
16 For example, returning to something like the norm for
17 simply the standards for complaints and the missing
18 performance dates and the like, say, that was the
19 norm, say, five years ago. Can you give us any time
20 frame for when you expect we can anticipate that we
21 would not have public hearings like we've been holding
22 all over the state?

23 A. Well, I would hope that would be sooner
24 than later, and I will be happy to work with you to
25 try to figure out a way to measure that progress as we

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1 move forward. It's difficult for me to sit here and
2 give you a specific date. We are trying to put into
3 place the corrective actions and one of them --
4 another one for example, Commissioner, is I believe
5 our network needs considerable refurbishment. We need
6 to restore spare capacity that we have used up and
7 that takes time, and I am about getting the resources
8 to do that, and I think if we can work with the
9 Commission and with the industry so that we can earn a
10 fair rate of return on that, that we can have a fair
11 environment for competing, that I stand a chance of
12 making that a successful initiative here.

13 Q. I don't want to monopolize these questions.
14 I will stop with that. I may have some more.

15

16 EXAMINATION

17 BY COMMISSIONER GILLIS:

18 Q. I want to begin with a couple of things
19 that you see this morning that prompted some
20 questions. One is that you had cited the investment
21 in rural exchanges through the avalanche program in
22 the late '80s as an example of your commitment to
23 investment in the state. How much of that investment
24 occurred as part of that program was a part of the
25 recent sale to PTI?

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1 A. I could get you that. I don't have that
2 number in front of me.

3 Q. Do you think it would be half or more
4 than half?

5 A. I would be guessing.

6 Q. I would be interested in getting that. The
7 other thing that prompted a question was in response
8 to public counsel you expressed that hearing the
9 public testimony your response was anger. And I mean
10 this in all seriousness and I would like you to answer
11 carefully. Who are you angry at?

12 A. I am angry at myself as a manager in the
13 business. I am angry at the fact that the customers
14 have experienced poor service. I am angry at the fact
15 that we will lose the loyalty of those customers
16 forever. It's much harder to win them back once you
17 lose them. I am angry at ourselves for permitting
18 this to occur and I am angry we haven't fixed it yet.

19 Q. Are you angry at Denver?

20 A. No, I'm not angry at Denver. I'm part of
21 Denver. Denver and we are all part of the same system
22 and so, no, I'm not angry at Denver.

23 Q. I went through my notes that we took during
24 the public testimony around the state. I put the
25 service quality problems that we heard about into two

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1 general boxes. One box is our problems that appear to
2 be related to a lack of facilities and the other were
3 problems that were more failure of the company to
4 respond organizationally. People getting routed
5 around to different parts of the country and not
6 feeling their questions were addressed. Being told
7 that the problem was with the PBX and it actually
8 ended up to be a problem with U S WEST's facilities,
9 those kind of organizational problems. My count was,
10 and some of it fit in both boxes, but my count was
11 about half and half. What's your impression -- first
12 of all, do you agree those are two general boxes that
13 characterize the problems?

14 A. I think that's a fair characterization.

15 Q. And which of those do you think is the
16 greatest contributor to service quality problems
17 kind of a 100-foot view from your position in this
18 state?

19 A. I think they're both contributing about
20 equally.

21 Q. Mr. Okamoto, I understand testified it
22 takes time to potentially invest and there's a lot of
23 reasons that are being offered as part of your case,
24 but let's set those aside for the moment and talk
25 about the organizational response. Is there any

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1 reason that this Commission should not expect tomorrow
2 to see improvements in the organizational response?

3 A. Yes. I think what I would propose is that
4 you understand the time that's required to train
5 employees, that we are doing everything we can to
6 train those employees and bring them up to the level
7 of expertise where these service deficiencies do not
8 occur. That will take some time. To continue to work
9 the bugs out of the re-engineering processes continues
10 to take some time. These are very, very complex
11 systems and admittedly we have not designed them as
12 quickly and as error-free as we believed we could.
13 But we are hard at work at that.

14 In addition, I mentioned that we're going
15 to bring in 75 additional outside technicians. That's
16 nearly a 10 percent increase in that work force to try
17 to get after the intervals on repair, and we've got
18 incremental capital that we're investing to shore up
19 the facilities. I think we need to go through 1996
20 very aggressively fixing our network, and so all of
21 those things combined should cause improvement to
22 occur. And if it isn't on a weekly, daily, monthly
23 basis, it's my worry and I continue to monitor it, and
24 so do all of the members of the Washington state team.

25 Q. Of all the testimony we received around the

00764

1 state the reaction of the customers in frustration
2 that struck me the most was getting a response from
3 somebody outside of the state or sometimes in other
4 parts of the state but somebody that the customer
5 didn't feel understood their situation, their local
6 situation. Do you see this as a problem? Is it a
7 problem that needs to be dealt with and what should be
8 done about that if anything?

9 A. Well, we're going to fix that problem.
10 Part of the problem is that as we finish developing
11 the systems, the data behind the systems needs also to
12 be updated, the records. The records, when they are
13 complete and populate the databases that our employees
14 use will provide the precise information so that
15 employees are not unknowledgeable or are knowledgeable
16 about the specific customer's problem, location
17 equipment and so forth.

18 What we found in developing the systems is
19 that some of our records are not completely updated
20 and so when you develop a new system updating of the
21 database is just as important as getting a system
22 programmed correctly. We're finding that with not
23 having fully populated databases yet that part of that
24 problem where an employee doesn't recognize perhaps
25 the geographic location of where a customer is calling

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1 from is due to the fact that that is not resident in
2 the database and that's because the record had not
3 been updated, so we need to get that updated and when
4 that occurs then it should not matter. The principle
5 of the re-engineering is that the location of that
6 database should be transparent to a customer. We've
7 always had a repair center in Yakima, for example, and
8 we route calls there from all over the state and that
9 has never been a problem before.

10 Q. The frustration seems to be -- I'm just
11 reflecting what I'm hearing from the customers we
12 talked to around the state -- is that the people in
13 the other parts of the country, other parts of the
14 state, different than where the customer is located,
15 don't seem to be understanding their problem. Maybe
16 it is a matter of sharing the data. Maybe the
17 database will take care of it and I certainly hope so.
18 When would you expect that to be in operation? What's
19 realistic?

20 A. Full implementation of the re-engineering?

21 Q. Of the database.

22 A. We're talking about here -- well, I again
23 don't know the exact time frame as those tables get
24 updated and I don't have in front of me the exact time
25 that that is all going to be fully implemented so I

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1 would have to check on the schedule there.

2 COMMISSIONER GILLIS: That's all my voice
3 is going to last.

4 CHAIRMAN NELSON: I have a few also.

5

6 EXAMINATION

7 BY CHAIRMAN NELSON:

8 Q. Mr. Okamoto, at page 2 of your testimony,
9 lines 6 and on, you say, you address Washington
10 requirement for the officers who have direct
11 responsibility for capacity provisioning, service
12 assurance and line and network operations. Can you
13 for each of those categories tell who that officer is?

14 A. Yes, I can. For the capacity provisioning
15 organization it's Mr. Harvey Plummer and for service
16 assurance it would be Ms. Mary Olson. And for the
17 line and network operations it would be Wynn Wade.

18 Q. Earlier in the morning you referenced Mr.
19 Bystrzycki. What is his function?

20 A. He would supervise all of those people.

21 CHAIRMAN NELSON: I would like to make a
22 few bench requests, Your Honor. Typically at rebuttal
23 phase, and since the case has been continued I think
24 we can do this. Companies often respond to specific
25 complaints in the record, and I would like the company

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1 to within a reasonable period of time tell us how they
2 have responded to the specific complaint of each of
3 the Internet access providers who have complained in
4 this record. Is that clear enough?

5 JUDGE WALLIS: I would like to designate
6 Commissioner Hemstad's request -- I'm sorry,
7 Commissioner Gillis's request for the proportion of
8 the Eastern Washington upgrades that were transferred
9 as bench request No. 1 and Chairman Nelson's request
10 relating to Internet access as bench request No. 2.

11 CHAIRMAN NELSON: Thank you.

12 Q. Then I'm also interested -- at the recent
13 regional oversight committee meeting I heard an Oregon
14 staffer say with quite a degree of confidence that he
15 thought the problems of U S WEST in Oregon were not
16 that there wasn't an excellent network. He said quite
17 emphatically he thought there was an excellent
18 network. The only problem was accessibility to it. I
19 guess I would like to have the same degree of
20 confidence. I would like to get from the company for
21 each central office in Washington a list of those
22 CO's, central offices that have CLASS services
23 available, ISDN capable switches and include -- this
24 is a lay phrase; I hope it's all understandable -- all
25 digital.

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1 MR. SHAW: Madam Chairman, would that be
2 the switch being digital when you say all digital?

3 CHAIRMAN NELSON: Yes.

4 JUDGE WALLIS: That will be bench request
5 No. 3.

6 CHAIRMAN NELSON: And the next would be I
7 would like to know from U S WEST's perspective which,
8 in order, in rank, order, which of the western states
9 it operates in, not the international ones, which are
10 the best environment for a fair return.

11 JUDGE WALLIS: Bench request No. 4.

12 Q. Then in an earlier answer to Commissioner
13 Hemstad I believe reference was made to \$30 million
14 new capital investment or over budget capital
15 investment. Do you know where or in what facilities
16 that will be deployed?

17 A. I don't have that with me, no.

18 Q. Would you be able to get it?

19 A. Yes.

20 JUDGE WALLIS: That would be bench request
21 No. 5.

22 Q. And also in answer to Commissioner Hemstad
23 you referred to the 75 new technicians. Will they be
24 sort of the strike team that will hit crisis centers
25 all over the state or will they be deployed on

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1 geographic specific basis? Do you know?

