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1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
2 COMMISSION

3 GTE NORTHWEST INCORPORATED,)
4)
5 Complainant,) DOCKET NO. UT-950277
6 vs.) VOLUME 2
7 WHIDBEY TELEPHONE COMPANY,) PAGES 12 - 187
8 -----)

9 A hearing in the above matter was held on
10 October 12, 1995, 9:37 a.m., at 1300 South Evergreen
11 Park Drive Southwest, Olympia, Washington before
12 Administrative Law Judge JOHN PRUSIA.

13

14 The parties were present as follows:

15 GTE NORTHWEST, INC., by RICHARD E.
16 POTTER, Attorney at Law, 1800 41st Street (5LE),
Everett, Washington 98201.

17 WASHINGTON UTILITIES AND TRANSPORTATION
18 COMMISSION STAFF, by JEFFREY D. GOLTZ and SHANNON
SMITH, Assistant Attorneys General, 1400 South
19 Evergreen Park Drive Southwest, Olympia, Washington
98504.

20 WHIDBEY TELEPHONE COMPANY, by ROBERT SNYDER,
21 Attorney at Law, 30th Floor Key Tower, 1000 Second
Avenue, Seattle, Washington 98104.

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25 Cheryl Macdonald, CSR
Court Reporter

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1		I N D E X				
2	WITNESS:	DIRECT	CROSS	REDIRECT	RECROSS	EXAM
	TONG	16	23	168	169	

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4	EXHIBIT	MARKED	ADMITTED
	T-1, 2-4		23
5	5	24	54
	C-6	49	54
6	7	54	62
	8	54	63
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1 P R O C E E D I N G S

2 JUDGE PRUSIA: Let's be on the record. The
3 hearing will please come to order. The Washington
4 Utilities and Transportation Commission has set for
5 hearing at this time and place upon due and proper
6 notice to all interested parties docket No.
7 UT-950277. The docket is captioned GTE Northwest,
8 Incorporated, complainant, versus Whidbey Telephone
9 Company, respondent. The notice of hearing was issued
10 on September 21, 1995. This hearing is being held at
11 Commission headquarters in Olympia, Washington on
12 October 12, 1995.

13 The purpose of today's hearing is
14 cross-examination of the complainant's witness. I'm
15 John Prusia. I'm an administrative law judge with the
16 Commission. I will take appearances at this time,
17 beginning with the complainant.

18 MR. POTTER: Richard E. Potter for GTE
19 Northwest, Incorporated.

20 JUDGE PRUSIA: Please state your business
21 address.

22 MR. POTTER: 1800 - 41st Street, Everett,
23 Washington 98201.

24 JUDGE PRUSIA: And for the respondent, Mr.
25 Snyder.

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1 MR. SNYDER: Robert S. Snyder. My office
2 address is 30th floor, Key Tower, 1000 Second Avenue,
3 Seattle, Washington 98104.

4 JUDGE PRUSIA: Thank you. And for the
5 Commission.

6 MR. GOLTZ: Jeff Goltz and Shannon Smith,
7 assistant attorneys general. 1400 South Evergreen
8 Park Drive, Olympia, 98504-0128.

9 JUDGE PRUSIA: Thank you. Is public
10 counsel making an appearance this morning?

11 MR. GOLTZ: They indicated because of a
12 conflict they would not be able to attend this
13 morning's proceeding.

14 JUDGE PRUSIA: Are there any other
15 appearances today? Let the record reflect that there
16 is no response. Our first order of business is
17 preliminary matters. It's my understanding that there
18 are no motions or other preliminary matters that we
19 need to deal with before the witness is called. Is
20 that correct?

21 MR. GOLTZ: Correct.

22 MR. SNYDER: That is correct, Your Honor.

23 JUDGE PRUSIA: Then may we have your
24 witness, Mr. Potter.

25 MR. POTTER: Yes. GTE Northwest calls Lyda

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1 Tong.

2 Whereupon,

3 LYDA TONG,

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

5 herein and was examined and testified as follows:

6 JUDGE PRUSIA: Mr. Potter.

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8 DIRECT EXAMINATION

9 BY MR. POTTER:

10 Q. Ms. Tong, we previously marked your
11 prefiled testimony as Exhibits T-1, Exhibit 2, 3 and
12 Exhibit 4. Do you have copies of those exhibits in
13 front of you?

14 A. Yes, I do.

15 Q. Was that testimony and the company exhibits
16 prepared by you or under your direction and control?

17 A. Yes, they were.

18 Q. Do you have any additions or correction you
19 would like to make to any of those exhibits?

20 A. Yes. I have additional facts which would
21 respond to the question on page 3, line 19 of my
22 testimony.

23 Q. That's of Exhibit T-1?

24 A. Exhibit T-1. The question is, "What facts
25 indicate that these rates are below cost?"

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1 Q. And what's the nature of this additional
2 information that you would like to amend your
3 testimony with?

4 A. Well, subsequent to my filing my testimony
5 on August 1, I had a chance to review the Commission
6 staff testimony submitted by Mr. Tom Spinks in the U S
7 WEST rate case, docket UT-950200, and in his testimony
8 he states that the staff's estimate --

9 MR. SNYDER: Your Honor, I think I'm going
10 to object at this point on two grounds. Number one is
11 this has not been predistributed in any fashion. It
12 appears that this information has become available
13 since the prefiled testimony was distributed and if
14 available ahead of this hearing should have been made
15 available; and second, it appears that it is hearsay
16 in that she is purporting to testify to what another
17 person has -- and it's not clear at this point --
18 prefiled or in fact testified to in another
19 proceeding. So I would object to this information
20 being added to the record.

21 JUDGE PRUSIA: Have you prepared written
22 testimony or is it just --

23 MR. POTTER: No. It's very brief and might
24 I suggest procedurally that we let the witness finish
25 and then if counsel would like to make a motion to

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1 strike that would be appropriate to entertain.

2 JUDGE PRUSIA: Very well. Let's proceed in
3 that manner.

4 A. Mr. Spinks's prefiled testimony in the U S
5 WEST rate case states in that testimony that the
6 staff's calculation of what U S WEST cost of a
7 residential loop is is \$9.28, and that estimate is
8 based on what appears to me to be a separated fully
9 allocated cost study methodology, and the \$9.28 that
10 staff calculates as the residential loop cost for U S
11 WEST is a very conservative figure compared to what
12 U S WEST calculates its residential loop cost to be,
13 and in the U S WEST testimony that they filed on their
14 own behalf in that case U S WEST states that they
15 would have to have residential rates in the area of
16 the high 20s in order to cover their cost. I don't
17 necessarily agree with the methodology that Mr. Spinks
18 used in his calculation, but I used his -- the outcome
19 of his calculation as a basis of comparison.

20 And what I did was to use a comparison in
21 conjunction with data that has been submitted to NECA
22 on the public record as total nontraffic sensitive
23 revenue requirement per loop, and in fact on Exhibit 4
24 to my testimony, there's a table that shows what the
25 submitted average NTS cost per loop is for U S WEST

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1 and that is \$202.38.

2 Q. That's the last line says Pacific NW Bell?

3 A. Yes. Under the column SAR-CPL. In that
4 same column the average NTS cost per loop that Whidbey
5 Telephone has submitted is \$478.15, which is 236
6 percent higher than the U S WEST cost per loop
7 submitted to NECA, and just using \$9.28 as the basis
8 of comparison it's reasonable to think that if U S
9 WEST's loop costs is \$9.28 and Whidbey's total
10 nontraffic sensitive cost per loop is 236 percent
11 higher that Whidbey's cost would be in excess of \$20,
12 which is a little more than two times the \$9.28.

13 Q. Are there any other additions or
14 corrections you wish to make to your testimony?

15 A. No, there isn't.

16 MR. SNYDER: Your Honor, I would at this
17 point move to strike the question to which I objected
18 and the response or the answer that was given in
19 response thereto on the grounds I previously asserted.
20 The entire answer is based upon testimony that
21 apparently has been prefiled and not yet even sworn to
22 by a witness in another proceeding before this
23 Commission and is not properly admissible here. He's
24 not available for cross-examination. We cannot
25 explore the basis for which these numbers have been --

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1 these numbers have been derived. The witness has
2 testified to other numbers calculated by U S WEST
3 which equally appear to be hearsay and there's no
4 opportunity to cross-examine the calculation of those
5 numbers or ascertain what they represent, and so I
6 would renew my motion at this time to strike that
7 testimony and on the additional ground that this
8 testimony was not made available to us in advance of
9 this hearing and should have been under the
10 Commission's rulings.

11 JUDGE PRUSIA: Mr. Potter.

12 MR. POTTER: Well, I think the Commission
13 ought to receive the testimony and take counsel's
14 objections into account in the matter of the weight.
15 Obviously the complainant's in an unusual situation
16 where the basis of its complaint is the costs of
17 Whidbey's service, and not having access to Whidbey's
18 material the company is making a good faith effort to
19 employ other available information, and I believe
20 counsel is a party or has available the testimony of
21 the U S WEST rate case, so this is just simply an
22 analogy made by a simple calculation, so I don't think
23 there's prejudice by the fact that we didn't type it
24 up and send it out ahead of time.

25 MR. SNYDER: Your Honor, if I might just

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1 respond. Whidbey is not a party to the U S WEST rate
2 case.

3 MR. POTTER: Have to be represented through
4 WITA, I guess.

5 JUDGE PRUSIA: Mr. Goltz, do you have any
6 comment?

7 MR. GOLTZ: Well, certainly far be it from
8 me to criticize what Mr. Spinks has done on behalf of
9 the Commission staff. It is hearsay. It is late, and
10 it is, for lack of a better term, I think, flimsy as
11 evidence to establish what Whidbey's costs are. This
12 is a very, it seems to me, a very simplistic approach.
13 So if the Commission does receive it as to its weight,
14 it would be very modest weight indeed, so I guess
15 balancing all those things I tend to think that I
16 would come down on the side of Mr. Snyder on this that
17 it is hearsay and it should be excluded.

18 JUDGE PRUSIA: Does anyone else have any
19 additional comment before I make a ruling?

20 MR. SNYDER: It is my recollection, and I
21 was just looking for it, that under the Commission's
22 rules that address what matters the Commission may
23 take official notice of there is a specific reference
24 that they may not take official notice of the
25 testimony in other proceedings, and I was trying to

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1 find that in the Commission's rules.

2 JUDGE PRUSIA: Mr. Potter.

3 MR. POTTER: Well, we have an interesting
4 situation because of timing of the two cases, and,
5 certainly, the technical points they make are correct,
6 so I suppose we could wait until the Commission issues
7 an order in the U S WEST rate case in which it might
8 find what U S WEST's costs are and then repeat the
9 analogy based on the NECA numbers, but seems to us on
10 reflecting on it that it would be of some value to the
11 Commission at this point in time to have that
12 information before it with all the caveats that the
13 other counsel have mentioned.

14 JUDGE PRUSIA: At this time I will sustain
15 the objection. It is hearsay, and there's no ability
16 to cross-examine the witness who produced that
17 prefiled testimony, and I don't believe that it would
18 be usable at this point in this proceeding. So I
19 sustain the objection.

20 Q. Ms. Tong, is your testimony and the
21 exhibits -- are your testimony and exhibits true and
22 correct to the best of your knowledge?

23 A. Yes.

24 MR. POTTER: GTE Northwest offers Exhibits
25 T-1, 2, 3 and 4 at this time.

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1 JUDGE PRUSIA: Thank you. Are there any
2 objections to the admission of Exhibits that have been
3 numbered for identification T-1 and Exhibits 2, 3, and
4 4?

5 MR. SNYDER: No objection, Your Honor.

6 MR. GOLTZ: No objection.

7 JUDGE PRUSIA: Hearing none those exhibit
8 are admitted.

9 (Admitted Exhibits T-1, 2, 3 and 4.)

10 MR. POTTER: I have no further questions so
11 the witness would be available for cross.

12 JUDGE PRUSIA: I hadn't discussed with you
13 before the hearing which --

14 MR. GOLTZ: Your Honor, we have discussed
15 -- Mr. Snyder and I discussed who should proceed first
16 and we have agreed that Mr. Snyder should proceed.

17 JUDGE PRUSIA: Very well. Mr. Snyder.

18

19 CROSS-EXAMINATION

20 BY MR. SNYDER:

21 Q. Good morning, Ms. Tong.

22 A. Good morning, Mr. Snyder.

23 Q. I would like to begin by discussing the
24 concept of competition a little bit. If I could
25 direct your attention to page 2 of your testimony

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1 which has been admitted as Exhibit T-1. Commencing at
2 line 7, or actually really at line 5, you make
3 reference to the supplemental service area or SSA of
4 Whidbey Telephone Company. Do you see that
5 reference?

6 A. Yes.

7 MR. SNYDER: I'm having marked as an
8 exhibit, and I will furnish you a copy, a map, a
9 larger copy of which appears on the back wall but
10 because of the distance of the room may not be readily
11 readable.

12 JUDGE PRUSIA: I've been handed a one page
13 document which is a map, appears to be a map of
14 Whidbey Island and I will mark that document for
15 identification as Exhibit No. 5.

16 (Marked Exhibit 5.)

17 Q. Ms. Tong, do you have before you the
18 document that has been marked as Exhibit 5?

19 A. Yes, I do.

20 Q. If I can direct your attention to the --
21 first, let me ask you, does that to you appear to be a
22 reasonable depiction of Whidbey Island?

23 A. I think so.

24 Q. That is to say being the area encompassed
25 by the blue line. Then you will note on this document

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1 there is some green cross-hatching which the legend of
2 the map indicates is the supplemental service area.

3 Is that the geographic area to which you are referring
4 at lines 5 through 10 of your testimony on page 2?

5 A. As close as I can ascertain to the part of
6 GTE's Coupeville exchange that Whidbey Telephone
7 has filed as its supplemental service area, that is a
8 close depiction of what I understand it to be and that
9 is what I referred to it in my testimony.

10 Q. Is it your understanding that the
11 supplemental service area is approximately three miles
12 wide and measured in a north/south direction?

13 A. Approximately, three to three and a half
14 miles from what we could tell.

15 Q. And that it encompasses the entire width of
16 Whidbey Island at that point?

17 A. Yes.

18 Q. Have you been to the supplemental service
19 area?

20 A. Yes, I have.

21 Q. In your testimony on page 2 commencing at
22 line 7 you indicate that by virtue of the tariff
23 filing made by Whidbey Telephone Company, Whidbey
24 Telephone Company is in competition with GTE Northwest
25 for the provision of local exchange and other

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1 telecommunications services in the SSA. Do you see
2 that reference?

3 A. Yes.

4 Q. Is the converse equally true, that GTE
5 Northwest is in competition with Whidbey Telephone
6 Company in that area for local exchange service and
7 other telecommunications services?

8 A. The area covered by what we will call the
9 SSA, GTE Northwest was the local dial tone company,
10 local exchange company in that service area, and we
11 have been for a long time, I guess, and so in that we
12 did not go into that area with Whidbey, we were
13 already there, and Whidbey has come into that area
14 where it wasn't previously, then Whidbey is in
15 competition with GTE. GTE did not choose to be in
16 competition with Whidbey.

17 Q. Well, regardless of what choice GTE has
18 made, is it your position that GTE is in competition
19 with Whidbey in that area?

20 A. If Whidbey is competing with GTE, then GTE
21 ends up being in competition with Whidbey.

22 Q. Now, is it your testimony that prior to the
23 filing of Whidbey's supplemental service area tariff
24 GTE and Whidbey were not in competition with one other
25 in the supplemental service area?

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1 A. That's correct.

2 Q. Is it the making of a tariff offering that
3 constitutes the creation of the competition? Is it
4 the act of filing a tariff that creates the
5 competition?

6 A. It's not the act of the tariff that creates
7 the competition. It's what is actually happening
8 there that is the competition.

9 Q. To date, has GTE lost any customers in the
10 supplemental service area to service offered by
11 Whidbey Telephone Company?

12 A. To date, you mean as of today?

13 Q. Yes.

14 A. I believe Whidbey is still building out the
15 network there, so if your network is not quite
16 complete yet then customers probably have not
17 disconnected from GTE as of yet.

18 Q. Well, your answer said probably. To your
19 knowledge, do you know of any customer who has
20 connected to Whidbey Telephone Company's network since
21 the supplemental service area tariff was filed?