2 A. I assume they will be deployed on
3 geographic specific basis. They are being used to
4 augment the total force.

5 Q. It's hard to gauge, again given that this
6 is not a scientific process, the public hearing
7 process, but it seemed that Vancouver was really a hot
8 bed of complaints. I think we all agreed that
9 southwest Washington has gotten more problems, but
10 perhaps as a further Bench request you could let us
11 know how those 75 employees are going to be deployed.

12 A. Okay.

13 JUDGE WALLIS: That would be bench request
14 No. 6.

15 Q. Mr. Arnie Bush today, the owner of Rain
16 Net, put forth his suspicion that U S WEST has a
17 hidden agenda about -- if I was reading him correctly,
18 that the inability to provide service for the Internet
19 access providers might be caused by U S WEST's own
20 entry into that market. Do you have a reaction to
21 that?

22 A. My reaction is that that simply is not the
23 case. I think the evidence is clear. We are having
24 trouble providing high capacity services to everybody,
25 and Internet providers have been caught in that, but

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1 that certainly is not an intention or plan or
2 diabolical strategy of the company.

3 Q. We've been over this ground quite a bit, I
4 think, but reference is made at both pages 4 and 10 of
5 your testimony -- well, at least 4 -- about the demand
6 for capital investment in U S WEST service territory.
7 The corporation has not, to this date, as far as I'm
8 aware, had any problems with attracting capital, has
9 it?

10 A. No, it has not.

11 Q. Does the corporation expect any?

12 A. Well, certainly there are limits, and
13 prudent management would suggest that, for example,
14 you don't want to go to the debt market to capacity
15 and cause yourself to have a debt ratio that results
16 in lowering of your bonds. So, no, I don't think we
17 are approaching a capacity limit. The reason I am
18 talking about demands on capital investment on U S
19 WEST Communications is that the demands that are
20 satisfied are satisfied based upon the risk return
21 opportunities that the company has to invest that
22 capital, and it chooses not to attract and acquire all
23 of the capital it would need to pursue every
24 investment no matter what the return. Instead, it
25 will invest where it will anticipate the best returns

00771

1 or where it is consistent with its long-term strategy.
2 It was in that context that I characterized that the
3 demands for capital investment are more than we have
4 to meet it.

5 Q. I guess my last question for now would be,
6 are you aware of any other incumbent company in
7 Washington that has the kind of complaint problem that
8 U S WEST does?

9 A. No, I'm not.

10 Q. Do you have any -- we're all into
11 benchmarks these days. Can you hazard a guess about
12 why that's so? For example, the next largest, GTE,
13 isn't facing the same kind of level of customer
14 complaint.

15 A. Well, I believe that General Telephone has
16 re-engineered itself. It did so ahead of us and has
17 completed their process. I spoke secondhand to some
18 managers who in fact visited General Telephone to see
19 what we could learn, and in looking at the various
20 screens and computer systems that their business
21 office folks use they are clearly the kind of
22 information that we are striving to produce in our
23 re-engineering effort.

24 I can recall -- and not to disparage my
25 friends at GTE -- that I used to live in GTE

00772

1 territory, and this was 20 years ago, and I don't have
2 any specific examples other than at that time their
3 reputation wasn't as good as it is today. They have
4 done a remarkably good job of re-engineering their
5 business and of improving their service reputation.

6 My concern, for our company, is that we
7 have begun to get a reputation of being like that old
8 GTE that I used to remember 20 years ago, and that's
9 not where I want to be, and here I am in fact
10 testifying this much later about those old memories,
11 and so those die slowly. We're well aware of that and
12 that's why we know we've got to fix this problem and
13 we'll do so.

14 JUDGE WALLIS: Redirect, Mr. Shaw.

15 MR. SHAW: Yes, thank you.

16

17 REDIRECT EXAMINATION

18 BY MR. SHAW:

19 Q. Mr. Okamoto, do you recall Mr. Smith's
20 examination of you about computing numbers of held
21 orders this morning?

22 A. Yes, I do.

23 Q. And he had asked you to confer or agree
24 with his arithmetic that taking -- find the reference
25 here -- taking the 276,000 service orders through

00773

1 August and dividing that by eight months that you
2 would have about 34,470 new service installations. Do
3 you recall that?

4 A. Yes. I remember the arithmetic.

5 Q. And that one percent of that number is 344
6 approximately, do you recall that?

7 A. Yes, I do.

8 Q. Do you recall that on page 7 that you have
9 indicated that the company has 255 held orders over 90
10 days and 118 held orders over 150 days?

11 A. Yes.

12 Q. For a total of 373 orders and you agreed
13 with that arithmetic?

14 A. Yes, I do.

15 Q. Do you agree with the conclusion derived by
16 staff that therefore the company has more than one
17 percent of its orders on hold over the 90-day period?

18 A. No, I don't agree with the conclusion. I
19 agree with the arithmetic but the conclusion is
20 incorrect because in many of those held orders did not
21 originate in the month that's being averaged. Clearly
22 if it's held for 90 days you've got three months worth
23 of activity going on and so it's inappropriate to
24 divide by one month. I think if you divided by three
25 months or any number larger than that single month you

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1 would find that we're well within compliance.

2 Q. The 373 orders gained by adding up 255 and
3 118 cover a period of 60 days longer. Isn't that
4 true?

5 A. Yes.

6 Q. Commissioner Hemstad asked you about the
7 Internet providers and you seem to agree with his
8 characterization that large blocks of business lines
9 ordered by Internet providers presents a tremendous
10 rate opportunity for the company. When you answered
11 that question, did you have in mind that Internet
12 providers were paying the full flat rate complex
13 business line rate?

14 A. Oh, I think I was just answering that in
15 the generic sense of a significant number of lines
16 being ordered and that's a significant volume of
17 business.

18 Q. Were you in the room when I asked Mr. Bush
19 this morning whether he orders incoming measured
20 business lines?

21 A. Yes, I was.

22 Q. And is the incoming lines -- incoming
23 traffic on measured business lines is free, is it not?

24 A. That's correct.

25 Q. Only the outgoing traffic is measured?

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1 A. Yes.

2 Q. Internet providers order lines from us that
3 are solely incoming, that is, their customers calling
4 them?

5 A. That's correct.

6 Q. And the rate for business basic services is
7 without any measurement added to it is in the
8 company's view below cost, is it not?

9 A. That's right.

10 Q. I think you were also asked by Commissioner
11 Hemstad or you had a general discussion on whether or
12 not the AFOR that we just concluded in Washington was
13 beneficial to the company in terms of earnings. Did
14 that computation of the revenues gained by the company
15 include full directory imputation revenues and at
16 least from the company's perspective, very low
17 depreciation, capital recovery rates?

18 A. Yes. Included both full directory
19 imputation and left us with a capital recovery
20 deficiency that is significant yet.

21 MR. SHAW: Thank you, that's all I have.

22 JUDGE WALLIS: Are there follow-up
23 questions?

24 MR. SMITH: I have just a couple.

25

00777

1 employees committed to the state of Washington or
2 would they be hired on for the purpose of dealing with
3 the present backlog?

4 A. Well, nothing is forever, but I believe
5 they will be added to the work force as permanent
6 employees.

7 MR. SMITH: Thank you.

8 JUDGE WALLIS: Ms. Proctor.

9

10 RE-CROSS-EXAMINATION

11 BY MS. PROCTOR:

12 Q. Mr. Okamoto, Chairman Nelson asked for some
13 information on central offices that could provide
14 ISDN. Do you know whether there are other
15 limitations, for example, whether loops have load
16 coils on them that would impede the company's ability
17 to offer ISDN in addition to whether or not a central
18 office were equipped with the appropriate software?

19 A. No, I'm sorry, I wouldn't know that.

20 Q. I wonder if in responding to the chairman's
21 bench request No. 3 it might not be appropriate to
22 address some of those issues because I think you will
23 find that that is U S WEST's testimony elsewhere, that
24 the central office is not frequently the limiting
25 factor.

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1 MR. SHAW: Well, thanks for Ms. Proctor's
2 help. What we intend to do in answering the bench
3 request in the spirit that it was asked is to try to
4 give the Commission facts and data where they can
5 conclude whether customers living in those exchanges
6 and ordering ISDN in those exchanges could get it. We
7 weren't going to try and be cute and say the central
8 office could provide it where the lines can't. If
9 that's the case we will indicate it.

10 JUDGE WALLIS: Thank you.

11 MS. PROCTOR: Nothing further.

12 MS. DEUTSCH: Nothing.

13 MR. KENNEDY: Nothing.

14 COMMISSIONER HEMSTAD: I just wanted to
15 make the general comment, my remarks with regard to
16 Mr. Okamoto is the only witness is not in any way
17 intended as an ad hominum comment. Mr. Okamoto, I was
18 only concerned that anyone in your position could
19 possibly have the overall information available and
20 respond.

21 JUDGE WALLIS: It appears that there's
22 nothing further for Mr. Okamoto and you're excused
23 from the stand at this time. Let's be off the record
24 for the moment.

25 (Recess.)

00779

1 JUDGE WALLIS: Let be back on the record,
2 please. Mr. Trotter, the next witness is being
3 cosponsored by public counsel and TRACER and I believe
4 you're going to be undertaking the questioning. Is
5 that correct?

6 MR. TROTTER: That's correct.

7 Whereupon,

8 MICHAEL BROSCHE,
9 having been first duly sworn, was called as a witness
10 herein and was examined and testified as follows:

11

12 DIRECT EXAMINATION

13 BY MR. TROTTER:

14 Q. Would you please state your name and spell
15 your last name for the record.

16 A. My name is Michael L. Brosch, B R O S C H.

17 Q. What is your business address?

18 A. 740 North Blue Parkway, Suite 204, Lee's
19 Summit, Missouri, 64063.

20 Q. By whom are you employed and in what
21 capacity?

22 A. I am employed by Utilitech, Inc., a
23 consulting firm in Missouri. I am the president of
24 the firm.

25 Q. And did the public counsel section of the

00780

1 attorney general's office and TRACER retain Utilitech
2 to address certain issues in this proceeding?

3 A. Yes.

4 Q. And is what has been marked Exhibit T-126
5 for identification your cross rebuttal testimony in
6 this docket?

7 A. I'm not sure of the marking, but I have the
8 testimony in front of me.

9 MR. TROTTER: Is that correct, Your Honor?

10 JUDGE WALLIS: Yes.

11 Q. And just turning to the table of contents
12 page, am I correct that your service quality issue
13 testimony begins on page 11 to the end?

14 A. Yes, that's correct.

15 Q. Given the logic of the statement that the
16 testimony will be admitted in total subject to certain
17 reservations, if I asked you all the questions that
18 appear in Exhibit T-126, would you give the answers
19 that appear therein?

20 A. Yes, I would.

21 MR. TROTTER: Your Honor, move for the
22 admission of Exhibit T-126.

23 JUDGE WALLIS: Is there an objection?

24 MR. SHAW: No objection subject to the
25 reservations for the first pages up to page 11.

00781

1 JUDGE WALLIS: Yes. Exhibit 126-T is
2 received in evidence.

3 (Admitted Exhibit T-126.)

4 MR. TROTTER: Witness is available for
5 cross.

6

7 CROSS-EXAMINATION

8 BY MR. SHAW:

9 Q. Mr. Brosch, I take it from your testimony
10 particularly at lines 10 and 11 on page 11 that you've
11 not quantified U S WEST's service in your work on this
12 docket as to whether it's good, bad or indifferent; is
13 that correct?

14 A. I have not quantified it, but I have read a
15 lot of material suggesting that it is not good.

16 Q. You have offered no direct testimony on
17 whether it's good, bad or indifferent, have you?

18 A. My testimony is what it is. I have not
19 independently quantified or attempted to measure
20 service quality in Washington.

21 Q. And you have not specifically analyzed
22 whether or not the company has complied with any
23 Commission orders or rules and regulations relating to
24 investment or overall quality of service?

25 A. I'm not sure I understand your question

00782

1 entirely. Let me try to answer the question I think
2 you might be asking. I have not attempted to
3 determine whether or not the company is in compliance
4 with service quality rules in Washington.

5 Q. Do you know of any Commission rule --
6 strike that. Do you know of any Commission order
7 ordering this company to make any investment in
8 Washington or provide any facilities in Washington
9 which it has not?

10 A. Are you talking about a Washington
11 Commission order?

12 Q. Yes. Washington Commission order.

13 A. I am not aware one way or the other.

14 Q. If the Commission were to impute revenues
15 to the company for ratemaking purposes for services
16 applied for but not supplied to potential customers,
17 would it not also be appropriate to impute the
18 expenses of providing those services to the results of
19 operations?

20 A. Your question assumes that there would be
21 incremental expenses.

22 Q. Are you suggesting that the company can
23 provide additional services to additional customers
24 without incurring any incremental expense?

25 A. I don't know at this point whether the held

00783

1 orders in question require the incremental
2 expenditures you suggest by your question.

3 Q. Would you understand that generally a held
4 order would be due to lack of facilities?

5 A. That would likely be a cause of a held
6 order, yes.

7 Q. And that's likely to be the overwhelming
8 cause of any held order, isn't it?

9 A. I would think in most instances lack of
10 facilities would be viewed as a primary cause.

11 Q. Can you think of any hypothetical where a
12 telecommunications company would take a held order
13 where it had facilities in place where it could
14 immediately turn up to provide that service?

15 A. I recall a situation in the company's 1993
16 Arizona rate case where caller ID services were not
17 turned up in the Tucson area because of the -- my
18 perception was because of the company's
19 dissatisfaction with the Commission's rules regarding
20 ratepayer training and education.

21 Q. Is there any evidence in this case of any
22 held orders for caller ID?

23 A. I am not aware of any.

24 Q. Are there any Commission rules, to your
25 knowledge, in the state of Washington addressing held

00784

1 orders for anything other than primary basic exchange
2 service?

3 A. I am looking at WAC 480-120-500, which has
4 a paragraph 2 that requires telecommunications
5 companies to employ prudent management and engineering
6 practices including reasonable procedures for
7 forecasting demand for service to insure that
8 sufficient facilities and an adequate force are
9 available to meet reasonable demands under normal
10 operations.

11 Q. Does that WAC rule in your opinion prohibit
12 on its face held orders for service other than primary
13 exchange access lines referenced in WAC 480-120-051?

14 A. I'm not sure if I'm the best one to
15 interpret it. I told you what it says. It has
16 meaning to me that, overall, the company is obligated
17 to exercise prudent management engineering practices
18 in general.

19 Q. Is it your view that that WAC applies to
20 all telecommunications companies in the state and not
21 just U S WEST?

22 A. I can't say.

23 Q. You're not an expert on what the rules of
24 this Commission require one way or the other of
25 regulated telecommunications companies?

00785

1 A. Experience tells me that I interpret these
2 rules at some peril. I'm not familiar with the
3 definition of telecommunications companies beyond my
4 reading of this particular provision as a nonlawyer.

5 Q. Returning back to my question. If the
6 company is to have imputed in a ratemaking proceeding
7 for ratemaking purposes revenues for held orders for
8 primary exchange access lines from potential
9 customers, would it be appropriate to also impute to
10 the company's result of operations for ratemaking
11 purposes the expense of providing that service?

12 A. If one assumes that a showing could be made
13 that there are incremental expenses, and I'm not
14 entirely clear on your question because you seem to be
15 substituting capital facilities with expenses, but if
16 a showing could be made that at the margin to
17 provision those held orders there are in fact
18 incremental investment dollars or expense dollars,
19 those might reasonably be considered as an offset to
20 such an imputation.

21 Q. Thank you. What do you define as the
22 company's core telephone business when you use that
23 phrase at page 17, line 17.

24 A. You're asking me what I am referring to
25 there?

00786

1 Q. Yes.

2 A. My reference is to basic local exchange
3 service.

4 Q. Analog voice grade?

5 A. Yes, B1's. FB's.

6 Q. I'm not familiar with that terminology.

7 What do you mean by those?

8 A. Basic residence, basic business services.

9 JUDGE WALLIS: Mr. Shaw, I'm having a
10 little bit of trouble hearing you. Could you move the
11 mike over a little bit closer.

12 Q. Do you consider T1 service to be data as
13 you use that term in line 17 of page 17?

14 A. Yes. T1 service typically is provisioned
15 for data transport.

16 Q. And necessarily then DS3 services also
17 would be data services?

18 A. Yes. And again you're referring to a
19 question rather than an answer. I am trying to
20 respond to language within Ms. Beaton's testimony in
21 the question you're talking to.

22 Q. By this question and answer are you
23 attempting to suggest to this Commission that this
24 company has over invested in data service markets in
25 the state of Washington and under invested in its

00787

1 so-called core telephone business?

2 A. No. What I am suggesting, and really it's
3 more than a suggestion. I start the answer on page 18
4 with the word "absolutely." It's my belief that
5 competitive pressures on the business and
6 opportunities to the business are not leveled across
7 all the products and services that the company offers.

8 Q. Let me ask the question again. Is it your
9 testimony that the company has over invested in the
10 state of Washington in data services, T1 and above
11 services?

12 A. No, it's not my testimony. In fact I think
13 elsewhere I make the point that the company's actual
14 investment is included for ratemaking purposes, which
15 I view as entirely consistent with the regulatory
16 bargain between the company and its ratepayers.

17 Q. Let me ask the question again. Is it your
18 testimony that the company in fact has over invested
19 in T1 and above services in the state of Washington?

20 A. No, that is not my testimony.

21 Q. Is it your testimony that the company has
22 under invested in data services in the state of
23 Washington?

24 A. I have not examined the adequacy or
25 inadequacy of the company's investment in facilities

00788

1 to provide those services.

2 Q. And likewise you haven't examined the
3 adequacy or the inadequacy of the investment of the
4 company to provide so-called core telephone services?

5 A. That's correct, other than the extent to
6 which I have reviewed and observed other information
7 regarding service quality which I think is an
8 indication of the adequacy or inadequacy, albeit
9 indirect.

10 MR. SHAW: Thanks. That's all I have.

11 JUDGE WALLIS: Questions from other
12 counsel? Commissioners.

13 CHAIRMAN NELSON: No.

14 COMMISSIONER HEMSTAD: No.

15 COMMISSIONER GILLIS: No.

16 JUDGE WALLIS: Mr. Trotter.

17 MR. TROTTER: Thank you.

18

19 REDIRECT EXAMINATION

20 BY MR. TROTTER:

21 Q. You were asked some questions from Mr. Shaw
22 regarding potential expense offset to imputed revenues
23 for held orders. Do you recall those questions?

24 A. Yes, I do.

25 Q. Would -- let me ask it this way. If there

00789

1 were no offsets -- if there were no expense offsets to
2 a revenue imputation, would that provide a greater
3 incentive for the company to minimize held orders?

4 A. Yes, it would. It would in effect be a
5 larger regulatory penalty for failure to serve held
6 orders.

7 MR. TROTTER: Could I just have a moment,
8 Your Honor?

9 JUDGE WALLIS: Yes.

10 MR. TROTTER: Nothing further. Thank you.

11 JUDGE WALLIS: Is there anything further of
12 the witness? It appears that there's not.

13 MR. SHAW: I would have one question
14 related to Mr. Trotter's cross if I may or redirect.

15 JUDGE WALLIS: Mr. Shaw.

16

17 RE-CROSS-EXAMINATION

18 BY MR. SHAW:

19 Q. Is it your testimony that the company
20 should not have any held orders in the state of
21 Washington?

22 A. I don't believe that's my testimony, no.

23 Q. There should be no imputation adjustment in
24 your opinion for any held orders unless they exceed
25 existing Commission requirements?