22 A. I do not know.

23 Q. So, given that circumstance, are Whidbey
24 and GTE in competition today in the supplemental
25 service area?

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1 A. I believe that Whidbey is building up
2 network to be in competition with GTE, and when I made
3 my tour of the supplemental service area I had a
4 chance to talk to some people, and one customer
5 specifically in the SSA said to me, I see that you
6 have some competition here now, that Whidbey is moving
7 in, and since Whidbey's network is exactly duplicating
8 GTE's network in the supplemental service area and
9 providing dial tone where GTE was already providing
10 dial tone and offering all the same services that GTE
11 is offering, then, yes, I view it as competition
12 because Whidbey is advertising the service there, and
13 they are taking orders for service there and customers
14 know that Whidbey is coming in to offer service.

15 Q. As of today, are the two companies in
16 competition with one another?

17 A. I believe yes.

18 Q. Even though Whidbey has no customers in the
19 area of which you are aware?

20 A. Being in competition doesn't mean you have
21 to have a customer today. It means you're getting
22 ready for it, you're soliciting customers and you
23 expect to gain customers.

24 Q. Has GTE received any orders to disconnect
25 any service for any customer in the supplemental

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1 service area as of today?

2 A. I don't know that.

3 Q. You answered one of my earlier questions
4 that prior to the filing of the supplemental service
5 area tariff by Whidbey, Whidbey and GTE were not in
6 competition. Is it not true that prior to the filing
7 of the supplemental service area tariff customers in
8 the supplemental service area could subscribe to
9 Whidbey Telephone Company dial tone and purchase that
10 from Whidbey Telephone Company as foreign exchange
11 service?

12 A. Yes, that is true.

13 Q. And if the customer purchased Whidbey
14 Telephone Company dial tone, at least with respect to
15 the provision of dial tone, were Whidbey and GTE not
16 in competition with each other in the supplemental
17 service area even prior to the filing of the SSA
18 tariff?

19 A. For FX customers even though the dial tone
20 was provided by Whidbey Telephone Company that
21 customer is still a customer of record of GTE. GTE
22 still provided a bill for GTE's portion of the network
23 to connect that FX line.

24 Q. Is it not correct, however, that Whidbey
25 Telephone Company also billed the customer for the

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1 dial tone associated with that service?

2 A. That's correct.

3 Q. And is it not correct that if the customer
4 had not bought that dial tone from Whidbey Telephone
5 Company they would have bought the dial tone from GTE?

6 A. Yes.

7 Q. And GTE would have rendered a further or
8 greater bill to include that dial tone amount?

9 A. It may or may not have been greater. I
10 can't speak to that.

11 Q. Why isn't that competition if the customer
12 before the SSA tariff took effect had a choice of your
13 dial tone or Whidbey's dial tone in the SSA?

14 MR. POTTER: I object to this line of
15 questioning as argumentative and irrelevant. The
16 complaint is not brought based on whether or not there
17 was prior competition. The complaint is brought with
18 regard to the competition that's created by the
19 establishment of the SSA and the sale and advertising
20 of the services since that has happened.

21 JUDGE PRUSIA: Mr. Snyder.

22 MR. SNYDER: Your Honor, I'm trying to
23 explore what in the witness's view constitutes
24 competition. The witness has testified competition
25 exists today by virtue of certain circumstances and

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1 that it did not exist at an earlier date. I'm trying
2 to explore with these questions -- and that is where
3 they are leading -- as to what is the essential
4 difference that makes one situation in the witness's
5 view competitive and the other not competitive.

6 JUDGE PRUSIA: Well, I believe that the
7 question right now, though, is whether presently there
8 is competition. I will let you explore this briefly,
9 but I don't see that whether the previous situation
10 was competitive really helps to decide whether the
11 current situation is --

12 MR. SNYDER: I appreciate the indulgence,
13 Your Honor.

14 A. I'm sorry?

15 Q. There is a question pending.

16 JUDGE PRUSIA: Could you repeat the
17 question.

18 Q. Why is the -- or why, prior to the filing
19 of the SSA tariff, was the offering of dial tone by
20 Whidbey Telephone Company in GTE's territory not
21 competition in your judgment with GTE's dial tone?

22 A. FX service has been in existence for a long
23 time, and FX service was created for the convenience
24 of the customer who wanted a calling scope of a
25 different exchange area without physically living in

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1 that exchange, and prior to local competition is a
2 fairly new phenomenon. It does not go back to the
3 days of when FX exchange started, so even though we've
4 had FX for a long time there has never been anything
5 called local competition whereas now there is and FX
6 was never classified as a competitive -- has never
7 considered a thought of or meant to be competitive
8 service.

9 Q. Well, in your answer you mentioned that one
10 of the distinguishing characteristics was that foreign
11 exchange service had a different calling area. Is
12 that significant in terms of determining whether or
13 not the services are in competition with one another?

14 A. I don't think so.

15 Q. Well, I understand that foreign exchange
16 service has a long history, but in this state we have
17 more recently begun to think of things in potentially
18 competitive terms. Why on the day before the
19 supplemental service area tariff was filed -- not
20 talking about going back 50 years, but why on the day
21 before the tariff was filed did that offering of dial
22 tone by Whidbey in the supplemental service area,
23 although it was not called supplemental service area
24 yet, not constitute competition?

25 MR. POTTER: I repeat my objection that

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1 it's argumentative on an irrelevant point.

2 JUDGE PRUSIA: I will sustain the objection
3 at this time. It seems like an issue that you can
4 argue on brief whether -- what the differences are.

5 Q. For two services to be in competition, must
6 they be substantially identical?

7 A. Identical as in exactly alike? I don't
8 believe two competitors have to offer the exact same
9 service to be in competition, exactly identical, if
10 that's what you mean.

11 Q. How do we know whether two services, then,
12 that are dissimilar from one another in some respects
13 are or are not in competition with one another? In
14 your mind what is the criteria by which you judge
15 that?

16 A. The customer has the choice of which, in
17 this case, provider he chooses for his local service
18 based on what each company has to offer.

19 Q. Must the two offerings be mutually
20 exclusive?

21 A. In the context of your sentence does
22 mutually exclusive mean offer two different things, if
23 one offers it the other cannot offer it?

24 Q. That if the customer takes one then they
25 will not take the other.

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1 A. No, that is not true.

2 Q. So if the services are different from one
3 another the customer might choose to take both
4 services because they serve different customer needs
5 or desires?

6 A. That's a customer choice.

7 Q. And if that is the situation, does that
8 constitute competition if the services are
9 sufficiently different from one another that the
10 customer chooses to take both of them?

11 A. If a customer has the option of taking one
12 exclusive of the other, then that is competition.
13 They're both providers vying for the same customer.

14 Q. Is cellular service in competition with
15 GTE's local service in the Coupeville exchange?

16 A. I don't know to what extent cellular
17 service is provided in Coupeville.

18 Q. Do you know whether it is provided at all
19 in the Coupeville exchange?

20 A. I don't know about cellular. I don't know
21 who the provider is or what they provide.

22 Q. If you will assume for the moment
23 hypothetically that cellular services were offered in
24 the Coupeville exchange or available in the Coupeville
25 exchange, would that constitute competition with GTE's

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1 local exchange service?

2 A. If a customer were to disconnect his land
3 line service with GTE and took cellular service
4 exclusively, then that in effect would be competition.

5 Q. Is that how we judge competition, that we
6 must find that there has been disconnection from your
7 network in order for competition to exist?

8 A. If there is multiple providers the customer
9 has choice. In the case of a cellular carrier it's
10 not the same service, a wireless service compared
11 to a wire line service. GTE and Whidbey are both
12 providing or Whidbey will be providing wire line
13 service in the supplemental service area.

14 Q. But Whidbey's service and GTE's -- or
15 Whidbey's proposed service and GTE's existing service
16 are not the same, are they? They have different
17 characteristics?

18 A. In what context?

19 Q. For example, what is the toll-free calling
20 area of Coupeville local exchange service?

21 A. The Coupeville exchange and the Oak Harbor
22 exchange.

23 Q. Do you know what the toll-free calling area
24 for Whidbey's south Whidbey exchange service as
25 offered in the supplemental service area is?

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1 A. I believe it's south Whidbey exchange's
2 current calling area which is that exchange plus Hat
3 Island and Point Roberts.

4 Q. What was the last part of your answer?

5 A. Point Roberts.

6 Q. And Point Roberts?

7 A. I'm not sure if Point Roberts is included
8 or not in the calling area.

9 Q. Regardless of whether Point Roberts is
10 included or not included in the south Whidbey calling
11 area, is it not correct to say that the local
12 toll-free calling area for south Whidbey service
13 offered in the SSA and GTE's local exchange service
14 are significantly different?

15 A. They are different.

16 Q. If cellular service is not in competition,
17 or, in your judgment, would not constitute competition
18 with local exchange service because it is different
19 from your local exchange service, then is not the
20 south Whidbey service also not in competition with
21 your service because of these differences?

22 A. I don't think so. I mean, I believe that
23 Whidbey is in competition.

24 Q. Do you believe there will be customers in
25 the supplemental service area who will take both GTE's

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1 service and -- GTE local exchange service -- and
2 Whidbey Telephone Company local exchange service
3 simultaneously?

4 A. That is certainly the customer's choice to
5 do so. I don't know whether customers will or will
6 not.

7 Q. Are you aware that foreign exchange service
8 does in fact or is today provided in the supplemental
9 service area, or to customers in the supplemental
10 service area, whereby customers in that supplemental
11 service area do in fact receive south Whidbey dial
12 tone?

13 A. I know that there are customers in the
14 supplemental service area who have FX to gain Whidbey
15 dial tone.

16 Q. Do you know whether any of those customers
17 also have GTE local exchange service at the same time?

18 A. I only can speak to one that I specifically
19 looked at that does have. I actually looked at two.
20 One has GTE dial tone and one does not have GTE dial
21 tone.

22 Q. Can you give us those two phone numbers or
23 the phone numbers for that customer?

24 A. I don't have the phone numbers but I have
25 the addresses.

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1 Q. The service addresses, could you provide
2 us?

3 A. 3661 Shorewood Avenue. The customer there
4 has an FX to get Whidbey dial tone but does not have
5 a GTE line. And a customer at 3639 Oceanside Drive
6 has an FX for Whidbey dial tone and has a GTE line.

7 Q. May we conclude from that that at least on
8 a random sample of two, 50 percent of the customers
9 you sampled chose to take both Whidbey Telephone
10 service and GTE service?

11 A. A percentage of customers have both,
12 whatever that may be.

13 Q. I would now like to turn to the pricing and
14 costing issues. At page 3 of your testimony, Exhibit
15 T-1, you begin discussing local exchange service and
16 at the -- at lines 15 through 18 you provide Whidbey
17 Telephone Company's rates for a business customer,
18 residence customer. Do you see those numbers there?

19 A. Yes, I do.

20 Q. Can you tell what GTE's rates for single
21 party business service and single party residence
22 service are in the Coupeville exchange?

23 A. The residence service is \$10 and, I'm
24 sorry, I don't have the business rate right at hand.

25 Q. Will you accept subject to check that as

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1 shown in GTE's tariff WN-10 at 16th revised sheet 303
2 the amount for that rate is \$21.65?

3 A. Yes, that sounds about right.

4 Q. Now, am I correct that the essence of your
5 testimony is that by virtue of the alleged existence
6 of competition in the supplemental service area
7 between General and Whidbey, Whidbey's prices in the
8 supplemental service area should be set at
9 least above cost, with cost to be defined --

10 A. Yes.

11 Q. And the definition of cost as you use that
12 term is long-run incremental cost or what is known as
13 LRIC, L R I C?

14 A. Yes.

15 Q. Would I be correct then that if each of
16 Whidbey's rates in the supplemental service area of
17 which you have complained were priced above LRIC, then
18 at least insofar as GTE is here in its status as a
19 competitor of Whidbey Telephone Company, GT would have
20 no complaint about Whidbey's rates?

21 A. If Whidbey's rates at least covered their
22 long-run incremental cost and did not receive any
23 subsidies from any external high cost funds for those,
24 then yes. It's an unsubsidized long-run incremental
25 cost basis.

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1 Q. It seems to me you're discussing two
2 different concepts there. LRIC is a measurement of
3 cost, is it not?

4 A. Yes.

5 Q. The term subsidy as you use it is a
6 description of a revenue stream, am I correct?

7 A. Yes.

8 Q. Well, is it GTE's position that the rates
9 that -- that it is sufficient if the rates cover LRIC
10 costs?

11 A. If the rates cover -- if the rates in the
12 SSA -- Whidbey's rates in the SSA cover Whidbey's
13 costs of the SSA including that portion of the network
14 in your existing service -- well, in the nonSSA part
15 of Whidbey's service territory that provides service
16 to the SSA is all included in that LRIC cost, then
17 yes.

18 Q. So in fact insofar as its competitive
19 analysis and pricing analysis is concerned, the
20 existence or absence of other revenue streams is
21 irrelevant, isn't it, as long as the rates themselves
22 do in fact cover LRIC costs?

23 A. Yes.

24 Q. The rates that you describe at lines 15
25 through 18 for Whidbey on page 3 of your testimony, do

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1 you know whether those are the same rates that apply
2 throughout the south Whidbey exchange for the same
3 classes of service?

4 A. Based on the filing -- the tariff filing
5 that you made for the SSA, in that you extended your
6 existing tariffs from your south Whidbey exchange into
7 the SSA, then I assume that those are the same rates
8 being charged through the south Whidbey exchange and
9 the SSA for these class of services.

10 Q. Commencing at the bottom of page 3 of your
11 testimony and continuing thereafter, you discuss
12 Whidbey's costs per loop as used for interstate
13 universal service fund purposes. Am I correct?

14 A. Yes.

15 Q. Are those universal service fund loop costs
16 to which you allude there determined using LRIC
17 costing methodology or some other costing methodology?

18 A. Was your question regarding Whidbey's rate
19 how the cost methodology to develop that NECA
20 information that Whidbey submits?

21 Q. Let me rephrase the question. On line 19,
22 on page 4 of your testimony, there appears the number
23 \$478.15 which you identify as Whidbey Telephone
24 Company's annual cost per line. Do you see that?

25 A. Yes.

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1 Q. Is that Whidbey's annual cost per line as
2 reported by NECA as its universal service fund cost
3 per loop?

4 A. That is what NECA reports in its report. I
5 mean, NECA shows in its report based on the
6 information that Whidbey provides to NECA.

7 Q. Is the methodology by which that data is
8 supposed to be collected and reported to NECA a LRIC
9 costing methodology or some other costing methodology?

10 A. Well, I am not a NECA costing expert. It
11 is my understanding that the data that is submitted to
12 NECA is total company unseparated nontraffic sensitive
13 costs.

14 Q. Is it what the industry has sometimes also
15 referred to as fully distributed cost?

16 A. I believe so. I think so.

17 Q. Am I correct that LRIC costs do not include
18 common corporate overhead such as the salaries of
19 corporate officers?

20 A. I am not a LRIC cost expert but that is my
21 understanding.

22 Q. And is it your understanding that loop
23 costs as you used for interstate universal service
24 fund purposes do in fact include all corporate
25 overheads, at least those portions assignable to that

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1 segment of the business?

2 A. I understand that total company costs,
3 nontraffic sensitive costs, are reported to NECA for
4 including common overhead.

5 Q. So, in that sense loop costs as reported to
6 NECA for universal service fund purposes and LRIC
7 costs are different in that there are more costs
8 included in USF loop costs than are included in LRIC
9 costs?

10 A. There is a difference in the categories of
11 expenses and investment that are included in a LRIC
12 cost study versus the costs that is submitted to NECA.
13 I don't know that one is more than the other without
14 seeing a LRIC cost compared to what's submitted to
15 NECA, but they are different.

16 Q. Am I correct that the converse is also true
17 that you do not know whether one might be more --
18 include more than the other?

19 A. Converse is also true.

20 Q. Am I correct that the costs reported to
21 NECA for loop purposes, USF loop cost purposes, are
22 historical or embedded costs of the enterprise?

23 A. They are historical, reported -- historical
24 costs are reported to NECA.

25 Q. And am I correct that LRIC costs are not

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1 historical but are forward-looking costs?

2 A. That's the way I understand it.

3 Q. And to make that concrete, for example,
4 when we talk about loop plant, historical costs might
5 be or might include the costs of copper cables that
6 had been installed over a period of very many years
7 whereas LRIC costs to provide loops would reflect
8 today's forward looking cost of the latest and most
9 efficient technology?