00790

1 A. I would state it this way. There should be
2 no imputation unless the Commission finds that the
3 level of held orders experienced by the company is
4 unreasonable in its interpretation of whatever
5 governing requirement there might be.

6 MR. SHAW: Thank you.

7 JUDGE WALLIS: Is there anything further?
8 Now it appears that there's not. Mr. Brosch, thank
9 you for appearing. You're excused from the stand. I
10 believe the next witness will be Mr. Bookey. Be off
11 the record for a moment while the witnesses are
12 changing places.

13 (Recess.)

14 JUDGE WALLIS: Let's be back on the record,
15 please. Mr. Bookey, would you stand, please.

16 Whereupon,

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

20 JUDGE WALLIS: Mr. Kennedy.

21 MR. MANIFOLD: Your Honor, would you like
22 me to do that, now.

23 JUDGE WALLIS: Yes. Mr. Manifold is
24 joining us. Mr. Manifold would you state an
25 appearance for the record, please.

00791

1 MR. MANIFOLD: Yes. Reappearing in this
2 case my name is Robert F. Manifold, assistant attorney
3 general appearing for public counsel. Same address
4 as Mr. Trotter.

5

6 DIRECT EXAMINATION

7 BY MR. KENNEDY:

8 Q. Good afternoon, Mr. Bookey, would you
9 please state your name for the record.?

10 A. Michael T. Bookey, B O O K E Y.

11 Q. Could you state your business affiliation
12 and business address?

13 A. I'm president of Digital Network
14 Architects. 58 North Front Street, Suite 200,
15 Issaquah, Washington 98027.

16 Q. Referring to what has been marked for
17 identification as Exhibit T-127, is this written
18 rebuttal testimony which you prepared or caused to be
19 prepared on behalf of TRACER in this proceeding?

20 A. Yes, it is.

21 Q. Do you have any changes to make?

22 A. I would add one addition to the testimony
23 regarding South Central School District.

24 Q. Do you have a page reference?

25 A. Yes. Just a moment. Page 7, line 8 would

00792

1 be the appropriate place.

2 Q. What is the change?

3 A. Well, at the time that I wrote this
4 testimony the expected installation date was October
5 28. I have been informed that that has now slid to
6 November 28 and school district, because they have no
7 faith in what they've told me in meeting that date,
8 has scheduled the installation of the T1 and the
9 change over to the new telephone numbers for December
10 27th now.

11 Q. With that revision if I were to ask you the
12 same questions that are contained in this exhibit
13 today, would you give me the same answers?

14 A. Yes, I would.

15 MR. KENNEDY: Your Honor, I offer Exhibit
16 T-127 in evidence.

17 JUDGE WALLIS: Is there an objection?

18 MR. SHAW: Your Honor, may we have brief
19 voir dire?

20 JUDGE WALLIS: Yes.

21

22 VOIR DIRE EXAMINATION

23 BY MR. SHAW:

24 Q. Mr. Bookey, are all your observations about
25 the Fred Meyer company contained in your testimony

00793

1 based upon a memorandum you received from TRACER's
2 counsel?

3 A. Yes, it is.

4 MR. SHAW: Your Honor, I'm going to move to
5 strike the testimony relating to Fred Meyer based upon
6 hearsay. I realize the hearsay rules are somewhat
7 flexible in administrative proceedings, but here we
8 have a situation where the facts offered for their
9 truth in this are not based upon even a conversation
10 that Mr. Bookey had with anybody such as in the case
11 of the University of Washington but are based upon a
12 written memorandum that was given to him by counsel
13 for TRACER based upon a conversation counsel for
14 TRACER apparently had. So it's a little too much
15 hearsay, I think, even for an administrative
16 proceeding and is not probative, and I would move to
17 strike that portion of the testimony.

18 JUDGE WALLIS: Mr. Kennedy.

19 MR. KENNEDY: Yes. I have a twofold
20 response. First the motion to strike has been waived
21 by U S WEST because it presented testimony earlier
22 today by Mr. Okamoto rebutting this testimony, and in
23 fact presented testimony rebutting the portion of the
24 testimony that relates to a major retailer, Fred Meyer
25 so it's been waived for that reason. They've already

00794

1 introduced evidence to rebut this testimony.
2 Secondly, it's been waived because of my understanding
3 of the Commission's rules to strike testimony,
4 prefiled testimony, has to be made at the outset of
5 the hearing. We could have dealt with this issue
6 first thing this morning but U S WEST chose to bring
7 that issue up at this point. So there's two aspects
8 of the waiver.

9 Second argument that I would have in
10 opposition to the motion is that under evidence rule
11 703 expert witnesses -- and Mr. Shaw has not indicated
12 that this is not an expert -- expert witnesses do and
13 are customarily permitted to rely upon hearsay
14 evidence whether that's single hearsay or double
15 hearsay. So for those reasons I would urge Your Honor
16 to deny the motion.

17 JUDGE WALLIS: Mr. Shaw, I would note as to
18 your second objection regarding a motion to strike,
19 because of today's schedule we did take up
20 expeditiously and did not allocate time for that
21 purpose or specifically ask for them. So I would not
22 use that as a basis for attributing waiver.

23 MR. SHAW: Yes. In terms of the timing of
24 this testimony was filed on October 3. We served
25 discovery and asked Your Honor specifically the

00795

1 witness's reference to his facts that he's offering in
2 here were based upon his conversations and a
3 conversation with counsel. We asked him what that
4 conversation with counsel was about and in discovery
5 he indicated that the testimony as to Fred Meyer was
6 completely based upon a memorandum from counsel.

7 JUDGE WALLIS: I'm going to interject for
8 just a moment, and ask for a comment on the argument
9 that Mr. Kennedy has posed that the company has waived
10 its objection because it has already submitted
11 rebuttal specifically to the evidence regarding Fred
12 Meyer that you had objected to.

13 MR. SHAW: Well, we will obviously withdraw
14 that rebuttal if you grant the motion to strike. It
15 was just simply scheduling the evidence. Rather than
16 bring Mr. Okamoto back we went ahead and presented
17 that evidence not knowing what your ruling would be.
18 I still think that the motion is sound. It's just not
19 probative.

20 JUDGE WALLIS: I'm going to deny the
21 objection and allow the evidence to be received.

22 Q. Mr. Bookey, have you been made aware of Mr.
23 Okamoto's testimony this morning in which he stated
24 that the head of the telecom department at the
25 University of Washington, Mr. Ray Rickansred, told

00796

1 him, Mr. Okamoto, that the university's only problem
2 with U S WEST was the fact that they lost their single
3 point of contact? Are you aware of that testimony?

4 A. Yes, I am.

5 Q. And have you subsequently had a
6 conversation with Mr. Rickansred with the University
7 of Washington regarding that alleged statement?

8 A. Yes, I have.

9 Q. What was the substance of that
10 conversation?

11 MR. SHAW: Your Honor, I'm going to object.
12 This does appear to be complete hearsay on top of it.
13 We'll have to potentially call Mr. Okamoto back
14 depending upon this answer. I don't think this
15 adds anything to the record.

16 MR. KENNEDY: Your Honor, under evidence
17 rule 806 Mr. Okamoto presented a statement attacking
18 the credibility of a hearsay declarant. The hearsay
19 declarant was Mr. Rickansred and his hearsay is
20 presented in the written testimony of Mr. Bookey.
21 That hearsay evidence has been attacked by Mr. Okamoto
22 with the hearsay statement. Under evidence rule 806
23 I'm permitted to introduce evidence supporting that
24 testimony and attacking the attack on the direct. I
25 can use hearsay statements to do it.

00797

1 JUDGE WALLIS: The witness may respond.

2 A. What was the question?

3 Q. Since Mr. Okamoto's testimony this morning,
4 have you subsequently had a conversation with Mr.
5 Rickansred of the University of Washington regarding
6 Mr. Okamoto's statement that the only problem the
7 university has with U S WEST's service quality is the
8 fact that they lost their single contact person?

9 A. Yes, I have.

10 Q. And what was the substance of that
11 conversation?

12 A. Mr. Rickansred was visibly upset in that
13 their problems extend far beyond that and he thought
14 it was a misrepresentation of what he had said.

15 Q. And problems that you speak of are those
16 that are in your written testimony?

17 A. Yes, they are.

18 MR. KENNEDY: I have no further questions
19 and Mr. Bookey is available for cross.

20 JUDGE WALLIS: Mr. Shaw.

21

22 CROSS-EXAMINATION

23 BY MR. SHAW:

24 Q. Mr. Bookey, are you here on a retainer by
25 TRACER?

00798

1 A. Yes, I am.

2 Q. You're being paid for your testimony?

3 A. Yes, I am.

4 Q. Are you being paid for your fact testimony?

5 A. What does that mean?

6 Q. Are you being paid for your testimony
7 representing certain facts as to the service offered
8 to the customer of the company that you reference in
9 your testimony?

10 A. I still am not sure what you're asking. I
11 will say that much of the testimony here is based upon
12 personal experience of working with customers that
13 Digital Network has, and so that was paid for by those
14 customers for my expert advice in helping them deal
15 with communications issues.

16 Q. Let's just take an example. You testify as
17 to certain facts as to the Fred Meyer company, do you
18 not --

19 A. Yes.

20 Q. On page 11, and your facts which you're
21 testifying to are gleaned entirely from a memorandum
22 you received from TRACER's counsel, correct?

23 A. Correct.

24 Q. And you're being paid for your testimony to
25 relate the substance of the memorandum that TRACER's

00799

1 counsel gave you, are you not?

2 A. Correct.

3 Q. Mr. Bookey, your primary experience, I take
4 it, is with K-12 education consumers?

5 A. No, that is not correct.

6 Q. I understood your vitae here where you
7 relate your educational and professional experience
8 that your primary work has been with school districts
9 and consulting with them on development of their
10 private networks?

11 A. No, that's not correct at all. I spend
12 considerable amount of my time, a lot of it donated,
13 working with school districts and have for the last
14 six or seven years, but the -- that is not the main
15 revenue source of DNA and we only deal with certain
16 school district that come to us and really want to
17 change and we want to help them, but as a general rule
18 we are only working with one school district as we
19 speak today and have many commercial customers.

20 Q. Is your company and yourself in fact a
21 consultant to some school district which you talk
22 about in your testimony?

23 A. We worked with Port Townsend School
24 District and South Central School District.

25 Q. You have worked with the Issaquah School

00800

1 District as you relate at page 2?

2 A. As a parent since 1989. That is not for
3 pay.

4 Q. Have you worked as a consultant for the
5 Fred Meyer company?

6 A. No.

7 Q. Have you worked as consultant for the
8 University of Washington?

9 A. No.

10 Q. Have you worked as a consultant with a
11 major statewide health care provider?

12 A. Yes.

13 Q. So that is a customer of yours?

14 A. Past customer.

15 Q. At page 13 where you talk about a major
16 statewide health care provider you're talking about
17 one of your clients?

18 A. Yes, well, not currently but in the past.

19 Q. In your testimony about Internet access
20 providers at page 14, are you relating facts and
21 information about clients there?

22 A. Yeah. DNA, Digital Network Architects, was
23 the client, which is our company.

24 Q. So the only Internet access provider you're
25 talking about is yourself?

00801

1 A. No. Northwest Net was the provider. We
2 were the customer trying to get access from them.

3 Q. So you were a customer of an Internet
4 access provider?

5 A. Correct.

6 Q. And you've had no other consulting
7 relationships with Internet access providers other
8 than what you relate there?

9 A. Correct.

10 Q. From your experience as a parent and a free
11 consultant to the Issaquah School District and then
12 your paid school district client, is it fair to say
13 that school districts are belatedly updating their
14 telephone service to high capacity private networks?

15 A. Well, I think belatedly is sort of a value
16 judgment so I would say they are in the process of
17 updating their technology.

18 Q. Are you familiar with the term loop
19 proceeding that the company has been in with this
20 Commission?

21 A. No.

22 Q. Are you familiar with the typical way that
23 school districts have provided themselves telephone
24 service, that is, with either a simple 1FB service,
25 local exchange service from the local exchange

00802

1 company, or via PBX and use term loops to link
2 together their noncontiguous properties?

3 A. By term loops are you referring to OPXs.

4 Q. Yes, off premise extensions.

5 A. Yes.

6 Q. You consider that to be a pretty basic and
7 inadequate private system for a modern school?

8 A. Yes.

9 Q. And in fact your advocacy to those school
10 districts is that they should substantially update
11 their networks with digital broad band capacity?

12 A. No, I wouldn't say it's my -- certainly I
13 talk about that, but the school district themselves
14 are requiring the installation of massive amounts of
15 technology and networks so there's a need to build
16 digital networks, digital communication networks to
17 service the computer networks they are putting in
18 their schools. There's also a need that's being
19 expressed by the parent in voting technology bonds to
20 get adequate voice service into the schools, so the
21 question to me is, well, how do we do that and so I
22 respond to that.

23 Q. Your advocacy again is that there should be
24 the ability for digital connectivity between the homes
25 of students and the parents of students with computers

00803

1 located on the school premises and certainly as
2 between the premise of the school district; is that
3 correct?

4 A. Yes. And as you get thousands of computers
5 in the school the student's homework is on the
6 computers at school and, not unlike a corporation,
7 the student wants to access their data much the same
8 as an employee wants to access the data on the
9 computer at work.

10 Q. So the concept, in danger of over
11 simplifying, is to have a private network LAN, local
12 access network, that connects not only the schools,
13 the classrooms, the administrative buildings, but the
14 homes of the students that attend those schools.

15 A. Well, I wouldn't get specific on the
16 technology. What you want to do is you want to
17 connect all those with as fast of communications as
18 you can, as inexpensively as you can, given the
19 choices that you have in the marketplace.

20 Q. Now, K-12 schools and certainly the homes
21 of the students are located typically in residential
22 areas, are they not?

23 A. Yes.

24 Q. They're not in downtown Seattle or downtown
25 Bellevue or even downtown Issaquah. They're out in

00804

1 the suburbs or in residence areas?

2 A. Well, there are students and people who
3 live in downtown Issaquah just like downtown Seattle.
4 If you define Seattle to be the big 40 story sky-
5 scrapers that's partly true. But I would generally
6 say that the schools are out in the residential areas.

7 Q. So the demand for T1 and up digital
8 connectivity is a very recent demand by K-12 schools.
9 Isn't that a fair conclusion?

10 A. Can you define recent?

11 Q. Within the last three years.

12 A. No. I would say four or five.

13 Q. And that demand is in suburban and in
14 residential areas?

15 A. It's wherever the schools are.

16 Q. Would you find it reasonable that the
17 company could necessarily anticipate that demand from
18 school districts for T1 connectivity in residential
19 and suburban areas?

20 A. That's U S WEST you are referring to?

21 Q. Yes.

22 A. Well, no. I think U S WEST -- I spent a
23 great deal -- amount of time as a volunteer meeting
24 with U S WEST, explaining what the schools are doing
25 because the schools generally are implementing a

00805

1 similar pattern as they upgrade their communications,
2 and I've been meeting with U S WEST education people,
3 engineering staffs since 1990, so to that extent, I
4 think that they have been made aware of what K through
5 12 is trying to do and in fact John McCormack was
6 assigned specifically to lead K through 12 education
7 and to stay on for U S WEST.

8 Q. Do many school district in the state
9 continue to cling to voice grade OPX lines because
10 of their very affordable price?

11 A. No, because they're -- I think they either
12 cling to them generally because they lack the
13 knowledge or the skills necessary to build a private
14 network or even understand what they can do to get
15 better service less expensively. In the case of, as
16 an example, flat business lines, which a lot of them
17 have -- more have that than OPXs -- it's roughly \$50 a
18 month for a flat business line, and when you look
19 at the economics given that the school district has
20 some capital to invest in some equipment of going to
21 T1 and multiplexing multiple conversations as well as
22 integrating data on top of that, turns out that in
23 many cases, most cases, school district can get two or
24 300 more voice capacity into their schools plus
25 768,000 bits per second for data for the same price

00806

1 that they were paying for three or four business
2 lines. The problem is that they lack that technical
3 knowledge to know how to go about and managing that
4 transformation.

5 Q. In part, then, is the interest in upgrading
6 to a T1 based private network further incited by the
7 relatively high price of 1FB local exchange lines?

8 A. Well, I don't know the relative high price.
9 If you look at the economics of delivering the
10 equivalent amount of voice and data service you can't
11 get that data service over a flat business line, but
12 if you look at the -- at providing the service I
13 talked about using 1FB or dial-up lines into every
14 classroom versus a privatized digital network, the
15 economics clearly favor the digital network so in that
16 sense is how I would answer that.

17 Q. Do you consider T1s to be primary exchange
18 access lines?

19 A. I'm not sure what you -- if you define
20 that. I consider them to be 1.544 megabytes per
21 second.

22 Q. From your experience as a
23 telecommunications consultant, would you agree that
24 the term primary exchange access lines refers to a 1FB
25 or a 1FR?

00807

1 A. I don't know.

2 Q. You have referenced some installation
3 problems that a school in Tukwila had?

4 A. Has.

5 Q. Has, excuse me. And we've had a previous
6 conversation and you had related to me that that
7 school district requested service from an alternative
8 service provider to U S WEST. Do you recall that
9 conversation we had?

10 A. I recall the conversation.

11 Q. And in fact didn't that school district in
12 Tukwila request service for one of the other local
13 exchange companies authorized to provide service in
14 the greater Puget Sound area?

15 A. They made a request to talk to TCI because
16 TCI is the cable company in their area and inquired
17 about the possibility of giving data services, meaning
18 10 megabyte, five megabyte, using cable modem for
19 hooking their computer networks together in their
20 schools, not for their voice. TCI had no facilities
21 to do that, and so it was not a possibility.

22 Q. Can TCI provide an alternative service, an
23 Internet type service?

24 A. No. They said that they would have to
25 build a new fiber plant to all the schools which

00808

1 didn't exist which did not seem to be practical at the
2 time because --

3 Q. Do you believe that it's reasonable for
4 this Commission to expect U S WEST to build to meet
5 demand for new digital services by that school
6 district and not to expect ELI or TCG or MCI to build
7 digital facilities to meet that new demand?

8 A. Well, I think U S WEST is best positioned.
9 Essentially they have cable copper to the schools.
10 Those can be re-engineered to handle T1. T1
11 technology is well known and so they are in a position
12 to deliver the service. For the cable company to do
13 it they have to build all new plant, so I think that
14 it's sort of an unrealistic expectation for schools to
15 wait until there's a whole other provider of digital
16 services in every community everywhere in the state.
17 The incumbent provider is U S WEST. T1 is a voice,
18 and it was designed for voice, should be readily
19 available.

20 Q. Make sure that we're not causing any
21 confusion here. You agree that T1 service is a broad
22 band data service?

23 A. No.

24 Q. You do not?

25 A. It's a digital service. It was designed

00809

1 specifically for voice in the late '60s by AT&T.