10 A. Again, I am not a LRIC cost expert, but
11 that is a fair summation of what I understand it to
12 be.

13 Q. So we already have then at least two
14 significant differences between the types of loop
15 costs that NECA for universal service fund purposes
16 measures and LRIC costs. Namely, one is -- includes
17 corporate overheads, the USF piece, which is corporate
18 overheads and LRIC does not include corporate
19 overheads.

20 A. And the USF looks at historical costs and
21 LRIC looks at future anticipated costs.

22 Q. At lines 7 through 10 on page 4 of your
23 testimony, Exhibit T-1 you state, "One would expect
24 WTC's costs in the SSA, which is at the far north
25 boundary of the Whidbey exchange, to be at least as

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1 high as the cost for the south Whidbey exchange
2 property." Do you see that testimony?

3 A. Yes.

4 Q. Isn't it true that to the extent that -- if
5 at all -- that loop costs are distance sensitive
6 the distance that is relevant is the distance to the
7 serving wire center of the customer rather than where
8 the customer may be placed within the rate boundaries
9 of the exchange?

10 A. Could you please repeat your question just
11 to make sure I have it.

12 Q. To the extent that loop costs are distance
13 sensitive, if at all, isn't it true that the relevant
14 distance isn't the distance of the customer from the
15 exchange boundary but rather the distance of the
16 customer from his serving wire center?

17 A. Yes, I think that is correct.

18 Q. Could I please ask you to speak up a little
19 bit. The air conditioning is running and makes it a
20 little hard to hear.

21 A. Yes, sorry.

22 Q. So to make this concrete, if Whidbey
23 Telephone Company were to establish a wire center in
24 the supplemental service area, then the cost to serve
25 customers in the supplemental service area might at

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1 least -- just focusing on this distance issue -- be
2 lower than the costs to serve customers in what you
3 refer to as the south Whidbey exchange proper?

4 A. By making the supplemental service area a
5 wire center, do you mean that a switch be put in that
6 supplemental service area to serve those customers?

7 Q. Well, let's take that as an example. If
8 Whidbey Telephone Company were to place a switch in
9 the supplemental service area, wouldn't then it be
10 true that the cost to serve customers in that
11 supplemental service area, at least the loop plant
12 cost, might be significantly less than the cost to
13 serve a customer or the customers in the south Whidbey
14 exchange proper, being the portion below the green
15 cross-hatching on Exhibit 5?

16 A. The loop length would be shorter, but the
17 switching costs would be higher because you would have
18 to have a new switch to do that.

19 Q. If we just focus our attention on loop
20 costs, which is what you are discussing in your
21 testimony, am I correct that the loop costs might be
22 less?

23 A. Yes.

24 Q. And that is what you are talking about at
25 the top of page 4 on your testimony, is it not, loop

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1 costs?

2 A. I was talking about the loop costs as
3 served by the existing wire switch in the south
4 Whidbey exchange.

5 Q. Do you know how many switches Whidbey has
6 in the south Whidbey exchange?

7 A. I know there's at least one.

8 Q. Do you know how many more than one there
9 are?

10 A. No, I don't.

11 Q. Do you know that Whidbey has deployed a
12 topology in the south Whidbey exchange that consists
13 of a host switch and a number of remote switches?

14 A. I am not familiar with Whidbey's network.

15 Q. There are a number of devices in addition
16 to switches that permit the development or deployment
17 of a mini wire center in an area, are there not, such
18 as, for example, subscriber carrier?

19 A. I am not a network engineer. I don't know
20 the answer to your question.

21 Q. Are you aware that advances in technology
22 -- and I am not asking necessarily on an engineering
23 sense but your awareness in the capacity you do have,
24 that generally speaking the costs of deploying
25 subscriber loop plant are declining due to

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1 improvements in technology, such as the ability to use
2 fiberoptic cables instead of copper cables?

3 A. I don't know.

4 Q. You don't know whether as technology is
5 advancing loop costs are declining or increasing?

6 A. I don't know.

7 Q. Now, if I understand the thrust of your
8 testimony at the bottom of page 4, commencing at line
9 16 of your testimony it is that when one compares
10 Whidbey's loop cost per line, reduced to a monthly
11 amount of \$39.84 in your testimony, to Whidbey's local
12 exchange rates, there is a deficiency, which is to
13 say, the costs are greater than the revenues. Is that
14 what you're really trying to get to there at the
15 bottom of page 4?

16 A. Are you referring to \$39.84 line 20?

17 Q. And the sentence that follows that that
18 says, "Obviously the monthly rates that WTC is
19 offering local exchange service in the SSA are
20 substantially below this cost level."

21 A. Yes, I'm referring to the \$8.40 for
22 residential service.

23 MR. SNYDER: Your Honor, I would like to
24 have marked as Exhibit 6 a one-page document. It is
25 the intent that this document be marked as a

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1 confidential exhibit. I have reviewed it with Mr.
2 Potter prior to this time and it's my understanding
3 that he is in agreement with that treatment. It would
4 be my intent in moving forward with this examination
5 to then refer to matters that appear on the page by
6 exhibit number and line number, but not introduce the
7 actual numbers themselves into the transcript record,
8 but they would exist as a confidential exhibit for --
9 as part of the record.

10 Now, I need to restrict distribution of
11 this handout to only those persons who have signed one
12 of the two exhibits to the protective order in this
13 proceeding so I would ask that no one take a copy who
14 has not done so. Might I ask that each of the persons
15 including the official copy to whom this has been
16 distributed also place on this a large legend that
17 says confidential. It doesn't appear on it.

18 JUDGE PRUSIA: I've been handed a one page
19 document. It is handwritten. It has the heading GTE
20 Northwest, Incorporated, Coupeville exchange. I am
21 marking that for identification as Exhibit No. C-6.
22 It's a confidential exhibit.

23 Also, Mr. Snyder, Exhibit No. 5 has not
24 been admitted yet. That was the map.

25 (Marked Exhibit C-6.)

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1 Q. Ms. Tong, do you have before you a copy of
2 Exhibit C-6?

3 A. Yes.

4 Q. And during the course of this proceeding to
5 date, Whidbey Telephone Company has propounded to GTE
6 Northwest certain data requests; is that correct?

7 A. Yes.

8 Q. And GTE has responded to those requests?

9 A. Yes.

10 Q. And the response to some of those data
11 requests, specifically response to data request No. 8
12 and the response to data request No. 9, are identified
13 by GTE as containing confidential information; is that
14 correct?

15 A. Yes.

16 Q. I would ask that you take a moment to
17 examine the numbers that appear on Exhibit C-6 to
18 confirm that they in fact are correctly taken from
19 Exhibits 8 and -- I'm sorry, from GTE's responses to
20 Whidbey's data request Nos. 8 and 9. You will note
21 that at the bottom of Exhibit C-6 there is a list of
22 sources that identifies which numbers came from which
23 responses, and if you look at the source identified as
24 source B, you will note that it excludes certain
25 numbers from the calculation. Would you take a moment

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1 to satisfy yourself as to these matters?

2 A. I am satisfied that these numbers come from
3 our responses to your data requests.

4 MR. SNYDER: Mr. Potter, am I correct that
5 there's no problem in referring to the matter that
6 appears in the description column on this page? It is
7 only the numbers themselves that are confidential?

8 MR. POTTER: That's correct.

9 Q. Referring then to Exhibit C-6, am I correct
10 that line 1 shows the local revenue derived by GTE
11 Northwest from Coupeville exchange for the most recent
12 12-month period?

13 A. Yes.

14 Q. And if I wanted to develop the local
15 revenue per access line I would need to calculate the
16 number of access lines in the Coupeville exchange,
17 would I not?

18 A. Yes.

19 Q. And on line 2 of Exhibit C-6, there is an
20 access line number that includes most but not all of
21 the access lines that were listed in the company's
22 response to data request No. 8. Do you agree that I
23 have made the correct inclusion of access lines in
24 coming up with the total number in order to derive
25 local revenue per access line?

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1 A. Yes.

2 Q. Now, if we then look at line 3 on Exhibit
3 C-6, am I correct that the numbers shown on line 3 is
4 in fact for the most recent 12-month period GTE's
5 average local revenue per access line in the
6 Coupeville exchange?

7 A. Local revenues including more than just a
8 local access rate, but yes.

9 Q. Including more than just the --

10 A. The basic local access rate. It includes
11 other services that are booked as local revenues also.

12 Q. So if anything this number might be a
13 little bit on the high side if we were trying to get
14 to average local exchange service revenue?

15 A. Right, yes.

16 Q. Now, if I am -- turn to Exhibit 4, the line
17 -- the exhibit from which you took Whidbey's loop
18 costs. Am I not correct that for the line -- on the
19 line that says S A R I D 522416, the sixth line of
20 actual data down on the page, that that line shows
21 GTE's universal service fund unseparated cost per
22 loop, the same number or the same type of number as
23 that with which you compared Whidbey's revenues?

24 A. Yes.

25 Q. So I have an apples and apples comparison

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1 here insofar as the Whidbey data and the GTE data
2 being comparable?

3 A. As both submitted to NECA.

4 Q. And would you agree with me then that GTE's
5 monthly revenue -- unseparated USF revenue requirement
6 per loop is \$22, approximately \$22.70 a month?

7 A. Yes.

8 Q. So, just as by this calculation Whidbey's
9 exchange rates are below the USF loop cost as reported
10 by NECA, so, too, GTE's average revenue per loop in
11 the Coupeville exchange is likewise below the USF loop
12 cost for GTE as reported to NECA?

13 A. Yes.

14 Q. Now, the Whidbey numbers you've used are
15 only the local exchange service numbers, am I correct?

16 A. The \$8.40, yes.

17 Q. They don't include other types of local
18 revenue of the type you've mentioned having been
19 included in your local revenues?

20 A. No.

21 MR. SNYDER: Your Honor, I would like to
22 have two documents marked as the next two exhibits in
23 order. The document that reads at its top Whidbey
24 Telephone Company's Data Request No. 1C should be
25 marked as the next exhibit, and the succeeding exhibit

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1 is that which is marked -- labeled at the top Data
2 Request No. 2C. Your Honor, I have distributed to all
3 parties the two documents.

4 JUDGE PRUSIA: The 1C is the first one and
5 the 2C is the second one?

6 MR. SNYDER: That is correct, Your Honor.

7 JUDGE PRUSIA: I have been handed two
8 documents, each of one page. The first is GTE
9 response to Whidbey data request No. 1C. Marked that
10 for identification as Exhibit No. 7. The second one
11 page document is GTE response to Whidbey Telephone
12 Company's No. 2C and I've marked that for
13 identification as Exhibit No. 8.

14 (Marked Exhibits 7 and 8.)

15 MR. SNYDER: Your Honor, lest I forget I
16 think it would be good at this point to move the
17 admission of Exhibit 5 and C-6.

18 JUDGE PRUSIA: Are there any objections to
19 the admission of Exhibits Nos. 5 and C-6?

20 MR. POTTER: No objection.

21 MR. GOLTZ: None.

22 JUDGE PRUSIA: Let the reflect that there
23 is no objection. Those exhibits are admitted.

24 (Admitted Exhibits 5 and C-6.)

25 Q. Ms. Tong, I propounded on behalf of Whidbey

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1 Telephone Company certain data requests for GTE that
2 asked for GTE to provide certain information
3 concerning its unseparated loop cost as submitted by
4 GTE for interstate universal service fund purposes
5 and/or as determined by NECA. You have before you the
6 documents that have been marked as Exhibits 7 and 8.
7 Do those reflect the responses of GTE -- are those the
8 responses of GTE insofar as the question pertained to
9 its Washington state operations?

10 A. Yes, they are.

11 Q. If I direct your attention to Exhibit No.
12 7, am I correct that the Coupeville exchange -- let me
13 strike that. In the description column the first line
14 of distributed material reads "NECA study area code
15 522416." And a little further down the page on
16 Exhibit 7 it says NECA study area code 522449." Do
17 you see those?

18 A. Yes.

19 Q. Are study area codes used to designate
20 discrete geographic portions of a company's
21 operations?

22 A. The codes designate specific study of
23 geographic areas that I understand were frozen by NECA
24 in 1984 or thereabouts.

25 Q. GTE Northwest has two study areas in the

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1 state of Washington; is that correct?

2 A. Yes.

3 Q. And one of them is the first one listed on
4 Exhibit 7 and the second one is the second study area?

5 A. Yes.

6 Q. And the difference between the two is which
7 geographic portions of GTE's territory they include;
8 is that correct?

9 A. Yes.

10 Q. And am I correct that the Coupeville
11 exchange is included in the study area identified as
12 522416?

13 A. Yes.

14 Q. If we look at the last line under that
15 study area code, for the calendar year ending
16 12-31-1994, we see there that GTE's cost per loop is
17 \$238.58; is that correct?

18 A. Yes.

19 Q. And that's the annual revenue requirement?

20 A. Yes.

21 Q. So would you agree with me that that number
22 as a monthly amount then is \$19.88 per month per loop?

23 A. Yes.

24 Q. And am I correct that GTE's local exchange
25 rates in the Coupeville exchange for both business and

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1 residence single-party service are below that number?

2 A. I believe the business rate, which I took
3 subject to check, was \$21.65 and the residence rate is
4 \$10.

5 Q. Thank you for that correction. The average
6 revenue, however, that we saw on Exhibit C-6 is below
7 that number, is it not?

8 A. Yes.

9 Q. Now, if I then direct your attention to
10 Exhibit 8 and the corresponding numbers, do you see
11 that the cost per loop for the calendar year ending
12 12-31-95 is 2 \$273.14. Do you see that?

13 A. Yes.

14 Q. And again that's the annual number?

15 A. Yes.

16 Q. Would you agree that that translates into a
17 monthly cost per loop of \$22.76?

18 A. Yes.

19 Q. And am I also correct that Exhibit 5 -- I'm
20 sorry, Exhibit 4, part of your prefiled testimony --
21 is data for 1995 calendar year?

22 A. I believe it's 1993 data used for the 1995
23 USF -- NECA USF payment calculation.

24 Q. All I'm trying to identify is the data that
25 was furnished in response to data request No. 2C.

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1 Exhibit No. 8, on the line that reads 1995, is that
2 not the same -- data for the same time period as in
3 Exhibit 4?

4 A. It's for the same time period.

5 Q. There is a slight difference between the
6 numbers, is there not?

7 A. Yes.

8 Q. Can you explain what the difference is?

9 A. I believe that the data that you have in
10 Exhibit 8 is a more recent submission of data to NECA
11 as compared to the Exhibit 4.

12 Q. The cost has increased a little bit, am I
13 correct, the loop cost?

14 A. By a few cents.

15 Q. From \$272.39 per loop to \$273.14 per loop?

16 A. 75 cents.

17 Q. How many loops does GET have in this study
18 area, 522416?

19 A. The number of loops that were submitted
20 that correspond to the \$272.39, which is in Exhibit 4,
21 is 573,211 loops.

22 Q. Did the number of loops change for the
23 number that is on Exhibit 8?

24 A. It appears to have changed if I just divide
25 the \$170,777,621 on Exhibit 8, which is an unseparated

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1 cost, by the costs per loop.

2 Q. What did you come up with as the new
3 number?

4 A. 625,238. I don't have the actual loop
5 count so that's backing into it based on the data I
6 have here.

7 Q. Well, if we use that number and the costs
8 per loop went up by 75 cents a loop, then it's a fair
9 conclusion that your loop costs just in the revised
10 view from the earlier view of the same time period,
11 being the year 1995, went up by about \$469,000, am I
12 correct, for GTE, for that portion of GTE in the state
13 of Washington that's encompassed by that study area
14 522416?

15 A. What calculation did you just --

16 Q. You said that the costs per loop went up by
17 75 cents earlier.

18 A. Right.

19 Q. And you've told me that the number of loops
20 is now 625,238. If I multiply that number by 75 cents
21 don't I come up with approximately the amount by which
22 your revenue requirement for loops has gone up in the
23 state of Washington just by virtue of the change of
24 views from -- of the year 1995 from the earlier view
25 to the current view?

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1 A. I'm not sure I can answer that question
2 just based on that data, I mean, whether the \$468,000
3 is a reasonable number or not.

4 Q. Would you agree it's between 400 and
5 \$500,000?

6 A. I would agree that your calculation you
7 just made is \$468,000. I don't know that I can agree
8 that that is a correct answer to your question.

9 Q. Let me move on. Do you agree with me
10 that that 1995 updated amount, as it appears on
11 Exhibit 8, corresponds to \$22.76 per month per loop?