2 Q. How many voice grade channels can you get
3 on a --

4 A. 24. 48 if you compress. Probably 96 if
5 you compress more.

6 Q. Can you get full motion television over a
7 T1?

8 A. Broadcast quality?

9 Q. Full motion television.

10 A. Broadcast quality, no.

11 Q. How about VCR quality?

12 A. There are technologies that allow you to
13 deliver VCR quality broadcast one way.

14 Q. What's the maximum speed you can put over a
15 T1?

16 A. 1.544. That controls the control bits.

17 Q. Is it your testimony that the existing
18 analog copper facilities can always be re-engineered
19 to provide T1 service where they were providing voice
20 grade 1FB service?

21 A. Yes. Generally they have to put
22 re-engineer for repeaters. There is a distance
23 limitation from the CO, but in most cases, yes, you
24 can take an existing piece of copper, re-engineer it
25 turn it into a T1, which is why it is attractive to

00810

1 schools. You don't have to wait for fiber to get to
2 schools to get digital service.

3 Q. Are you suggesting that it's possible to
4 re-engineer one loop, one access line, into a T1 line?

5 A. Yes.

6 Q. What additional investment does that take?

7 A. On the part of U S WEST?

8 Q. On the part of anybody.

9 A. Well, I don't know what the cost is in U S
10 WEST. I know that they charge for a local loop T1.
11 If it's rated as an intrastate circuit, \$1200 for
12 installation. If it's interstate rated then it's \$600
13 nonrecurring installation.

14 Q. I wasn't speaking to the rate. Let me
15 restate it. The cost -- let me state it this way.
16 What additional items of equipment or capital
17 investment do you understand that any provider would
18 need to buy to convert a 1FB into a T1?

19 A. I don't know.

20 Q. Can you confirm U S WEST's understanding
21 that the T1 that U S WEST could not immediately
22 install for the University of Washington was a line
23 running out to a residential home in Laurelhurst?

24 A. I knew it was a location in Laurelhurst. I
25 did not know who it was specifically for.

00811

1 MR. SHAW: Thank you. I have nothing else.

2 JUDGE WALLIS: Do counsel have questions?

3 Commissioner, questions?

4 COMMISSIONER HEMSTAD: No, I don't.

5 CHAIRMAN NELSON: I have just one.

6

7 EXAMINATION

8 BY CHAIRMAN NELSON:

9 Q. The Internet access provider that appeared
10 in Seattle -- and again I'm testifying from memory --
11 I mean, whatever I'm doing -- he said something about
12 he could get a T1 circuit from TCG in six to eight
13 days when U S WEST took longer than that. This
14 morning or this afternoon Mr. Okamoto indicated in
15 response to Commissioner Hemstad that there are
16 problems with designing -- I think he used the word
17 designing -- these circuits. Can you explain to me
18 what it is that's specific to design about T1
19 circuits?

20 A. Well, you have to look at -- this is a lot
21 of questions that need to be asked. Is there
22 sufficient -- if you're adding a T1 to existing
23 facilities, is there sufficient copper or pairs going
24 into the facility such that you have something to put
25 a T1 on. If you don't then you have to get new copper

00812

1 out there. Where the repeaters go. So there are
2 design issues. Tls themselves have been installing
3 for 20 years, so what you need to do to engineer a T1
4 is not rocket scientist stuff but specific to the
5 facility you're trying to get into, there are
6 location-unique situations that you have to deal
7 with, so I think a large part of the problem is the
8 person doing the design has no knowledge of the
9 facilities in that specific facility building that
10 you're trying to get the cable into, then it's very
11 difficult to design it because you have no idea of
12 what the circumstances are.

13 Q. So TCG not being hampered by an old network
14 that has to be redesigned could in all likelihood do
15 this with more alacrity than the incumbent? I'm
16 trying to get at why it might be easier for TCG to do
17 it faster.

18 A. Well, partly TCG has new facilities they're
19 in. They've got a lot of capacity. They're in the
20 urban areas. They're smaller. They have less chain
21 of command in moving messages up and down. They built
22 their facility so their knowledge of what's in the
23 ground is much fresher.

24 And I think my personal opinion is that a
25 large part of the problem with U S WEST is not

00813

1 necessarily whether is facilities there or not, is the
2 people who are engineering them don't have any
3 knowledge of what's out there, so what happens is they
4 struggle to figure out what's there. They go on the
5 basis of what information they have, which is maybe
6 old and obsolete. They engineer it, somebody shows up
7 to install it; gee, the reality of what's here versus
8 the reality of what's in the computer is different.
9 We've got to send that information back through the
10 re-engineering channels.

11 And so a lot of -- again, I'm on the
12 outside looking in, but I perceive a lot of U S WEST
13 problems relate to their re-engineering and the
14 accuracy of the information that's available to the
15 people. When you had people doing the engineering who
16 were quite close it was a lot of the knowledge was in
17 people's heads or on scraps of paper and they were
18 familiar with, let's say, in Port Townsend -- which if
19 you're in Denver Port Townsend is a remote location --
20 they were very familiar with the facilities and plant
21 that was in Port Townsend, and basically it was local
22 knowledge. When you remove that to somebody in Denver
23 then how do you move that knowledge to those people in
24 Denver, and I think a large part of the problem has to
25 do with that.

00814

1 Q. The Vancouver Internet access provider I
2 think just did illustrate that kind of thing. He said
3 the cable suppliers came and the cable wasn't there.
4 Thank you. That's helpful.

5

6

EXAMINATION

7 BY COMMISSIONER GILLIS:

8 Q. Add one follow-up if I could on that. Mr.
9 Okamoto this morning talked or this afternoon talked
10 about their response to that is creating a more
11 comprehensive database system for the company so that
12 the workers would have better information about what
13 plant is in place and where and when the orders are
14 registered, et cetera. Do you see that as realistic,
15 and just based on your knowledge of putting together
16 these systems and something that can be put together
17 relatively quickly with the right desire?

18 A. No. I think that it's extremely difficult
19 to do and it's a hard job for U S WEST. There's an
20 old saying in computers, garbage in, garbage out, and
21 the question really is what is the accuracy of the
22 data in the computer. If you imagine all of the
23 facilities across 14 states and you're unsure of the
24 data in your computer, then you're going to have to go
25 out and verify what's in the computer with the

00815

1 physical reality of every CO, and it's not a question
2 of just a programmer writing a program. It's a
3 question of what data do I trust? How do I verify
4 that it's correct, which the only way that I can
5 verify that this represents the reality out there is
6 to go look at the reality and look at the data and say
7 it's the same or it's not, and then once you've got
8 that far you have to have systems in place that when
9 changes are made keep that database up so it doesn't
10 deteriorate or you're back in the same boat. So I
11 think that the difficulty is in verifying all that
12 data which is a very time consuming job.

13 Q. Do you have any ideas of a different
14 approach that would be more effective?

15 A. Well, having been through some of these,
16 generally, my experience -- and I will say it that way
17 -- in downsizing -- and I was at Seafirst when we
18 laid off 20 percent of the people in one day is that
19 when you downsize you do it very carefully if you're
20 in a competitive market because if you do it wrong you
21 lose customers and you may lose your business.

22 So you will typically grab a piece of your
23 system, whatever that system is in the company, and
24 you will change that part and then you will stand
25 back, because if it goes bad you haven't put the whole

00816

1 company at risk, is the philosophy behind this. And
2 then what you will see is what works, what didn't
3 work, fix it, and then you will expand the experiment.

4 As an example, in changing the checking
5 system for roughly two million people in the state of
6 Washington, which I was responsible for, you just
7 didn't write a new checking and savings system and
8 then one might move all two million people over to
9 the new system. We put one branch up and ran it for a
10 period of three weeks. We put another branch up and
11 ran it. And then we moved to do six branches. Then
12 we went through an end of the year with six branches
13 and then we did five and ten, and after six months
14 when we had confidence that we weren't going to cause
15 mayhem we began to ramp up until we hit something that
16 like 30 branches a month that we knew we could
17 accommodate.

18 So you do it very slowly and very carefully
19 so that if something does go wrong you can recover
20 from it, and I don't know the strategy that U S WEST
21 executed in this case. But I'm reminded of what an
22 old doctor once said is the operation was successful
23 but the patient died. And I think U S WEST is right
24 in a strategy to downsize and streamline, but in this
25 case I think the patient was severely impacted, so I

00817

1 think a lot of the engineering problems have to do
2 with execution, not in the goal but in how it was
3 done and how fast it was done and now they have a
4 massive problem in that the old system is gone, the
5 new system doesn't work and that's the worst situation
6 you want to be in.

7 COMMISSIONER GILLIS: Thank you.

8

9

EXAMINATION

10 BY COMMISSIONER HEMSTAD:

11 Q. Well, the questions of my colleagues
12 triggers this question, and perhaps you've already
13 answered it. Mr. Okamoto this morning referenced that
14 -- I think his phrase was that this is a huge company
15 as a defense, and you say some of the new entrants are
16 smaller. And I assume by that I can infer you mean
17 that they're more nimble. Is there anything
18 inherently a problem in the fact that the size of U S
19 WEST, at least the historical assumption about
20 economies of scale and the like?

21 A. No. I mean, I think that we have lots and
22 lots of large companies around so I don't think
23 there's anything inherently wrong. You just basically
24 recognize your large company and your systems and
25 your strategies reflect that. Typically in a large

00818

1 company it takes a long time to change. It's like we
2 used to say, it's like turning a speed boat versus a
3 freighter. It takes a long -- because of the inertia
4 and everything else it takes a long time to turn a
5 freighter versus a speed boat. So you will have a
6 TCG, which is really part of a larger organization,
7 but the people in Seattle, all the engineering and
8 stuff is not done someplace else. It is done in
9 Seattle. The sales is done in Seattle and it's almost
10 run -- in their case it's run as a small company even
11 though it's part of a larger company. So the people
12 are much closer to the situation.