12 A. I'm sorry, could you give me that number
13 again.

14 Q. Sure. Do you agree that the 1995 amount of
15 the cost per loop, as used for NECA USF purposes, for
16 1995, equates to \$22.76 a month, that being \$273.14
17 divided by 12?

18 A. Yes.

19 Q. So from 1994 to 1995 that number has risen
20 from \$19.88 per loop per month to \$22.76; is that
21 right?

22 A. It has risen from \$19.88 to \$22.76.

23 Q. That's an increase, if I do my calculation
24 correct, of \$2.88 per loop per month by virtue of one
25 year having passed on the calendar; is that right?

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1 A. \$2.88.

2 Q. Now, if we look at 1996 calendar year as it
3 appears on Exhibit 8, your loop cost has increased
4 again to \$280.41 per loop; is that right?

5 A. Correct.

6 Q. And do you agree that if we reduce that to
7 an amount per month it is \$23.37?

8 A. Yes.

9 Q. Which is a further increase of another 61
10 cents per loop per month?

11 A. Yes.

12 Q. Bringing the total change from 1994 to 1996
13 to \$3.49 per month per loop increase?

14 A. \$3.49.

15 Q. Is it a fair conclusion then that your
16 average local revenue per access line as shown on
17 Exhibit C-6 per month, based on your most recent data,
18 is below your 1994 USF costs per loop, your 1995 costs
19 per loop and your 1996 costs per loop by an ever
20 increasing amount?

21 A. The number, local revenue per access line,
22 on Exhibit C-6 is less than the average cost per loop
23 for '94, '5 and '6 as shown on Exhibits 7 and 8. The
24 unseparated costs per loop is of course an unseparated
25 cost per loop which is total company, so part of that

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1 is recovered from other jurisdictions, other revenue
2 streams.

3 Q. Now, you agree with me also that that
4 disparity is an increasing disparity?

5 A. It's growing.

6 Q. Now, you made mention in your earlier --
7 a little earlier in your testimony that the USF loop
8 costs really are based on older data; is that right?

9 A. It's about two years in arrears.

10 Q. So, for example, the 1994 data or the
11 numbers we've been calling 1994 really reflect your
12 actual costs that you incurred in 1992 as a company;
13 is that right?

14 A. That's my understanding of how NECA works,
15 yes.

16 Q. And likewise what we have been referring to
17 as 1995 numbers in fact reflect the costs that GTE
18 Northwest incurred in 1993?

19 A. Yes.

20 Q. And the 1996 data, although it sounds as
21 though it is a projection, is really your actual
22 booked costs for 1994; is that right?

23 A. Yes.

24 Q. The rates with which we have been comparing
25 on Exhibit C-6 are your current rates, are they not?

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1 A. Yes.

2 Q. Or the revenues that are reflected there.

3 MR. SNYDER: Your Honor, I would ask the
4 admission of Exhibit 7 and 8.

5 MR. GOLTZ: No objection.

6 JUDGE PRUSIA: Are there any objections to
7 the admission of Exhibits 7 and 8?

8 MR. POTTER: No.

9 JUDGE PRUSIA: Hearing none, Exhibits 7 and
10 8 are admitted.

11 (Admitted Exhibits 7 and 8.)

12 MR. SNYDER: Your Honor, this would be a
13 good time to interrupt the questioning if the parties
14 wanted a break.

15 JUDGE PRUSIA: Would everyone like a break?

16 MR. POTTER: Witness wants a break.

17 JUDGE PRUSIA: 10 minutes be sufficient?

18 (Discussion off the record.)

19 JUDGE PRUSIA: Let's be back on the record.

20 Mr. Snyder is continuing his questioning.

21 Q. At the top of page 5, you at line 3 of your
22 testimony make reference to the universal service
23 funding that Whidbey Telephone Company received from
24 the interstate jurisdiction. Do you see that number?

25 A. Yes.

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1 MR. SNYDER: Your Honor, I have a one page
2 document that I would like marked as the next exhibit
3 in order.

4 JUDGE PRUSIA: I've been handed a one page
5 document. It is entitled Summary of Annual Universal
6 Service Fund Support Received by GTE Northwest,
7 Incorporated. I will mark that for identification as
8 Exhibit No. 9.

9 (Marked Exhibit 9.)

10 Q. Ms. Tong, among the data requests that you
11 were propounded by Whidbey Telephone Company in this
12 proceeding were some requests that related to the
13 amount of universal service fund -- interstate
14 universal service fund support received by GTE
15 Northwest as a company. You have before you, do you
16 not, what has been marked as Exhibit 9?

17 A. Yes.

18 Q. Could you take a moment to review that
19 exhibit and let me represent to you that you will see
20 from the listing of sources at the bottom of the
21 exhibit, the information set forth there was taken
22 from GTE Northwest, Incorporated response to Whidbey
23 Telephone Company's request numbers 1B and 2B, has
24 simply been rearranged here to bring the years and
25 jurisdictions together.

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1 Would you take a moment to look at this
2 exhibit and satisfy yourself that it does reflect the
3 information that GTE did furnish in response to data
4 requests.

5 A. These numbers were provided by GTE in our
6 response to your data request.

7 Q. Is it accurate, then, that if we refer to
8 the upper half of Exhibit No. 9, which you will note
9 is labeled that it is the calendar year -- actually,
10 it's the calendar year ending December 31, 1994 with
11 an exception for one of the -- for the study area in
12 Montana -- that that table sets forth the amount of
13 universal service funding that GTE in fact received in
14 1994, GTE Northwest as a company?

15 A. As GTE Northwest as a company including the
16 former Contel properties, that is what it represents.

17 Q. But while it includes the former Contel
18 properties, this amount of money -- and the grand
19 total is \$18,930,564 -- flowed into the treasury of
20 GTE Northwest as a company regardless of whether it
21 related to Contel property -- old Contel properties or
22 not?

23 A. That is what got received from the NECA
24 high cost funding in total. GTE Northwest in total.

25 Q. As a company. Did you have to pass any of

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1 that money to Contel?

2 A. Contel is a part of GTE.

3 Q. So you got to keep all this money?

4 A. Well, I personally didn't.

5 Q. GTE Northwest, Incorporated was able to
6 retain these funds and expend them as it saw fit?

7 A. Well, the purpose of these funds is to
8 allow GTE to provide local service in the areas of
9 high cost to keep the basic local rates low and
10 affordable to the customers in those areas, so, no,
11 it's not to spend as we see fit. There's a specific
12 purpose for these funds.

13 Q. But subject to however GTE makes its
14 internal decisions, including regulatory directive or
15 whatever, the funds were there for GTE to use for its
16 purposes?

17 A. For its specified purpose.

18 Q. Now, if we again look at Exhibit 9 at the
19 bottom half of the page for the calendar year 1995,
20 these numbers here are projected numbers, are they
21 not, or really being a combination of amounts already
22 received during 1995 and then the balance of 1995
23 projected?

24 A. While we may not have received all of those
25 funds, I don't know what portion of it is projected.

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1 It's based on 1993 data.

2 Q. But it is what GTE either has or expects to
3 receive during 1995 from the universal service fund?

4 A. What GTE Northwest expects.

5 Q. Am I correct that other members of the GTE
6 system also receive universal service funding,
7 universal service fund support?

8 MR. POTTER: I'm going to interpose an
9 objection at this time. I've been letting this go on
10 for a little bit, but the basis of the objection is
11 that it's irrelevant and beyond the proper scope of
12 cross. It's irrelevant because none of the study
13 areas listed here are the study area that includes the
14 Coupeville exchange, and it's beyond the proper scope
15 of cross because nothing in the witness's testimony
16 put forth evidence of GTE's NECA USF situation.

17 JUDGE PRUSIA: Mr. Snyder/

18 MR. SNYDER: Commencing at line 5 -- no,
19 beg your pardon, I misspoke. It is my impression of
20 the witness's testimony that she alleges that Whidbey
21 receives a subsidy from the universal service fund in
22 the amount that she testified to in her testimony, and
23 at least there is the inference that those funds
24 enable Whidbey to price its services lower than they
25 otherwise would be priced. We do not necessarily

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1 agree with that interpretation of the events, but what
2 this is intended to address is that the identical
3 situation exists with respect to GTE Northwest
4 including its service in the Coupeville exchange,
5 namely, that it has funds in these amounts available
6 to it. Doesn't address yet how they were in fact
7 used but available to it to help underwrite its costs
8 of service in the Coupeville exchange.

9 MR. POTTER: Then I would augment my
10 objection on the grounds that it appears that counsel
11 is trying to elicit evidence in support of his
12 client's counterclaim prior to the time when he's
13 filed his direct testimony, and I think that line of
14 questioning in the evidence should be saved until
15 later.

16 MR. SNYDER: Your Honor, that's not the
17 point. The point is to demonstrate that the analysis
18 is relatively meaningless, that it doesn't provide any
19 help to the trier of fact because it applies with
20 equal force to their own operations and, as we will
21 explore, the needs to observe results.

22 JUDGE PRUSIA: I will allow you to continue
23 the questioning.

24 (Record read as requested.)

25 A. Whether other GTE -- members of the GTE

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1 system receive support from the NECA universal service
2 fund really has no bearing on this data of Washington
3 or the Coupeville exchange.

4 Q. Does GTE Northwest, Incorporated receive
5 capital from the GTE system beyond GTE Northwest,
6 Incorporated? For example, does your parent
7 corporation supply capital to GTE Northwest?

8 A. I really don't know how the funding of
9 capital takes place within GTE.

10 Q. So, for example, if universal service funds
11 were received by other GTE operating companies and if
12 there were dividends or other payments that moved
13 upstream through the corporate family of GTE, you
14 don't know whether some of those funds could then find
15 their way back into GTE Northwest in the form of
16 capital to invest in its facilities. That's just
17 beyond the range of your knowledge?

18 A. Right, it is.

19 Q. Well, you had indicated that these numbers
20 on Exhibit 9 have nothing to do with the Coupeville
21 exchange because its geographic area is not included
22 in any of these numbers; is that right?

23 A. Coupeville is part of a study area that
24 receives no NECA universal service funding, and the
25 numbers reflected on Exhibit 9 are study areas other

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1 than a study area that includes Coupeville.

2 Q. But if GTE chose to do so, it could use
3 some of this universal service funding support that it
4 receives to cover a revenue shortfall that it might be
5 experiencing in the Coupeville exchange; is that
6 correct?

7 THE WITNESS: Could I have that question
8 read back?

9 (Record read as requested.)

10 A. Could use it to what?

11 (Record read as requested.)

12 A. Well, the Coupeville exchange does not
13 receive any high cost funding from NECA, and whatever
14 funds GTE Northwest receives from it is used for the
15 purpose of -- for instance, GTE Oregon, the funds
16 there support the rates in Oregon not Washington, and
17 the part for Idaho supports Idaho rates not Washington
18 rates.

19 Q. That's as a ratemaking matter, but as a --
20 and I am not agreeing with that, I'm just saying
21 you're referring to a ratemaking matter, but as a
22 real life economic matter is it not true that if GTE
23 were not earning a sufficient return in Coupeville it
24 might be able to defer coming in for a rate increase
25 in the Coupeville rates because it does have enough

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1 money from other sources to tide it over as a company?

2 A. Well, I can't answer that question right
3 now. I don't know how the funds flow within the
4 company. But I don't believe so.

5 Q. But you do not know whether these funds
6 then do or do not help support the actual cost of
7 service in Coupeville?

8 A. Specific to Coupeville, no, I don't.

9 MR. SNYDER: Your Honor, I see it is just
10 approximately 11:30. I don't know whether this is an
11 appropriate time to break. I would ask the admission
12 of Exhibit 9.

13 JUDGE PRUSIA: Is there any objection to
14 the admission of Exhibit 9?

15 MR. POTTER: Well, I will restate my
16 objections for the record.

17 MR. SNYDER: To Exhibit 9 or to the line of
18 questioning?

19 MR. POTTER: To Exhibit 9 itself for the
20 same reasons I objected to the line of questioning.

21 MR. GOLTZ: Your Honor, we have no
22 objection to the exhibit or to the line of
23 questioning, although the length of the line might be
24 a little wearisome.

25 MR. SNYDER: Your Honor, I might note that

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1 I think they have really opened the door to this by
2 their Exhibit No. 4 which has the same data on it in
3 the columns -- same type of data, I should say. The
4 numbers don't match up exactly but they introduced
5 this evidence into the record. I think we have the
6 right to address it in an exhibit that presents both
7 '94 and '95 and gives a little fuller picture than the
8 partial picture given by Exhibit 4.

9 JUDGE PRUSIA: Mr. Potter?

10 MR. POTTER: I have nothing further to say.

11 JUDGE PRUSIA: I will overrule the
12 objection and admit Exhibit No. 9. The value we can
13 give to the information you can argue about later.

14 (Marked Exhibit 9.)

15 JUDGE PRUSIA: Does everyone want to take a
16 break at this point or do you want to try to continue
17 until some of the other people --

18 MR. SNYDER: Perhaps I was under a mistaken
19 impression. I thought that the court reporter and
20 others were needed in another matter at 11:30 and that
21 was the only reason I stopped.

22 JUDGE PRUSIA: My understanding was that
23 they would come and get us but let's be off the record.

24 (Discussion off the record.)

25 JUDGE PRUSIA: Let's be back on the record.

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1 While we were off the record we decided whether or not
2 to take our lunch break now. We decided to take it.
3 We will adjourn for lunch and be back here at 1:00.
4 Let's be off the record.

5 (Lunch recess taken at 11:30 a.m.)

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AFTERNOON SESSION

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1:00 p.m.

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JUDGE PRUSIA: Let's be back on the record after our lunch recess. Mr. Snyder, would you like to continue with your cross of Ms. Tong.

6

Q. Ms. Tong, if I could direct your attention to page 5 of your testimony, Exhibit T-1. Commencing at line 5 you there commence discussing the Washington intrastate universal service fund and nontraffic sensitive fund, am I correct?

11

A. Yes.

12

Q. And on line 8 you refer to the amount of funding that WECA distributed for 1994 as being \$28,450,000. Do you see that number?

15

A. Yes.

16

Q. Do you know whether that number is the amount distributed by WECA as the universal service fund or is that both the universal service fund and the nontraffic sensitive fund administered by WECA combined?

21

A. It's my understanding that it's the sum of the high cost fund and the nontraffic sensitive cost pooling total.

24

Q. And by high cost fund you mean the universal service fund?

25

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1 A. Yes, I do.

2 Q. I think in your tariff that is referred to
3 as high cost fund element? I will withdraw that.

4 Am I correct that the universal service
5 fund and the nontraffic sensitive pool as presently
6 administered by WECA have their origins in the
7 Commission's order in docket No. U-85-23?

8 A. I believe that's the right docket number.

9 Q. Am I correct that General Telephone Company
10 has an agreement with WECA relating to the universal
11 service fund? That is to say, that it is a party to
12 the universal service fund agreement that provides for
13 the collection of certain universal service funds by
14 your company and the remission of those funds to WECA
15 as part of the state's universal service fund?

16 A. Yes.

17 Q. Have you read that agreement?

18 A. No.

19 Q. Are you generally familiar with how the
20 universal service fund in the state of Washington
21 operates?

22 A. On a very high level generally familiar.

23 Q. Is it within your understanding of the
24 universal service fund that companies, independent
25 local exchange companies, calculate their nontraffic

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1 sensitive costs that would normally be part of the
2 carrier common line rate element, and then they
3 receive a portion of that revenue requirement if they
4 are eligible from the funds that are collected as
5 universal service funds. Is that a fair description?

6 A. Yes.

7 Q. Well, the point that I am trying to get to
8 on this, and you tell me whether you would agree or
9 not, is that the funds that individual companies might
10 receive from WECA as universal service funds to the
11 extent they receive such funds reduce the revenue
12 requirement that is then recovered through the carrier
13 common line rate element, otherwise the NTS pool rate
14 element?

15 A. It is my understanding that the sum of the
16 two from universal service fund amount received plus
17 the NTS common line pool amount is equal to the sum
18 total of a company's nontraffic sensitive costs
19 revenue requirement allocated to this intrastate.

20 Q. Allocated to intrastate, is that what you
21 said?

22 A. Intrastate.

23 Q. And that is different, is it not, from the
24 federal model in that in the federal model funds
25 received as universal service funds do not reduce the

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1 revenue requirement that is assigned to the carrier
2 common line rate element in the interstate
3 jurisdiction?

4 A. I'm not exactly sure.

5 Q. I believe you testified earlier that your
6 understanding of the intent of the interstate
7 universal service fund was that amounts companies
8 receive from that fund should be used to maintain
9 affordable local rates. Again, I'm not trying to
10 change your testimony but that was the gist of your
11 earlier observation. Do you recall that?