13 There are many, many strategies you can use
14 to re-engineer, and again, I don't know enough about U
15 S WEST to say it's good or bad but there isn't just
16 one strategy of re-engineering, and I think you have
17 to take size into account. AT&T is a huge
18 organization with lots of customers, and the
19 discipline in the market if you're in a competitive
20 market as opposed to essentially a monopoly is that if
21 you fail you die and so you just -- you're very, very
22 careful when you do these changes because you don't
23 get a second chance.

24 I think in the case of U S WEST they're in
25 kind of an envious position in that if they fail

00819

1 they've still got customers because their customers
2 have nowhere to go so maybe that has not made them
3 sensitive enough to failure because it doesn't have
4 quite the downside risk it does for somebody in a
5 competitive market.

6 COMMISSIONER HEMSTAD: That's all I have.

7 CHAIRMAN NELSON: One more. Have any of
8 your clients experienced similar problems with GTE?

9 THE WITNESS: No. No, I have not -- and I
10 used to live in GTE territory 20 years ago and so I
11 still carry that around, but no, I don't hear the same
12 thing, and a lot of it, a lot of people's impressions
13 of companies have to do more with trends. Are you
14 getting better or are you getting worse. In a company
15 that's getting better people perceive it a certain
16 way, and so while GTE may not be perfect I think
17 generally people perceive that their service is
18 getting better and better and better where in U S
19 WEST's case I think the reverse has happened and
20 people see it getting worse and worse and worse.

21 CHAIRMAN NELSON: And you do have clients
22 in GTE's service territory?

23 THE WITNESS: Yeah.

24 CHAIRMAN NELSON: Thank you.

25 JUDGE WALLIS: Mr. Kennedy.

00820

1 MR. KENNEDY: Just one redirect question.

2

3 REDIRECT EXAMINATION

4 BY MR. KENNEDY:

5 Q. Mr. Bookey, Mr. Shaw asked you in
6 connection with your discussion about schools and
7 their demand for new networks, he asked you if it was
8 reasonable for the company to be able to anticipate
9 that demand. Do you remember that discussion?

10 A. Yes.

11 Q. Is it reasonable to assume that once that
12 demand is made known to U S WEST and an order is
13 placed and U S WEST gives a commitment to a particular
14 install date, is it reasonable to assume that the
15 company will actually meet that commitment or come
16 within reasonable striking distance of that commitment
17 date?

18 A. Well, yes. That would be the expectation
19 because that's what -- again, it's a generalization
20 but in the marketplace with other companies it's the
21 expectation that you have for generalized business
22 practices. I think the problem here is the delay is
23 bad. I mean, when you wait eight or nine months for a
24 T1 that certainly is bad. I think worse is that you
25 keep being rescheduled, and in the case of the school

00821

1 district they have to issue all new numbers to their
2 teachers and administrative staff. They've got to
3 inform 2500 students with like five or 6,000 parents
4 that have to be notified of these changes so there's a
5 lot of planning that goes on to sort of coordinate
6 with the change over to the new system. When you have
7 no faith that whatever date they give you is going to
8 actually happen, it really affects a lot more than
9 just hooking up a telephone line. And so I think the
10 real problem is you can't depend on any dates not -- I
11 mean, it's bad that you have to wait a long time but
12 if you waited a long time but knew it was going to be
13 delivered on that date it would be easier.

14 MR. KENNEDY: Thank you. I have nothing
15 further.

16 JUDGE WALLIS: Mr. Shaw.

17 MR. SHAW: Nothing.

18 JUDGE WALLIS: Anything further of the
19 witness? It appears that there's not. Mr. Bookey,
20 thank you for appearing here today. You're excused
21 from the stand. Ms. Parker will be next. Let's be
22 off the record for a moment, please.

23 (Discussion off the record.)

24 Whereupon,

25 PATRICIA PARKER,

00822

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

3

4 DIRECT EXAMINATION

5 BY MS. PROCTOR:

6 Q. Would you please state your name and give
7 your business address for the record.

8 A. My name is Patricia Parker and my business
9 address is 1875 Lawrence, Denver, Colorado.

10 Q. And by whom are you employed, Ms. Parker?

11 A. AT&T.

12 Q. And did you cause to be prepared and
13 prefiled in this case the rebuttal testimony of
14 Patricia A. parker that has been marked as Exhibit
15 T-128?

16 A. Yes.

17 Q. And is it true and correct to the best of
18 your knowledge?

19 A. Yes.

20 Q. Do you have any corrections to that
21 testimony?

22 A. No.

23 MS. PROCTOR: Judge Wallis, I would note
24 for the record that the testimony that we are
25 particularly concerned about here goes from pages 13

00823

1 to 16 and does not involve the Exhibit C-129 which has
2 been attached.

3 Q. Ms. Parker, do you also have in front of
4 you what has been marked for identification as Exhibit
5 136?

6 A. Yes.

7 MR. SHAW: Your Honor, I'm going to object
8 to this line of questioning. Obviously they could
9 have put this data in their direct testimony. We
10 asked for it on discovery and they gave it to us.
11 It's the backup essentially to the testimony and now
12 apparently they think it would have been a good idea
13 to put the backup in their direct and they want to put
14 it in with the direct. That's what we asked for. If
15 you examine those data requests we asked for the
16 backup that justified certain statements in the direct
17 and now apparently they want to put those data
18 responses into the record through this witness. I'm
19 not saying that this witness can't identify her own
20 data requests but I think it's an improper way to
21 essentially augment your direct testimony.

22 MS. PROCTOR: Judge Wallis, I think that
23 the information in this testimony goes to the
24 testimony given by Mr. Okamoto. Somewhat surprisingly
25 Mr. Okamoto was not familiar with the information

00824

1 provided by Ms. Parker's testimony or the data
2 responses provided to U S WEST. I believe that his
3 testimony was that as far as the re-engineering he did
4 not know to what extent the lack of personnel was
5 impacting their ability to meet service expectations
6 of customers, and I think that their own information
7 provided to AT&T certainly shows that that's what
8 they're telling AT&T are the reasons that they're not
9 meeting customer expectations, so it's somewhat a
10 formality, I think, that I introduced the evidence
11 with Mr. Okamoto who is of course unable to
12 substantiate it. And I'm simply attempting to do that
13 now.

14 JUDGE WALLIS: Let's not get in an endless
15 loop here where we're unable to find the proper
16 treatment of the document. I think it may be
17 sufficient to say that the direct evidence was filed
18 simultaneously and there is provision in the APA
19 that allows rebuttal to each of the parties on the
20 document. Treating Mr. Shaw's objection as one to
21 the document itself, I believe should be received. Is
22 there any further objection to Exhibit 136?

23 MS. PROCTOR: Judge Wallis, I would note
24 that I was somewhat sloppy in putting this exhibit
25 together and it includes data requests No. 35 and 38

00825

1 which are not relevant, so those should be stricken
2 from the --

3 JUDGE WALLIS: Those will be stricken. Is
4 there an objection to Exhibit T-128?

5 MS. PROCTOR: I also -- I'm sorry. It
6 should be a confidential exhibit because it contains
7 information that U S WEST claims is proprietary and
8 also contains information that AT&T claims is
9 proprietary.

10 JUDGE WALLIS: Speaking of Exhibit 136?

11 MS. PROCTOR: Yes.

12 JUDGE WALLIS: Yes. We'll designate that
13 as Exhibit C-136. Is there objection to the rebuttal
14 testimony?

15 (Admitted Exhibit C-136.)

16 MR. SHAW: With the same reservation we
17 discussed this morning, Your Honor, none.

18 JUDGE WALLIS: Yes. Exhibit 128-T is
19 received.

20 (Admitted Exhibit T-128.)

21 MS. PROCTOR: Thank you. Ms. Parker is
22 available for cross-examination.

23 JUDGE WALLIS: Mr. Shaw.

24

25 CROSS-EXAMINATION

00826

1 BY MR. SHAW:

2 Q. Ms. Parker, your direct testimony on
3 quality of service I believe, as counsel indicated, is
4 the three pages approximately --

5 A. Yes.

6 Q. -- 13 through 15, and you address only
7 special access or private line service?

8 A. That's correct.

9 Q. Is AT&T Communications Company registered
10 to provide service in the state of Washington?

11 A. I believe so.

12 Q. Is AT&T authorized by its registration and
13 its tariffs on file to provide private line service to
14 its customers in the state of Washington?

15 A. I'm going to have to say I really don't
16 know.

17 Q. Is AT&T the largest telecommunications
18 company in the United States?

19 A. Yes.

20 Q. AT&T has tremendous expertise in resources
21 and knows how to design and build private line
22 service?

23 A. Yes.

24 Q. And provides private line services to many
25 customers directly within its own facility throughout

00827

1 the country and the world for that matter?

2 A. We provide private line services but we
3 also partner with other suppliers like U S WEST to
4 provide the end links.

5 Q. There is no necessity for AT&T to use U S
6 WEST to provide private line service in the state of
7 Washington, is there?

8 A. From a practical matter, yes, there is. In
9 fact, we have -- we require U S WEST to provide the
10 end links for some of our services to offer customers
11 -- services for our customers.

12 Q. AT&T, I think you agreed, is a
13 telecommunications company that does business in the
14 state of Washington?

15 A. Yes.

16 Q. And as far as you know is not prohibited by
17 this Commission or any other state law from providing
18 private line service?

19 A. No.

20 Q. And you use private line service primarily
21 in the state of Washington in conjunction with your
22 toll service and that is dedicated links from the
23 customer premise to your POP or point of presence?

24 A. We use special access for a variety of our
25 services. Some of them are private line transport.

00828

1 Some are what they call nodal services. So there are
2 a variety of reasons why we require the use of U S
3 WEST special access.

4 Q. Let me return to my question. There's
5 absolutely nothing that you know of that prohibits
6 AT&T from engineering, designing and installing its
7 own end-to-end services in the state of Washington?