12 A. Yes, it is, and that's based on the federal
13 docket 7872 that states the purpose of a universal
14 service fund.

15 Q. So then let me return to my question.
16 Isn't the state universal service fund doing something
17 different which is instead of lowering or making
18 it possible to lower local rates what universal
19 service funds do is they lower the carrier common line
20 rate element that is paid by carriers for access to
21 local exchange company customers?

22 A. Well, by recovering a portion of nontraffic
23 sensitive costs in your access rates would then
24 further reduce the requirement on local rates, so
25 whether it's a direct offset to local rates or an

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1 indirect through the access rates it still ends up
2 having the effect of less requirement that the local
3 service rate has to recover.

4 Q. Well, this Commission has prescribed, has
5 it not, what portion of a company's nontraffic -- let
6 me back up for the record so we're all clear what
7 we're talking about. Generally speaking, am I correct
8 that nontraffic sensitive costs reflect the costs for
9 the telephone company's plant to get from their
10 serving central office out to the customer's specific
11 location. Is that what nontraffic sensitive plant is
12 generally?

13 A. Generally referred to as subscriber plant,
14 yes.

15 Q. Subscriber loop plant. And then telephone
16 companies have other types of costs that are referred
17 to as traffic sensitive costs; is that correct?

18 A. Yes.

19 Q. And those, without meaning to limit the
20 description, but tend to include the functions that it
21 performed as switching functions within the central
22 office that serves the customer?

23 A. Basically, yes.

24 Q. And traffic sensitive costs also include
25 the transport to carry calls out toward the world from

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1 that central office that serves the customer?

2 A. Yes.

3 Q. But what we're talking about in your
4 testimony, in your analysis, is focused on the
5 nontraffic sensitive portion or the loop portion going
6 from the central office to the customer's premises?

7 A. Correct.

8 Q. Now, the last comment that you made before
9 we embarked on this embellishment for the record was
10 that to the extent that you assign costs to the
11 carrier common line rate element you thereby reduce
12 the costs that need to be recovered from the local
13 ratepayer; is that right?

14 A. To the extent that the high costs or
15 universal service fund reduces the common line rate --
16 I'm repeating your question -- reduces the common line
17 rate, therefore reduces the local service rate?

18 Q. I'm trying to clarify what you -- let me
19 start over. Those nontraffic sensitive costs that are
20 incurred by a telephone company to serve a particular
21 customer with dial tone are, pursuant to procedures
22 prescribed by the Federal Communications Commission in
23 part 36 of its rules, allocated between the interstate
24 state jurisdiction and the intrastate jurisdiction, am
25 I right?

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1 A. That's my understanding, yes.

2 Q. And the portion that is assigned to the
3 interstate jurisdiction is generally recovered from
4 two sources. One is what is known as the federal end
5 user charge which most customers who are residence
6 customers will see on their bill as something in the
7 neighborhood of \$3.50 a month. Am I correct?

8 A. Yes.

9 Q. And then the remaining portion of the
10 nontraffic sensitive costs in the interstate
11 jurisdiction are recovered through a rate element
12 called the carrier common line rate element; is that
13 right?

14 A. Yes.

15 Q. And the carrier common line rate element
16 normally is paid by long distance companies who
17 provide toll service to and from customers who get
18 their toll service over that pair of wires or whatever
19 other facility connects them to their serving central
20 office; is that right?

21 A. It's paid on all -- the common line rate is
22 paid on interstate calls. Interstate common line rate
23 is paid on all interstate traffic, so whichever
24 companies provide interstate toll would pay that.

25 Q. Interstate toll, though, is what pays it.

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1 Now, on the intrastate side, the intrastate piece of
2 that, for companies who participate in the WECA pool
3 -- and let me stop there and ask does GTE participate
4 in the WECA nontraffic sensitive pool?

5 A. No, it does not.

6 Q. Do you know whether Whidbey Telephone
7 Company participates in the WECA nontraffic sensitive
8 pool?

9 A. It's my understanding that Whidbey
10 participates in the WECA nontraffic sensitive pool.

11 Q. But not all companies do, is that right?
12 For example, General does not?

13 A. Correct.

14 Q. Now, for those companies who participate in
15 the WECA, Washington Exchange Carrier Association,
16 being what we're calling WECA, in the WECA pool,
17 recover their intrastate nontraffic sensitive revenue
18 requirement from three sources. Again, I would ask
19 you to correct me if I'm wrong here but let me list
20 list them for efficiency. One is the WECA carrier
21 common line rate element. The second for some but not
22 all companies would be the universal service funds
23 that are collected by WECA and pooled and then
24 distributed to some but not all companies; and the
25 third, to the extent that the company has received

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1 authorization from this Commission to transition a
2 portion of its nontraffic sensitive revenue
3 requirement to its end users, a piece of its
4 nontraffic sensitive revenue requirement that would
5 normally be assigned toll is recovered from end users.
6 Is that a fair description of the process within this
7 state?

8 A. I am not familiar with the details of the
9 WECA process, but that's my general understanding of
10 the funding process of WECA.

11 Q. I guess there's one further dichotomy we
12 need to draw here. The interstate rules assign a
13 piece to the interstate jurisdiction and the
14 intrastate jurisdiction. There's a further allocation
15 that occurs, is there not, and that is between
16 intrastate toll and exchange services?

17 A. Yes.

18 Q. So that loop plant that goes out to serve
19 the customer really has to be split three ways. A
20 piece of the cost is borne by the local ratepayer, a
21 piece of the cost is borne by the state toll carriers,
22 and a piece is borne by the interstate toll carriers.
23 Is that fair?

24 A. Under today's rules that is the way it's
25 done.

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1 Q. Now, is it your or GTE's position in this
2 case that the entire cost of the nontraffic sensitive
3 plant should be assigned to the exchange ratepayer?

4 A. It depends on which cost methodology you're
5 referring to. For the long-run incremental cost
6 study, as I understand it, does not separate costs
7 between jurisdictions but with the fully allocated
8 cost study, which is what NECA follows, does assign a
9 portion of the loop cost to interstate, intrastate
10 toll and to exchange.

11 Q. Your comment about NECA, NECA is
12 administering rules promulgated by the Federal
13 Communications Commission, is it not?

14 A. Yes.

15 Q. And insofar as the allocation that is
16 performed on an intrastate basis, to allocate that
17 loop plant between exchange service and intrastate
18 toll service, that's done pursuant to an order by this
19 Commission in docket U-85-23, is it not?

20 A. I think so, which follows FCC rules also,
21 for the most part.

22 Q. But the FCC rules don't really tell you how
23 to necessarily split the requirement between exchange
24 and intrastate toll, if you know?

25 A. I believe the FCC rules can be used to do

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1 it, but I'm not sure whether or not the Washington
2 Utilities Transportation Commission actually does use
3 it.

4 Q. But the Washington Commission order then
5 says how you will determine how much is to be assigned
6 to intrastate toll versus the intrastate exchange
7 ratepayer; is that right?

8 A. Yes, it has.

9 Q. Now, you made the comment that a LRIC cost
10 study -- first of all, let me back up. All of the
11 numbers that you gave for NECA in your testimony are
12 the unseparated costs, are they not?

13 A. Yes, they are.

14 Q. You have not made any effort to identify
15 what portion of them belongs in the interstate
16 jurisdiction and is recovered from the interstate
17 jurisdiction or what portion of them is assigned to
18 the intrastate toll jurisdiction and is recovered from
19 intrastate toll?

20 A. I had no access to the information --
21 Whidbey's information that would tell me how much was
22 allocated interstate and intrastate, so the only
23 number I had to start with is the total unseparated
24 costs.

25 Q. But is it reasonable to then compare

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1 Whidbey's local exchange service rates, which are only
2 supposed to pick up a cost of that -- a portion of
3 that cost of a loop plant, to the total cost of that
4 loop plant, including the parts that are to be paid
5 for out the interstate jurisdiction pursuant to the
6 FCC rules and that are to be paid by intrastate
7 ratepayers pursuant to this Commission's decision in
8 U-85-23. Is that a reasonable comparison?

9 A. It's a comparison to order of magnitude to
10 determine whether or not there's reasonable doubt that
11 the \$8.40 recovers its costs as compared to a total
12 cost, loop cost, of \$39.84.

13 Q. Do you know what portion, what percentage,
14 of Whidbey's costs under the interstate rules are to
15 be assigned to the interstate jurisdiction?

16 A. I don't know how much Whidbey's allocation
17 to interstate is. I know that the FCC has a general
18 guideline of 25 percent allocation to interstate.

19 Q. There are exceptions to that, though, are
20 there not?

21 A. I assume so. I don't know that for a fact.

22 Q. Now, the state also has percentages that
23 are assigned to the -- to intrastate toll of those NTS
24 -- a portion of those NTS costs that are supposed to
25 be assigned to intrastate toll. Do you know what the

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1 Commission's prescribed percentage is for Whidbey?

2 A. I don't know what the Commission's
3 prescribed percentage for Whidbey is. I know there's
4 a general objective of 25 percent on the intrastate
5 also with exceptions.

6 Q. I'm sorry?

7 A. With exceptions.

8 Q. With exceptions. Isn't it true that most
9 of the small independent telephone companies represent
10 exceptions to that 25 percent rule?

11 A. I have no idea whether that's true or not.

12 Q. How then were you able to conclude -- if
13 you do not know what portion, what percentages, of
14 Whidbey's costs are to be assigned to interstate toll
15 or what percent are to be assigned to intrastate toll,
16 how were you able to use the unseparated loop cost to
17 reach an order of magnitude conclusion about whether
18 Whidbey's local exchange rates are or are not covering
19 their cost?

20 A. The \$8.40 is 21 percent of \$39.84, which
21 means that Whidbey would have to have an allocation of
22 nontraffic sensitive costs to interstate and
23 intrastate combined of 79 percent. I don't know what
24 Whidbey's combined allocation to intrastate and
25 interstate is, but if it's not 79 percent but less

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1 than 79 percent then taking, let's say, 50 percent, if
2 you're close to the objectives of 25 percent on
3 interstate and 25 percent intrastate, that would be 50
4 percent. Then the 50 percent of \$39.84 is \$19.92
5 compared to the \$8.40.

6 Q. Are you aware that prior to the adoption of
7 the access charge environment by the Federal
8 Communications Commission in approximately late 1983
9 the methods by which telephone companies assigned
10 their nontraffic sensitive plant to the interstate
11 jurisdiction had a cap inherent in it that limited the
12 total assignment to 85 percent to the interstate
13 jurisdiction?

14 A. Yes.

15 Q. So, at that time there were companies who
16 had presumably allocations to the interstate
17 jurisdiction that reached the cap thereby
18 necessitating the reason for the cap, which is, absent
19 the cap they would have gone higher?

20 A. I assume so. I don't know that.

21 Q. And then the FCC froze people's inter --
22 companies' interstate nontraffic sensitive plant
23 percentage allocation at its 1981 level, did they not?
24 In approximately 1983 or '84 they froze the allocation
25 so they couldn't continue to shift with time?

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1 A. I think that's right.

2 Q. And the FCC directed that there be a
3 gradual downward transition in those allocation
4 factors. Was that also true?

5 A. From digging back into my memory, from what
6 I can recall the FCC froze cap at SPF -- well,
7 subscriber plant factor if it was greater than 25
8 percent at that rate and then had the companies that
9 were greater than 25 percent gradually reduce it to a
10 level of 25 percent but companies -- there were some
11 companies who had a subscriber plant factor less than
12 25 percent, too, so they would not have further
13 reduced theirs.

14 Q. Am I correct -- for the record, SPF stands
15 for subscriber plant factor; is that correct?

16 A. Correct.

17 Q. And that is the name of this percentage
18 that used to be used to assign nontraffic sensitive
19 plant to either interstate toll or intrastate toll
20 respectively?

21 A. Yes.

22 Q. Now, is it correct that the companies that
23 had SPF factors that were or below 25 percent at
24 the time they were frozen tended to be the larger Bell
25 or GTE operating companies that served large urban

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1 areas?

2 A. I don't know which companies are below the
3 25 percent.

4 Q. But at the time that this transition
5 started or thereabouts to bring those interstate
6 allocation factors down toward 25 percent, that's the
7 time when the FCC implemented and created the
8 universal service fund that we talked about earlier
9 today; is that right?

10 A. The timing is about the same time.

11 Q. And what the universal service fund did
12 under the FCC's rules in part 36 of its rules was to
13 direct that telephone companies whose costs were above
14 certain average calculations were to make an
15 additional assignment of their costs back into the
16 interstate jurisdiction; is that right?

17 A. I don't know.

18 Q. Well, let's return to WECA then. You try
19 to speculate as to the magnitude of the funding that
20 Whidbey receives from WECA on page 5 of your
21 testimony; is that right?

22 A. Yes.

23 Q. But the amount you are trying to describe
24 there is not just the universal service fund amount
25 but the combined amount that Whidbey gets from WECA

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1 for both the universal service fund portion of its
2 payment and its pooled carrier common line rate, is
3 that right, because you used the \$28 million number as
4 the basis for your estimate?

5 A. I didn't specifically use the \$28 million
6 as the basis of my estimate. It was just an order of
7 magnitude for how much is funded through WECA to all
8 the member companies.

9 Q. Well, you state in your testimony
10 commencing at line 10 on page 5, "However, the WECA
11 funding formula and the list of participating
12 companies are similar to NECA's so for order of
13 magnitude purposes it may be concluded that the amount
14 received by Whidbey Telephone Company from WECA is
15 similar to Whidbey Telephone Company's NECA funding.

16 A. And that refers to the \$1,317,000 on line
17 3.

18 Q. But the amount that we receive from WECA to
19 which you are referring on line 13, is that just the
20 universal service fund amount that it receives from
21 WECA or is it the total amount amount received from
22 WECA both -- that is to say encompassing both the
23 universal service fund amount and the pooled carrier
24 common line amount?

25 A. I was only referencing the \$1,317,000 on

00091

1 line 3 which is only the universal service fund
2 portion of NECA and therefore also only referencing
3 the universal service fund portion of WECA.

4 Q. Can you describe to us the calculation you
5 performed if you did not use the 28 point -- you don't
6 know how much universal service fund money WECA has in
7 total, do you?

8 A. How much WECA has in total just for the
9 universal service?

10 Q. Just for the universal service fund piece.

11 A. No, I don't.

12 Q. The \$28,450,000 number on line 8 of your
13 testimony on page 5 is understood by you to be the sum
14 of the universal service fund and nontraffic sensitive
15 fund pieces; is that right?

16 A. That's correct.

17 Q. But you don't know how much of that is
18 universal service fund?

19 A. That's also correct.

20 Q. Then how were you able to estimate how much
21 Whidbey got from WECA for universal service fund
22 amounts if you don't know WECA's total universal
23 service fund amount?

24 A. Well, that was precisely the problem. I
25 didn't know how much it is so as an order of

00092

1 magnitude, since Whidbey receives \$1.3 million from
2 NECA and the funding is similar in WECA, even though
3 the timing is different being forward looking
4 forecasted data in WECA and historical data in NECA,
5 if Whidbey receives \$1.3 million from NECA then I just
6 made an assumption for an order of magnitude that we
7 would get some amount from WECA and it was in the
8 vicinity of \$1.3 million.

9 Q. But you really don't know?

10 A. But I don't know.

11 Q. And there is the significant difference in
12 that the interstate piece is in addition to the
13 amounts received from carrier common line where the
14 intrastate WECA piece is in lieu of carrier common
15 line amounts?

16 A. The one part of your statement I can't
17 answer to, because I don't know for sure, is that for
18 NECA the universal service fund is an addition to the
19 NTS pooling.

20 Q. But for intrastate purposes whatever money
21 Whidbey gets out of the intrastate universal service
22 fund reduces the amount that general has to pay in
23 carrier common line access charges to Whidbey, does it
24 not?

25 A. Reduces the amount of the portion of

00093

1 revenue requirement that the carrier common line rate
2 has to support?

3 Q. Yes. Is that correct?

4 A. Yes, that's correct.

5 Q. And I believe elsewhere in your testimony
6 you make the point that GTE pays Whidbey Telephone
7 Company's access charges because you are a toll
8 carrier?

9 A. Yes.

10 Q. So to the extent that Whidbey gets money
11 from the state universal service fund I am correct, am
12 I not, that that thereby reduces the amount that
13 General Telephone has to pay in carrier common line
14 access charges?