8 A. I think in some areas it might be possible,
9 but given the geographic area that U S WEST
10 encompasses and given that U S WEST's network is
11 ubiquitous, there is -- from a financial practical
12 standpoint it's clear we cannot build all the
13 facilities from the customer to our facility.

14 Q. I'm talking about private line service now
15 and that's all you address in your testimony, correct?

16 A. That's correct.

17 Q. I'm not talking about building loops to
18 every residence and business in this state. Do you
19 understand that?

20 A. Yes, I am, but we have a lot of private
21 line customers that are in a variety of your cities
22 and towns and they're not necessarily in the Seattle
23 area or the Tacoma area or the Olympia area.

24 Q. AT&T provides service ubiquitously
25 throughout the state of Washington, does it not?

00829

1 A. That's correct, we try to.

2 Q. And you have a presence in every town and
3 city in the state, do you not?

4 A. We have customers in those areas, but
5 generally the way we meet those customers is buying --
6 not generally, actually always -- we buy access from
7 the various incumbent LECs to reach those customers.

8 Q. You buy access from the incumbent LEC or
9 any other provider that can provide you private line
10 service?

11 A. Primarily we buy our access services from
12 the incumbent LEC.

13 Q. And also other alternative providers where
14 they give you a good deal?

15 A. No. Actually, as of right now we're buying
16 100 percent of our access services from the incumbent
17 LEC.

18 Q. I'm talking about special access again.

19 A. That is true.

20 Q. In the state of Washington you buy
21 absolutely no special access service from anybody but
22 the incumbent LEC?

23 A. That's correct.

24 Q. Again, the only thing that keeps AT&T in
25 the state of Washington from building its own private

00830

1 line service is that it doesn't want to devote the
2 capital to do that, correct?

3 A. Well, to provide a ubiquitous network like
4 U S WEST it would take quite a capital investment.

5 Q. Say the Boeing Company wants a private line
6 from its Paine Field plant to your POP in order to
7 have a private line across the country. There's
8 absolutely no need for you to build ubiquitous private
9 line plant in the state of Washington to build that
10 private line circuit for the Boeing Company, is there?

11 A. Generally what we do is we allow the
12 customer to make a choice on how they want to get to
13 our facilities. In some cases they can go to U S WEST
14 and buy the access or they can build it themselves or
15 we can order it for them, so we allow the customer a
16 choice in how they can --

17 Q. You decline to offer that customer the
18 choice that you would build that facility for them?

19 A. I'm not sure how -- I honestly can't answer
20 that one. I don't know.

21 MR. SHAW: Thanks. That's all I have.

22 JUDGE WALLIS: Other counsel?

23 Commissioners?

24 CHAIRMAN NELSON: No.

25 COMMISSIONER HEMSTAD: I have no questions.

00831

1 COMMISSIONER GILLIS: No.

2 JUDGE WALLIS: Redirect?

3 MS. PROCTOR: No.

4 JUDGE WALLIS: Ms. Parker, thank you for
5 appearing today. You're excused from the stand.

6 Whereupon,

7 RANDALL LIS,

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

10

11 DIRECT EXAMINATION

12 BY MS. DEUTSCH:

13 Q. Could you please state your name and
14 address for the record.

15 A. Sure. My name is Randall J. Lis, L I S.
16 My address is 8100 Northeast Parkway Drive, Vancouver,
17 98662.

18 Q. And by whom are you employed?

19 A. Electric Lightwave.

20 Q. And are you the same Randall J. Lis that
21 prefiled in this proceeding Exhibits T-130, 131, 132
22 and 133?

23 A. Yes, I am.

24 Q. And were those exhibits prepared by you or
25 under your direction and control?

00832

1 A. Yes.

2 Q. Do you have any additions or corrections to
3 those exhibits?

4 A. Yes, I do. Two changes. Page 6, line 23,
5 I would like to add on, "October 20, 1995 U S WEST
6 notified ELI by letter that an internal procedure has
7 been established whereby all orders are to be faxed to
8 a service delivery coordinator." The second change
9 would be page 7, line 2 which currently reads, "U S
10 WEST routinely provides ELI," should be changed to
11 "U S WEST previously provided ELI."

12 Q. Can you explain why you've made those
13 changes?

14 A. Yes. I've wanted to inform the Commission
15 that U S WEST did change the order process flow
16 procedure, and at the same time we are now not able to
17 receive the same information we used to get on orders
18 that are currently pending with them.

19 Q. With those changes if I were to ask you the
20 questions contained in Exhibit T-130 today, would your
21 answers be the same?

22 A. Yes.

23 MS. DEUTSCH: I would ask that Exhibits
24 T-130, 131, 132 and 133 be admitted in the record.

25 JUDGE WALLIS: Is there an objection?

00833

1 MR. SHAW: No objection.

2 JUDGE WALLIS: Let the record show there is
3 no objection and the exhibits are received.

4 (Admitted Exhibits T-130, 131, 132 and
5 133.)

6 MS. DEUTSCH: Witness is available for
7 cross-examination.

8 JUDGE WALLIS: Mr. Shaw.

9

10 CROSS-EXAMINATION

11 BY MR. SHAW:

12 Q. Mr. Lis, those last changes you made I,
13 frankly, am personally unaware of those changes so I
14 will violate a rule and ask you some questions I don't
15 know the answers to. You say that -- I didn't get it
16 all down but on October 20, 1995 U S WEST informed you
17 by letter of what precisely?

18 A. Our order process flow used to go through
19 Pat Warren in Portland and that was changed. Actually
20 it -- it's an improvement over where we had been
21 because now the orders will go directly to Seattle to
22 a -- I guess an order coordinator.

23 Q. So you find that to be a responsive and a
24 good change in the way we do business with each other?

25 A. That I do but the lack of reporting is a

00834

1 problem now.

2 Q. So you need or want a printout showing the
3 status of each order. Do you want that daily, weekly
4 or after the order is --

5 A. We prefer to have daily updates as to where
6 orders are in the U S WEST process. It's very
7 helpful.

8 Q. When you say U S WEST previously provided,
9 are you saying that U S WEST said that they don't want
10 to give you that printout any more?

11 A. They said that it was not available.

12 Q. Because of the change in the way that we're
13 trying to work your orders?

14 A. Right. Evidently Ms. Warren used to keep
15 track of our orders for us as our account
16 representative and now she's not able to give that
17 information because it's going directly to Seattle.

18 Q. As I understand our discussions between the
19 two companies, point of concern of ELI is that we
20 initially set up to handle orders from alternative
21 local exchange companies through a special
22 interconnect group and you wanted to be more
23 integrated into the main ordering functions of the
24 company. Is that a reasonable summary of the issue?

25 A. Yes.

00835

1 Q. And as I take it, we have responded to that
2 request and we have improved the situation from your
3 perspective by getting your orders directly into the
4 main service provisioning processes at the company
5 without having to go through your service rep.

6 A. Yes.

7 Q. And that's a good thing in your eyes?

8 A. That part is good, yes.

9 Q. But you still want your service rep to be
10 able to tell you the status of how the order is
11 winding its way through the processes?

12 A. Yes. Because, I guess, really the essence
13 of my testimony is -- the problem I have is making and
14 keeping commitments and part of that is reporting and
15 tracking due dates and when those things will be done.

16 Q. After a rocky start with the company
17 working orders from new LECs, do you believe that it
18 has gotten better now as we've gotten more used to
19 each other and have gotten informal processes set up
20 and direct contacts between the two companies?

21 A. I think the only thing that has improved
22 since October 20 would be the method to which those
23 orders are entered into your system.

24 Q. October 20 being this last October 20?

25 A. That's correct.

00836

1 Q. You have as an attachment a letter from
2 company's new vice-president in charge of interconnect
3 issues, and referencing you to Mark Reynolds. Do you
4 find that Mark Reynolds is knowledgeable about your
5 needs and is responding to your needs?

6 A. I have never met Mark Reynolds.

7 Q. You haven't been on any of the continuing
8 negotiations and discussions with the company?

9 A. I have never met Mark Reynolds.

10 Q. I frankly can't remember whether you had
11 attended the last meeting we had when Mark Reynolds
12 attended.

13 A. No.

14 Q. You did not. Are you familiar with the
15 agreement that we're working out to trial various new
16 services between the company to make sure that they
17 work?

18 A. No, I am not.

19 Q. You're not involved in those discussions at
20 all?

21 A. No, sir.

22 MR. SHAW: I have nothing further.

23 JUDGE WALLIS: Any other counsel?

24 Commissioners?

25 CHAIRMAN NELSON: No.

00837

1 COMMISSIONER HEMSTAD: No.

2 COMMISSIONER GILLIS: No.

3 JUDGE WALLIS: Redirect?

4 MS. DEUTSCH: I just have one follow-up
5 question.

6

7 REDIRECT EXAMINATION

8 BY MS. DEUTSCH:

9 Q. Are you aware that U S WEST informed ELI
10 yesterday that it could not go forward with the
11 agreements that we were working on because of the
12 Washington Commission order last week in the
13 interconnection docket?

14 A. No, I'm not.

15 MR. SHAW: Just interpose for the record
16 that I don't believe that is what the company
17 informed, but I will pursue that with Ms. Deutsch
18 separately.

19 JUDGE WALLIS: Very well. Is there
20 anything further of the witness? Let the record show
21 that there is no response. Mr. Lis, you're excused
22 from the stand at this time.

23 Just a minimum of procedural matters.
24 Rather than taking up the examination of staff at
25 this time, because of the hour, it's been determined

00838

1 that we will reschedule on another day the opportunity
2 for the staff evidence to be received and for
3 cross-examination of that evidence. Is there anything
4 else of a procedural nature before we conclude today's
5 session? Let the record show that there is no
6 response and today's session is concluded.

7 (Hearing adjourned at 5:35 p.m.)

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