15 A. GTE also supports paying for the universal
16 service fund through a universal service fund
17 surcharge.

18 Q. Have you figured out whether you win or
19 lose insofar as the payments to Whidbey are concerned
20 by virtue of the existence of the universal service
21 fund mechanism at the intrastate level?

22 A. Well, I guess GTE supports the same amount
23 whether it supports it through this universal service
24 charge or through the carrier common line rate that we
25 pay.

00094

1 Q. Isn't it true that the USF fund is spread
2 across all access rates minutes in the state of
3 Washington not just Whidbey's minutes?[ck]

4 A. I'm not sure.

5 Q. Just to wrap this little part up, when we
6 look at page 5, line 17 through 19 on page -- you say,
7 "This information supports the conclusion that Whidbey
8 Telephone Company's local exchange service prices are
9 below cost." I think you agreed with me at the
10 beginning of this discussion that whatever revenue
11 flows Whidbey has don't really tell us anything about
12 whether the prices are above or below cost from local
13 exchange service. Isn't that also true here?

14 A. I don't recall agreeing to that earlier.

15 Q. In this case, just directing our attention
16 to the payment that Whidbey receives from WECA, can we
17 draw any conclusion as to whether Whidbey's exchange
18 prices for exchange services in the supplemental
19 service area are above or below cost based upon how
20 much or how little money Whidbey gets from WECA?

21 A. Well, if Whidbey -- Whidbey receives a
22 payment, a high cost payment from WECA universal
23 service fund payment --

24 Q. If we may use the term universal service
25 fund payment.

00095

1 A. -- from WECA and from NECA, then by
2 definition its residually priced local service is
3 below cost. Otherwise Whidbey would not need a
4 universal service fund, or if, in the reverse, its
5 basic rate that you're charging \$8.40 does recover its
6 cost and you're still receiving the universal service
7 fund then those funds would amount to excess earning.

8 Q. The cost threshold, the cost standard by
9 which you're trying to reach an assessment of whether
10 Whidbey's rates are above or below cost is that
11 long-run incremental cost standards that you discussed
12 at the beginning; is that right?

13 A. The cost standards that GTE would choose to
14 use would be a long-run incremental cost standards but
15 having no such standard we then used the next
16 available information which is the unseparated loop
17 costs that Whidbey has provided to NECA, and then
18 given some portion of that is allocated to interstate
19 and intrastate, there's a remaining portion that would
20 be local nontraffic sensitive revenue requirement.

21 Q. But you don't contend -- I thought it was
22 your contention here, and correct me if I'm wrong,
23 that Whidbey's rates are anticompetitive because they
24 are allegedly priced below long-run incremental cost.
25 Isn't that your contention?

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1 A. Our contention is that Whidbey's prices are
2 anticompetitive because they are subsidized by the
3 universal service fund and therefore are below costs,
4 but now if it's not below -- I don't know that it's
5 below or above long-run incremental costs. I have no
6 such data to tell me that.

7 Q. But you agreed with me at the outset that
8 if the rates are above long-run incremental cost then
9 regardless of what funds Whidbey may receive from
10 whatever source its pricing -- its rates for local
11 exchange service are not anticompetitive?

12 A. If Whidbey's prices in the supplemental
13 service area are above the long-run incremental cost
14 of the supplemental service area and Whidbey did not
15 use any universal service funds that it receives to
16 help it finance its entry into the supplemental
17 service area, then we would consider that fair
18 pricing.

19 Q. Where does the second condition come from
20 about not use any of the funds? I thought the issue
21 is are the prices above or below long-run incremental
22 cost. If they are above long-run incremental cost by
23 definition the revenues generated from those rates are
24 covering the long-run incremental cost.

25 MR. POTTER: Argumentative. This is also

00097

1 cumulative. Asked and answered. Been through this
2 several times and the testimony speaks for itself.
3 It's obvious that the company has two points on the
4 fairness issue.

5 JUDGE PRUSIA: Mr. Snyder.

6 MR. SNYDER: I think that what has happened
7 is the witness has contradicted herself from her
8 earlier testimony, and I think it is now important to
9 clarify what the relationship is between the
10 allegation that the rates are insufficient and the
11 element about whether there is external funding
12 available.

13 JUDGE PRUSIA: Proceed.

14 Q. Well, I guess your counsel, and perhaps you
15 will agree with him, has supplied part of the answer,
16 which is that it is GTE's position that even though
17 rates may be set above long-run incremental cost, if
18 there are external funds available to a company, then
19 the rates may still be anticompetitive. Is that GTE's
20 position?

21 A. Not exactly. If the rates in the
22 supplemental service area are set above the long-run
23 incremental cost of the supplemental service area then
24 that in itself would have rates that we would consider
25 fair, but there's also the issue of whether the costs

00098

1 of investment and serving that supplemental service
2 area was flowed through the universal service funds
3 and thereby Whidbey would receive funding to cover
4 those -- the expenses for the supplemental service
5 area even though they did not by those funds reduce
6 the rates into the supplemental service area.

7 Q. How does that receipt of funding from the
8 interstate arena render its intrastate prices anti-
9 competitive?

10 MR. POTTER: Objection, objection. Counsel
11 continues to misstate the company's contentions, and
12 we can reread the complaint into the record if we
13 would like. The allegations in the complaint are not
14 limited to the level of a particular price but to the
15 overall competitive fairness issue.

16 MR. SNYDER: But this witness's testimony
17 is not the complaint and her testimony is the only
18 evidence offered by the company in support of its
19 complaint, so I think that the issues now are largely
20 defined by what is addressed in this testimony.

21 MR. POTTER: Well, I repeat my objection
22 that we're getting cumulative and argumentative.

23 JUDGE PRUSIA: Is it does seem to me that
24 we're getting cumulative at this point.

25 Q. Let me ask, does the same rationale apply

00099

1 to other types of external or other revenue streams
2 that the company may have or a telephone company, for
3 example, Yellow Page advertising revenues? If Whidbey
4 Telephone Company has Yellow Page advertising
5 revenues, does that somehow enter into what you
6 believe the Commission needs to take cognizance of in
7 order to decide whether Whidbey's -- whether General
8 is entitled to relief in this case?

9 A. I have not given any consideration to
10 Yellow Page advertising revenues.

11 Q. At the bottom of page 5 of your testimony
12 you say that GTE is prepared to meet fair and
13 appropriate competition in its service territory. Do
14 you see that?

15 A. Yes.

16 Q. By that do you mean that if Whidbey's rates
17 must be set to equal or exceed long-run incremental
18 cost for the supplemental service area GTE Northwest
19 rates should also be set to equal long-run --
20 General's long-run incremental cost to serve the
21 geographic area encompassed by the supplemental
22 service area?

23 A. GTE's rates are established on a more -- on
24 a much larger geographic basis than the supplemental
25 service area. The rate that's been found appropriate

00100

1 currently that GTE charges in the supplemental service
2 area was based on a lot of different conditions which
3 included a large -- much larger geographic area than
4 just that SSA. Now, if the Commission would require
5 GTE to change its rates then that's a Commission
6 decision. It's not what GTE would do because that
7 would require other changes.

8 Q. Well, I'm just trying to ask what you mean
9 by fair and appropriate competition as used in your
10 testimony. Does it mean that Whidbey's rates must
11 equal or exceed its long-run incremental costs but
12 GTE's rates in the identical area need not equal or
13 exceed GTE's long-run incremental cost in that area.

14 A. That would be a question to be answered by
15 what the Commission required GTE to do in that area.

16 Q. Well, what is GTE's position? You're the
17 one who says you're willing to meet fair and
18 appropriate competition. What do you believe is
19 required to have fair and appropriate competition?

20 A. If Whidbey's prices is at or above your
21 long-run incremental cost then GTE would have to make
22 a business decision as to what it would deem an
23 appropriate competitive answer to that, and if it
24 requires Commission action then we would apply to the
25 Commission. If it doesn't then GTE would respond, but

00101

1 not knowing what your price would be under those
2 conditions I cannot speak to what GTE would do to
3 respond in that competitive environment.

4 Q. Let me ask one last question related to
5 that. Is it your opinion that it would be fair and
6 appropriate competition for Whidbey's rates to be
7 placed at or above its long-run incremental cost and
8 for GTE to continue, if that is the case, to continue
9 to provide its service in the area below its long-run
10 incremental cost?

11 MR. POTTER: Objection. We're obviously
12 getting into the case on Whidbey's counterclaim and
13 that ought to be saved until Whidbey files its
14 testimony.

15 JUDGE PRUSIA: Mr. Snyder.

16 MR. SNYDER: Tying this all directly to her
17 testimony that GTE is willing to meet fair and
18 appropriate competition and to help define what does
19 fair and appropriate competition mean.

20 MR. POTTER: That statement is obviously
21 directed to Whidbey's conduct, not GTE's conduct,
22 which is the subject of Whidbey's counterclaim.

23 MR. SNYDER: It's talking about what GTE is
24 willing to do.

25 JUDGE PRUSIA: I think it's a fair question

00102

1 to ask what GTE considers to be fair and appropriate
2 competition.

3 MR. POTTER: From Whidbey, which we've
4 already stated and we'll be happy to state our
5 position in Whidbey's counterclaim once they put on
6 their testimony.

7 JUDGE PRUSIA: I will overrule the
8 objection and let you ask your additional question.

9 Q. Do you have the question in mind?

10 A. The question is what --

11 Q. Do you believe that it would be fair and
12 appropriate competition if Whidbey is required or does
13 price its services in the supplemental service area
14 above long-run incremental cost for GTE to continue,
15 if that is the case, to price its services in the
16 supplemental service area below GTE's long-run
17 incremental cost?

18 A. Well, the first point to remember is that
19 GTE's prices set in this area does not reflect receipt
20 of an external funding source; and two is if Whidbey
21 sets its price then GTE would respond to it. Now,
22 with long-run incremental cost is the basis that has
23 been generally accepted by regulatory and economic
24 principles that is a methodology by which to assess
25 whether a rate is competitive. GTE did not initiate

00103

1 this competition in the SSA. If GT has to respond to
2 it, which is what I'm referring to here, we're ready
3 to meet it but knowing what the competition is doing
4 then we would be ready to meet it.

5 Q. You made a comment earlier in that whole
6 discussion that fully distributed costs are subject to
7 jurisdictional allocation but that long-run
8 incremental costs were not subject to jurisdictional
9 allocation or at least the long-run incremental costs
10 that you were addressing; is that right?

11 A. Yes.

12 Q. Is it your contention that Whidbey's rates
13 must equal or exceed long-run incremental costs
14 without regard for jurisdictional allocation? In
15 other words, they must cover -- the exchange rate must
16 cover 100 percent of the long-run incremental cost of
17 the loop plant?

18 A. That is GTE's position that competitive
19 services should cover long-run incremental cost of
20 providing that service.

21 Q. Assuming that for the sake of responding to
22 the questions, isn't there still the issue of what
23 portion of the loop plant, of the long-run incremental
24 cost associated with the loop plant, is associated
25 with providing interstate service and what portion of

00104

1 that long-run incremental cost is associated with the
2 intrastate uses made of that loop plant?

3 A. If there's an allocation done of that loop
4 cost to state jurisdiction -- intrastate and
5 interstate jurisdiction then that would not be a
6 long-run incremental cost study. That would be a
7 different cost methodology.

8 Q. So your contention, just so we understand
9 what GTE's contention is, is that the long-run
10 incremental cost that you are contending must be equal
11 or exceeded are the unseparated long-run incremental
12 costs of the entire loop plant used to provide both
13 exchange and toll services?

14 A. Again, I am not an expert on long-run
15 incremental costs, but the cost methodology of
16 long-run incremental costs, if it includes 100 percent
17 loop costs that's what it would be, because a customer
18 would not have access to toll if it did not first have
19 that local loop.

20 Q. The converse is also true, is it not?

21 A. Converse is also true.

22 MR. POTTER: I think the record is not
23 going to be -- can counsel verbalize what the converse
24 is?

25 Q. That is to say that if the plant were

00105

1 already in place to meet the end user's toll calling
2 requirements, there would be no incremental cost to
3 provide that loop for local exchange purposes.

4 MR. POTTER: This is a hypothetical?

5 MR. SNYDER: Yes.

6 A. As a hypothetical, yes, but normally in the
7 real world a customer has to buy local service in
8 order to buy toll service.

9 Q. That world is changing, isn't it?

10 A. It's changing.

11 Q. In describing this test that needed to be
12 met, as I understand it had two prongs. One was pass
13 long-run incremental cost and the other was not have
14 any external funding that was used to help defray the
15 cost in the area that we're focused on.

16 GTE has average exchange service rates,
17 does it not? That is to say the rates that are in
18 Coupeville -- let me phrase it differently. You serve
19 a number of exchanges, do you not?

20 A. Yes.

21 Q. Is exchange rates in your Coupeville
22 exchange your highest exchange rates?

23 A. No, they're not.

24 Q. Is Everett higher, for example?

25 A. I think Everett is higher than Coupeville.

00106

1 Q. How about Halls Lake?

2 A. Yes, but I don't have the cards in front of
3 me so I'm only speaking from memory.

4 MR. SNYDER: It just so happens I have a
5 three-page --

6 JUDGE PRUSIA: Let's be off the record.

7 (Recess.)

8 JUDGE PRUSIA: Let's be back on the record.
9 I've been handed a three-page document which consists
10 of apparently tariff sheets and --

11 MR. SNYDER: Would you like me to describe
12 them, Your Honor? Would that help?

13 JUDGE PRUSIA: Yes, if you could.

14 MR. SNYDER: The first document that we
15 asked to have marked as an exhibit is a three page
16 document that reads at the top WN U-10 GTE Northwest,
17 Incorporated, 16th revised sheet 304 and it sets
18 forth, although the witness can testify more fully to
19 this, residence service rates for GTE Northwest.

20 JUDGE PRUSIA: That is marked as Exhibit
21 10.

22 (Marked Exhibit 10.)

23 MR. SNYDER: The second document also from
24 the same tariff, first page of which is marked 16th
25 revised sheet 303 is distinguished by the labeling

00107

1 business service, and sets forth GTE business rates to
2 which the witness can more fully testify.

3 JUDGE PRUSIA: I have marked that for
4 identification as Exhibit 11.

5 (Marked Exhibit 11.)

6 Q. Ms. Tong, do you have before you Exhibits
7 10 and 11 for identification?

8 A. Yes, I do.

9 Q. Do you recognize those to be excerpts from
10 or pages taken from GTE's current effective Washington
11 intrastate tariff No. WN U-10?

12 A. Yes.

13 Q. And does Exhibit 10 for identification set
14 forth the residence service rates of GTE Northwest for
15 what it calls premium calling service?

16 A. Yes.

17 Q. And does Exhibit 11 set forth the
18 corresponding rates for business service?

19 A. Yes, business premium service.

20 Q. Is premium calling service a flat rated
21 service? Is that what that is?

22 A. Yes.

23 Q. Is it distinguished then from measured
24 service?

25 A. Yes. We don't call it measured service but

00108

1 it's distinguished from basic service.

2 Q. If we were to look at rates that are
3 comparable to Whidbey's flat rates that you are
4 testifying about in your testimony, are these the
5 appropriate rates to be looking at?

6 A. Yes.

7 Q. Now, what I was asking about was whether
8 you have different rates -- again, I apologize, "you"
9 meaning GTE Northwest -- has different rates
10 applicable to its different exchanges. Do these rate
11 sheets in Exhibit 10 and Exhibit 11 show the different
12 rates by exchange for the GTE exchanges as
13 distinguished from those exchanges that GTE obtained
14 through its purchase of Contel?

15 A. Yes.

16 Q. And if we look at sheet 304, that is to
17 say the first page of Exhibit 10, am I correct in
18 reading it then that the rate for single party flat-
19 rated residence service in Everett is \$12.75 a month;
20 is that correct?

21 A. Correct.

22 Q. And that the corresponding rate, which I
23 think you testified earlier, for Coupeville is \$10?

24 A. Yes.

25 Q. So rates in Everett are higher than rates

00109

1 in Coupeville; is that right?

2 A. Yes.

3 Q. What is the reason for that?

4 A. GTE's exchange rates or rate for one party
5 premium service has been set by this Commission for a
6 number of -- for whatever reason they have been in the
7 rate cases that resulted in these rates, but I believe
8 the -- there were certain criterias for an exchange
9 with a \$10 rate versus an exchange with a \$12.25 or
10 the \$12.75 rate but I'm not prepared to go into what
11 those differing criteria are.

12 Q. Is the general rate making philosophy,
13 however, that underlies these rates that the larger
14 the toll-free calling area the higher the rate?

15 A. Well, for GTE there are some exchanges that
16 have to pay incrementally an additional amount for
17 additional EAS routes.

18 Q. Those increments are not reflected in these
19 rates?

20 A. There are some newly implemented EAS routes
21 that are in addition to these but I don't have that
22 here to tell you which exchanges have a separate EAS
23 charge.

24 Q. So if we look about midway down that first
25 paragraph on sheet 304 in Exhibit 10 there's a

00110

1 sentence that says, "Rates include extended area
2 service differentials where applicable." Do you see
3 that sentence?

4 A. Yes.

5 Q. Are you saying there was some additional
6 EAS additives that may apply in addition to what's
7 embedded in these rates?

8 A. Yes.

9 Q. Am I correct, however, that generally these
10 rates are constructed on what was known as a value of
11 service pricing philosophy which was that the more
12 customers -- the more access lines the customer could
13 call the higher the price he should pay for his local
14 service?

15 A. That is a general regulatory principle upon
16 which the rates were developed.

17 Q. These rate differentials are not
18 necessarily related to difference in costs, are they?

19 A. They are not.

20 Q. And specifically they are not related to
21 differences in long-run incremental cost, are they?

22 A. They are not.

23 Q. Just to finish the comparison, if we were
24 to look at the one party business rates as set forth
25 in Exhibit 11, am I correct that the Everett rate is

00111

1 \$31.65 whereas the Coupeville rate is \$10 less than
2 that or \$21.65?

3 A. That's correct.

4 Q. Do you know whether providing telephone
5 service in urban areas is generally less costly from a
6 long-run incremental cost perspective than the cost of
7 providing service in more rural exchanges where
8 densities are greater -- densities are less, I'm
9 sorry?

10 A. It is generally expected that cost to serve
11 a more dense exchange is less than to serve a less
12 dense exchange or the more rural areas as compared to
13 the urban.

14 Q. So if we look at GTE's current rate
15 structure, and if that observation that you just made
16 holds true, then one should expect to see the rates in
17 Coupeville being higher than the rates in Everett, if
18 they are to be reasonably related to cost; is that
19 right?

20 A. I don't know what the costs for Coupeville
21 are compared to Everett, but if you just go on the
22 assumption that Everett is a more dense area than
23 Coupeville and therefore has lower costs, then if
24 rates were based on costs, which they are not, and
25 have never been in this state for residential service,

00112

1 then it would be reasonable to assume that the rate
2 for Everett would be higher than the rate for
3 Coupeville -- I mean the rate for Coupeville would be
4 higher than the rate for Everett, I'm sorry.

5 Q. And we don't have any dispute, do we. You
6 do agree, do you not, that Everett is more dense than
7 Coupeville?

8 A. Having visited Coupeville I will agree to
9 that.

10 Q. So to continue the analysis, then, Everett
11 rates -- Everett costs were lower than Coupeville
12 costs but the rates are in the inverse relationship to
13 that, then could we not conclude that there is in fact
14 a source of external support for Coupeville that is in
15 fact coming from the higher rate -- higher than cost
16 rates paid in Everett?

17 A. Well, I think the external used in your
18 sentence is taken out of context to the way I use
19 external. External the way I used it meant external
20 to the company itself, meaning other sources outside
21 the company provide the funds whereas if there was a
22 subsidy going between the rate in Everett to the rate
23 in Coupeville that is internal to the company of
24 service urban to rural, not external to, internal.

25 Q. And if such a subsidy did exist flowing

00113

1 from Everett to Coupeville, are you saying that that
2 would constitute fair and appropriate competition for
3 Whidbey to meet in the supplemental service area, that
4 it would be all right for GTE to subsidize its rates
5 in the supplemental service area from Everett?

6 A. These rates were established or approved by
7 the Commission and if there is built-in subsidy
8 between Everett and Coupeville then in fact that is
9 one of the policy issues that need to be addressed by
10 this Commission in a competitive environment. These
11 rates were set without any consideration for local
12 competition. They were set in a monopolistic
13 environment meeting regulatory public policies for
14 that environment.

15 In a competitive environment this is
16 exactly one of the issues that need to be resolved in
17 going forward is what rates should be charged in each
18 exchange in order to be competitive. If it's based on
19 long-run incremental costs that would be true. If the
20 Commission chooses a different public -- addressing
21 the public policy in a different way then that's what
22 we would live by.

23 Q. Let me return to the distinction your
24 counsel tried to draw earlier which I understand that
25 he described your testimony as addressing the

00114

1 competition you felt you needed to meet from Whidbey
2 and what Whidbey's responses should look like. But do
3 you think it is appropriate, fair and appropriate
4 competition for GTE to compete with Whidbey by having
5 subsidies from Everett if they existed?

6 MR. POTTER: Objection. We've gone quite
7 far down the road of once again of putting on the case
8 on Whidbey's counterclaim rather than cross-examining
9 on the complaint.

10 MR. SNYDER: I'm really trying to address
11 the question of whether or not -- if, as GTE contends,
12 external funding is a relevant issue, then the
13 question obviously arises does it make any difference
14 where the external funding comes from.

15 MR. POTTER: Well, Counsel is using --

16 MR. SNYDER: If they wish to abandon their
17 suggestion that external funding is in any way
18 relevant to the competitive question then I would
19 agree there would not be a reason to pursue this line
20 of inquiry.

21 MR. POTTER: Counsel is using his own
22 definition of external after the witness disagreed
23 with him, but this is precisely the issue that's
24 raised by Whidbey's counterclaim and I think it's
25 highly inappropriate to allow the -- Whidbey to

00115

1 attempt to establish a record on its counterclaim
2 through the cross-examination of the company's direct
3 case.

4 MR. SNYDER: I just simply do not see that
5 we are doing that. We are addressing the witness's
6 comments about addressing and wanting an environment
7 for fair and appropriate competition.

8 MR. POTTER: Counsel has taken great
9 liberties with the testimony and expanded it to suit
10 his own purpose and we've indulged him somewhat but I
11 think we should put an end to it and move on to more
12 relevant issues.

13 JUDGE PRUSIA: It does seem that the line
14 of questioning is serving a limited purpose. I'm not
15 sure how it's getting to the company's definition of
16 dual purpose.

17 MR. GOLTZ: I was going to say if Whidbey
18 had not made a counterclaim -- I think that's the
19 framework you've got to look at this objection -- I
20 think this would be relevant testimony. I think the
21 more appropriate objection would be at some point it's
22 going to become cumulative and repetitive and I think
23 we could probably get through this relatively quickly,
24 but I think that even without a counterclaim I think
25 that is -- all of these rates in the internal subsidy

00116

1 issue is relevant, one for purposes of analysis of the
2 direct claim.

3 JUDGE PRUSIA: We had an objection, right?

4 MR. POTTER: Yes. This is entirely
5 argumentative if nothing else, which of course counsel
6 is entitled to do in his brief. He's entitled in his
7 brief to try to apply his definition of external
8 subsidy to the historical interrelationship of
9 internal price setting.

10 JUDGE PRUSIA: As I said, I can see that
11 his questioning is serving a dual purpose for him, but
12 it seems to me that it is getting at what GTE means by
13 fair competition.

14 MR. POTTER: Well, I respectfully disagree.
15 He's arguing his brief and putting on his case at the
16 same time but I've stated my objection.

17 JUDGE PRUSIA: The objection is overruled.

18 Q. The question is whether or not contribution
19 from or subsidy from rates paid to Everett, if it
20 exists, to defray costs in Coupeville, would it in
21 your opinion be fair and appropriate competition, as
22 you have used that phrase in your testimony?

23 A. I believe in the perfect world of local
24 competition that all rates would be -- would cover its
25 costs.

00117

1 Q. Long-run incremental costs?

2 A. Long-run incremental costs at a minimum.

3 Q. We've had some reference on the record by
4 the way to exchanges not purchased from Contel. The
5 Coupeville exchange was not included among the
6 exchanges that GTE acquired from Contel, was it?

7 A. No, it was not.

8 Q. It's one that GTE has had for quite some
9 time?

10 A. Yes.

11 Q. At page 6 of your testimony you discuss
12 various places where in your view the Commission has
13 referred to long-run incremental costs. I wanted to
14 ask you a few questions about what long-run
15 incremental cost studies entail, and I don't mean to
16 get into the technical details of the studies, but you
17 have made the offer on behalf of GTE in your testimony
18 that GTE would be willing to assist Whidbey in
19 performing long-run incremental cost studies; is that
20 right?

21 A. Yes.

22 Q. Has GTE Northwest ever performed a long-run
23 incremental cost study for local exchange service?

24 A. In general or for Whidbey -- I mean for SSA
25 or for Coupeville?

00118

1 Q. Any.

2 MR. POTTER: You mean GT Northwest?

3 Q. Has GT Northwest performed any long-run
4 incremental cost study for exchange service?

5 A. I don't know whether it has or has not.

6 Q. If I confine the question to the state of
7 Washington, has GTE Northwest ever performed a
8 long-run incremental cost study for exchange -- for
9 any of its exchange service in the state of
10 Washington, what is your answer to that?

11 A. I don't believe we have one for any one
12 exchange in the state of Washington.

13 Q. Have you done it collectively for all of
14 your exchanges in the state of Washington? Perhaps I
15 could refer you to the company's response to Whidbey
16 Telephone Company data request No. 7. If that would
17 assist you.

18 MR. SNYDER: Perhaps to short-circuit this
19 we could just mark this as an exhibit and put it into
20 the record that way.

21 JUDGE PRUSIA: I've been handed a one page
22 document. It is entitled GTE Northwest Responses to
23 Whidbey Telephone Company's Data Request No. 7. I
24 guess that's it. I've marked that for identification
25 as Exhibit No. 12.

00119

1 (Marked Exhibit 12.)

2 Q. Ms. Tong, do you have before you what has
3 been marked as Exhibit No. 12?

4 A. Yes.

5 Q. Do you recognize that as the company's
6 response to a data request propounded by Whidbey
7 Telephone Company in this proceeding?

8 A. Yes.

9 Q. Is it correct that the cost methodology for
10 the studies there referenced is long-run incremental?
11 Although it does not so state is that how you
12 understood the question, it refers to other data
13 requests?

14 A. Yes, it is.

15 Q. And if I could direct your attention then
16 to the responses A through F. Is it the company's
17 testimony that GT has not prepared a long-run
18 incremental study for the Coupeville exchange,
19 supplemental service area, the Everett exchange, the
20 Oak Harbor exchange, the Halls Lake exchange or GTE
21 Northwest's exchange areas as a whole in the state of
22 Washington?

23 A. Yes.

24 Q. Has GTE Northwest ever prepared a long-run
25 incremental cost study for any area that is smaller

00120

1 than a total exchange in geographic scope?

2 A. We haven't prepared any long-run
3 incremental studies for any local exchange rates or
4 service. Was that your question?

5 Q. For -- local exchange rates, that's
6 correct, for an area smaller than an entire exchange.

7 A. We haven't prepared any long-run
8 incremental cost studies for any exchange either
9 larger or smaller than an exchange.

10 Q. Or any sub portion?

11 A. Nor any portion of it.

12 Q. That's what I was trying to get to. Thank
13 you very much. But if I understand what GTE's offer
14 in this case is is to assist Whidbey in preparing a
15 long-run incremental study for that portion of the
16 south Whidbey exchange that is encompassed by the
17 supplemental service area; is that right?

18 A. Yes.

19 Q. How long does it take to perform a long-run
20 incremental cost study in terms of man hours perhaps?

21 A. I don't know how long it takes in terms of
22 man hours. The one -- the most difficult part about
23 performing the study is gathering the data that you
24 need to input into the models that would calculate the
25 long-run incremental cost.

00121

1 Q. Can you give the record a time frame that
2 it's your experience within GTE it takes to perform a
3 long-run incremental cost study, that is, gather the
4 data, I presume you view the data for integrity, input
5 it into the system and analyze the output for
6 reasonableness and integrity?

7 A. I understand that it takes a minimum of a
8 month to gather data specifically to an area such as
9 the supplemental service area because all that data
10 has to be extracted from the whole and then run
11 through the models which would then produce the
12 long-run incremental cost study and review for
13 reasonableness.

14 Q. This software -- am I correct that GTE uses
15 software to perform this analysis?

16 A. You've reached the end of how much I know
17 about long-run incremental studies.

18 Q. Has GTE submitted to this Commission for
19 review in connection with any ratemaking proceeding
20 any of its long-run incremental cost studies?

21 A. We have submitted long-run incremental cost
22 studies in support of contract filings that we've
23 made.

24 Q. How about in any rate case that had parties
25 and intervenors and was under suspension?

00122

1 A. GT hasn't filed a rate case since 1983.

2 Q. Did the Commission staff approve the
3 methodology that was used in your LRIC cost studies
4 when they were submitted in support of those contract
5 filings?

6 A. The Commission staff approved the contract
7 filings.

8 Q. Do you know whether they reviewed the LRIC
9 study that accompanied the filings?

10 A. I assume the Commission staff reviewed the
11 long-run incremental studies.

12 Q. Were the contracts that were filed,
13 contracts for competitive services or contracts for
14 noncompetitive services?

15 MR. POTTER: Can we have a definition of
16 those two terms for purposes of this question?

17 MR. SNYDER: I will withdraw the question.

18 Q. Let me approach this a different way.
19 Long-run incremental cost studies have been used by
20 various parties in efforts to support rates in front
21 of this Commission, have they not?

22 A. I believe so.

23 Q. For example, U S WEST from time to time,
24 and indeed presently, has a rate proceeding pending
25 before the Commission that involves long-run

00123

1 incremental cost studies.

2 MR. POTTER: Well, I may just interject. I
3 think we're getting beyond the record here and as I
4 understand that case there's a dispute as to whether
5 they really are long-run incremental cost studies.

6 Q. I am correct, however, that long-run
7 incremental cost studies do find their way into
8 Commission proceedings from time to time in this
9 state?

10 A. Yes.

11 Q. Would it be a fair description of long-run
12 incremental cost studies and the manner in which they
13 are treated in such proceedings that they are
14 contentious?

15 A. I don't believe they've been contentious
16 when they've supported the contracts that we filed:
17 Perhaps they've been contentious in certain other
18 services, for instance -- well, I guess I don't know.
19 But they haven't been contentious. They have not been
20 a reason of withholding approval of the filings that
21 we've made based on it.

22 Q. There is more than one way to conduct a
23 long-run incremental study, is there not? Different
24 methodologies that are used for long-run incremental
25 studies?

00124

1 A. I can't answer that. I don't know.

2 Q. Do you know whether AT&T agrees with the
3 methods used to prepare LRIC studies that are employed
4 by U S WEST, for example?

5 A. I don't know.

6 Q. Do you know whether there exists any
7 approved methodology by this Commission for performing
8 a LRIC study of the cost of exchange, basic exchange
9 service?

10 A. I don't know.

11 Q. At the top of page 7 of your testimony you
12 refer to Whidbey Telephone Company's access charges
13 being quite high compared with U S WEST's and GTE
14 Northwest rates. Do you see that reference?

15 A. Yes.

16 Q. Does comparing a company's access rates
17 with the rates of other local exchange companies
18 demonstrate anything about the relationship between
19 that company's access rates and its associated costs?

20 A. Excuse me?

21 Q. Would you like me to rephrase the question?

22 A. Please.

23 Q. In comparing a company's access charges --
24 and let me back up here again. Just for the record,
25 the access charges to which you are here referring in

00125

1 your testimony, those are the charges that are
2 generally paid by long distance companies to local
3 exchange companies for the use of local exchange
4 company facilities to reach end user customers; is
5 that right?

6 A. It's the access charges paid by all toll
7 providers for access to the local exchange companies.

8 Q. The access charges to which you are here
9 referring are not local exchange access in the sense
10 of the rate that the end user pays per month to get
11 dial tone?

12 A. That's correct.

13 Q. Now, you make a comparison here or at least
14 allude to a comparison of Whidbey's access charges to
15 those of U S WEST and GTE, and just accepting for the
16 sake of the question that the comparison you made
17 there is accurate, even if that were true, does it
18 tell us anything about the relationship between
19 Whidbey's access charges and its costs or does it
20 only tell us that Whidbey's charges may be higher than
21 the costs incurred by the companies with whom you are
22 comparing it?

23 A. Could you please --

24 Q. I will break it into two pieces. It was a
25 compound question which are to be avoided. Does

00126

1 comparing Whidbey's access charges with those of U S
2 WEST and GTE tell us anything about the relationship
3 between Whidbey's access charges and Whidbey's costs
4 associated with providing access?

5 A. Access charges are developed based on the
6 requirement or the -- to cover the costs that's
7 associated with providing, so the higher the rate is
8 then the higher the revenue requirement that is being
9 recovered by those rates.

10 Q. So just because Whidbey's access charges
11 are higher than U S WEST or GTE's, if they are,
12 doesn't demonstrate that Whidbey's access charges are
13 above its cost of providing access; is that correct?

14 A. Doesn't demonstrate that Whidbey's charges
15 are higher than its costs?

16 Q. Its access charges are higher than its
17 associated costs.

18 A. Well, the access rates are developed to
19 recover the cost of providing access.

20 Q. So isn't it irrelevant whether Whidbey's
21 access charges are higher than or lower than U S
22 WEST's or GTE's if what we are trying to ascertain is
23 whether Whidbey's rates are above or below cost?

24 A. Are you asking that in the context of the
25 reference to my testimony at the top of page 7?

00127

1 Q. Yes. You compare Whidbey's access charges
2 to those of U S WEST and GTE.

3 A. Well, GTE pays Whidbey, Whidbey's access
4 charges for terminating -- when a GTE customer
5 terminates toll onto Whidbey customer GTE pays its
6 terminating to Whidbey.

7 Q. Yes. Is there anything wrong with that?

8 A. There's nothing wrong with the concept of
9 that. The comparison here is that we pay a higher
10 rate to terminate to Whidbey than we pay to terminate
11 to U S WEST.

12 Q. But that doesn't tell us, does it, that
13 Whidbey's rates are inappropriately high?

14 A. It's just a comparison that it's higher.

15 Q. When a local exchange company adds a
16 customer such as your company adding a customer in the
17 supplemental service area onto your network, that
18 gives rise, does it not, to a number of revenue
19 streams that were not present previously? For
20 example, the customer now commences paying for local
21 exchange service. That would be one revenue stream?

22 A. Yes.

23 Q. Are there other revenue streams that are --
24 that come into being or are enlarged by virtue of that
25 customer signing on to your service?

00128

1 A. Depends on the services that customer
2 chooses to purchase.

3 Q. Well, for example, when that customer takes
4 local exchange service, don't you also then receive a
5 revenue stream for access charges for calls to and
6 from that customer's phone number that was not
7 previously there?

8 A. If it's for a call carried by a carrier
9 other than GTE then we would charge access.

10 Q. And statistically when you add customers,
11 don't they generally make some calls that are toll
12 calls that are not carried by GTE but are carried by
13 other long distance companies?

14 A. Not every customer does but on the average
15 customers do.

16 Q. And for those who choose to use or whose
17 needs cause them to use only your toll services
18 while you don't get access charges you do get some new
19 toll revenue, don't you?

20 A. Yes.

21 Q. And if that customer needs additional
22 directory listings there's a stream of revenue there,
23 too?

24 A. GT provides a range of services to the
25 customer, yes.

00129

1 Q. Yet the comparison that you have made for
2 Whidbey's costs in your testimony to its rates ignores
3 all of those other revenue streams, doesn't it? It
4 simply seeks to compare your assessment of Whidbey's
5 costs with a single revenue stream namely the revenue
6 stream produced by the application of the local
7 exchange service rate?

8 A. Well, are we mixing revenues and costs?

9 Q. No. You drew a comparison in your
10 testimony to Whidbey's costs, as you analyzed them,
11 which, if I recall, were unseparated loop costs, as
12 compared with a revenue stream, but the revenue stream
13 had only one component to it, didn't it, the local
14 exchange service rate?

15 A. The -- you're referring to the \$8.40?

16 Q. Yes.

17 A. The \$8.40 was used as an estimate of what
18 your costs -- not estimate of your costs, the -- as a
19 revenue stream to recover some portion of your local
20 costs of providing local service as compared to the
21 full cost of providing local service.

22 Q. But you ignored other revenue streams that
23 would also come into existence, did you not?

24 A. I did not consider any other revenue --

25 Q. Stream?

00130

1 A. -- streams because I was looking at it from
2 a cost perspective not from a revenue stream
3 perspective.

4 MR. SNYDER: Your Honor, I have lost track,
5 I fear, of which exhibits have been admitted. I
6 believe it is appropriate to move the admission of
7 Exhibits 10, 11, 12.

8 JUDGE PRUSIA: 10, 11, 12.

9 MR. SNYDER: I will do so at this time.

10 JUDGE PRUSIA: Is there any objection to
11 the admission of documents that have been marked for
12 Exhibits as 10, 11, 12?

13 MR. GOLTZ: No.

14 MR. POTTER: I have no objection but just a
15 point of clarification. You asked her a question
16 about whether 10 and 11 included former Contel --

17 MR. SNYDER: No. I asked whether they
18 excluded extended area service charges. I described
19 them as not including Contel exchanges.

20 MR. POTTER: Thank you.

21 JUDGE PRUSIA: You have no objection?

22 MR. POTTER: No, I have no objection.

23 JUDGE PRUSIA: Hearing no objection
24 documents marked for identification as 10, 11 and 12
25 are admitted into evidence.

00131

1 (Admitted Exhibits 10, 11 and 12.)

2 Q. GTE has recently made a tariff filing with
3 this Commission in filing its new tariff WN U-17; is
4 that correct?

5 A. Yes, we have.

6 Q. And is it a fair general description of
7 that filing that it is intended to, at least in part,
8 combine what previously had been two separate tariffs,
9 namely one for services in the former Contel exchanges
10 and the preexisting tariff for service in what had
11 been GTE's preexisting exchanges?

12 A. Yes.

13 Q. It does make some other changes as well in
14 addition to just rolling the two together?

15 A. Yes.

16 Q. Is GTE in that tariff filing proposing to
17 change any of the local exchange service rates that we
18 have been discussing here today for the Coupeville or
19 Everett exchanges?

20 A. No.

21 Q. Is GTE proposing to change any of the rates
22 in that tariff to be based upon LRIC costs?

23 A. No.

24 MR. SNYDER: May I have just a moment, Your
25 Honor.

00132

1 Your Honor, that concludes our
2 cross-examination at this time.

3 JUDGE PRUSIA: Staff, do you have questions
4 for this witness?

5 MR. GOLTZ: Yes. I apologize, I do.

6

7 CROSS-EXAMINATION

8 BY MR. GOLTZ:

9 Q. Ms. Tong, referring to Exhibit No. 5, which
10 is the map. Just to make sure we have our geography
11 straight, north of the supplemental service area there
12 are two exchanges, is that not correct?

13 A. From the bottom of the supplemental service
14 area, the south end of the service supplemental
15 service area --

16 Q. Correct.

17 A. -- going north to the north end of the
18 island GTE has two exchanges.

19 Q. And the southernmost of those two is the
20 Coupeville exchange and the northern most is the Oak
21 Harbor exchange?

22 A. Yes.

23 Q. And the population center for the island is
24 Oak Harbor?

25 A. Yes.

00133

1 Q. Now, currently a caller in the supplemental
2 service area who is a customer of GTE may call
3 toll-free to Oak Harbor?

4 A. Yes.

5 Q. And that is because sometime in the past
6 few years there was an extended area service allowed
7 between those two exchanges?

8 A. Between Coupeville and Oak Harbor?

9 Q. Yes.

10 A. I don't know what the date of that is.

11 Q. But sometime there was?

12 A. Sometime there was.

13 Q. And prior to that establishment of the
14 extended area service a call from a customer in the
15 SSA to Oak Harbor was a toll call; is that correct?

16 A. It would have to be true.

17 Q. Now, at the time of the establishment
18 of the extended area service, was there an EAS,
19 so-called EAS adder, or additive to the local rates,
20 in effect, to compensate GTE for the loss of the toll
21 revenue?

22 A. At the time, the normal way the thing
23 happens when an EAS route is added is there is an
24 adder added to the local service rate that the
25 customer pays for the additional calling area, and I

00134

1 don't know whether that is a separate charge for the
2 GTE's customers in the SSA or whether it's already
3 incorporated into the \$10. I don't have the
4 information in front of me.

5 Q. That's not really my question. My question
6 is that prior to the establishment of the extended
7 area service between the Coupeville and Oak Harbor
8 exchanges, the local calling area for the SSA was
9 smaller, correct?

10 A. Yes.

11 Q. The toll-free calling area was small?

12 A. Yes.

13 Q. And wasn't it also true that the rates were
14 also lower at that time?

15 A. I would assume so.

16 Q. And the reason for the rates increasing
17 would have been because now there was a loss, a
18 decrease of toll revenue, to GTE, because of the
19 establishment of the EAS?

20 A. Normally that EAS adder is developed on the
21 basis of the exchange of toll-free calling versus toll
22 calling.

23 Q. Now, from the southern boundary of the SSA
24 to the southern part of the island is the south
25 Whidbey exchange of Whidbey Telephone Company?

00135

1 A. Yes.

2 Q. Would you agree that you've raised some
3 fairly large issues in this proceeding? "You" meaning
4 the company.

5 A. Well, actually we believe Whidbey raised
6 the issues.

7 Q. There are, though, large issues at stake
8 here?

9 A. Yes, there are.

10 Q. And we have no customers currently in the
11 SSA, to your knowledge, that are taking the Whidbey
12 service?

13 A. I believe customers are very close to
14 taking service from Whidbey.

15 Q. A customer in the SSA of GTE uses for
16 intraLATA toll service what -- who provides that
17 service?

18 A. GTE is a toll provider of intraLATA toll
19 for GTE's customers.

20 Q. And for the -- a Whidbey customer, assuming
21 one will come, that customer would get -- receive its
22 intraLATA toll service from which company?

23 A. I will assume that they will receive it
24 from U S WEST since U S WEST is the designatd toll
25 carrier for Whidbey Telephone.

00136

1 Q. But it would be a company other than GTE?

2 A. Yes.

3 Q. Now, is GTE Northwest within the state of
4 Washington in competition with any other companies in
5 its other exchanges other than the south Whidbey --
6 pardon me -- other than the Coupeville exchange?

7 A. Yes.

8 Q. And can you give some examples of that?

9 A. There are other what's called alternative
10 local exchange companies who have authority in the
11 state to provide local service in competition with
12 GTE, and specifically Electric Lightwave and TCG have
13 interconnection with GTE for provision of local
14 service.

15 Q. And in which exchanges are those, do you
16 recall? I'm not asking for an exhaustive list, just
17 some examples.

18 A. They cover areas on the east side like
19 Kirkland and Redmond and Everett.

20 Q. And you have not filed complaints against
21 any of those companies; is that correct?

22 A. No, we have not filed complaints.

23 Q. Now, are those other companies providing
24 competition on an exchange-wide basis or just in
25 selected portions of the existing exchange?

00137

1 A. From what we've been able to ascertain,
2 those alternative local exchange companies go in and
3 market to select segments of the exchange.

4 Q. So it's a -- it's not geographically based
5 necessarily?

6 A. They have approval to provide service at a
7 large geographic area. I don't know that they
8 physically provided it in that whole geographic area.

9 Q. And do some of those companies actually
10 have customers?

11 A. Yes.

12 Q. And have some customers of GTE cancelled
13 their relationship with GTE and gone to the
14 competitors?

15 A. I believe so.

16 Q. Now, it's your contention that Whidbey's
17 rates in the SSA are below cost; is that correct?

18 A. Yes.

19 Q. And their rates are the same in the SSA
20 as they are in the south Whidbey exchange; isn't that
21 correct?

22 A. Yes.

23 Q. Do you also believe that Whidbey's rates in
24 areas outside the SSA are below cost?

25 A. Outside the SSA as in south Whidbey, the

00138

1 rest of Whidbey Island?

2 Q. Yes.

3 A. They are -- the contention is that because
4 Whidbey receives subsidy flows from the universal
5 service fund of NECA and WECA, then -- and the purpose
6 of those funds is to allow the incumbent LEC, in this
7 case Whidbey, to charge -- to help keep their local
8 rates low, then, yes, those rates are subsidized in
9 that state and therefore below the actual cost of the
10 local exchange service of providing the service.

11 Q. In your response to Whidbey Telephone
12 Company data request No. 1, GTE indicated that GTE
13 Northwest did not receive annual USF support for 1992
14 to '94. Is that correct?

15 A. Correct.

16 Q. Although it did prior to that?

17 A. Yes.

18 Q. Do you know why there was a support prior
19 to '92 but since that time or since '91 there has not
20 been?

21 A. Well, GTE's -- for the study area 522416,
22 which is the referenced GTE Northwest serving
23 territory, its cost per loop is less than 115 percent
24 of the national average and all companies who have a
25 less than 115 percent average do not qualify for

00139

1 any support payment.

2 Q. Now, as I understand it the so-called
3 former Contel exchanges of GTE are eligible?

4 A. Yes, and that is because their costs per
5 loop is above that 115 percent threshold.

6 A. Yes.

7 Q. So is it fair to assume that in 1991 for
8 GTE's -- for that study area, nonContel study area,
9 GTE's costs per loop were at or above the 115 percent
10 threshold?

11 A. Yes.

12 Q. So there is a declining cost per loop
13 within GTE Northwest's territory; is that correct?

14 A. There is a decline in the relationship of
15 GTE's costs per loop to the national average cost
16 per loop.

17 Q. So maybe everything else is getting more
18 expensive and you're just staying the same?

19 A. Or everyone else is increasing their costs
20 per loop at a greater rate than GTE is.

21 Q. So do you know if GTE's costs per loop are
22 declining?

23 A. In the calculations that Mr. Snyder went
24 through on Exhibit 7 and 8 it showed that the actual
25 costs per loop is not declining in the absolute value.

00140

1 Q. But you're saying that as far as comparing
2 with other companies around the country, you are
3 declining in relative terms?

4 A. Yes.

5 Q. And is that a trend that you think will
6 continue in the next future years, if you know?

7 A. For GTE?

8 Q. Yes.

9 A. Yes, I do.

10 Q. So you would expect that in the next few
11 years you will not be receiving federal USF support?

12 A. We will not be receiving USF support for --
13 certainly not through '96, which is the data that we
14 already have available.

15 Q. But you would for the Contel exchanges?

16 A. In fact the support for Contel in 1996 will
17 drop from the \$7.59 million in '95 to \$1.56 million in
18 1996, so there is a drastic reduction in the amount of
19 support that even the Contel properties of Washington
20 will receive from the NECA universal service fund.

21 Q. Forgive me if you've answered this already,
22 but are GTE Northwest's residential rates in the SSA
23 at or above long-run incremental costs?

24 A. I don't know that because we have not done
25 a long-run incremental cost for the SSA.

00141

1 Q. And what about its -- what about the
2 Coupeville exchange?

3 A. We have not done a long-run incremental
4 cost for Coupeville exchange.

5 Q. What about its exchanges in the state of
6 Washington in the aggregate?

7 A. We have not done such a study.

8 Q. So they may or may not be?

9 A. Correct.

10 Q. So is it fair to conclude then that you
11 also don't know if GTE's local rates exceed long-run
12 incremental cost in its various service areas?

13 A. We don't know that.

14 Q. If GTE were to enter a territory, expand
15 its services to an exchange which it currently does
16 not serve, would you expect that you would be required
17 to file a long-run incremental cost study as a
18 condition of serving those other areas?

19 A. Not only would we expect to be required to
20 file one, but we would do one to make sure it was a
21 good business to do one in that expansion; that what
22 we expect to gain will outweigh what it will cost us
23 to go into that expansion.

24 JUDGE PRUSIA: Let's take a 15 minute
25 break. Be back here at 3:20 p.m.

00142

1 (Recess.)

2 JUDGE PRUSIA: Let's be back on the record
3 after our afternoon recess. Mr. Goltz, would you like
4 to continue with your cross-examination.

5 MR. GOLTZ: Sure.

6 Q. In your testimony you used the term cost a
7 lot. And for clarification, when you use the term
8 cost in your testimony does it always have the same
9 definition in your mind?

10 A. No. I don't use it with the same
11 definition because they talk about long-run
12 incremental costs, the unseparated loop costs
13 submitted to NECA, and those are two different costs.

14 Q. So in order to really go through your
15 testimony we would have to be aware of the context in
16 which the term cost appears, so we can't assume that
17 on one page the term cost means the same as it might
18 mean three pages later?

19 A. Correct.

20 Q. So just to kind of lead into the next set
21 of questions, because you had no long-run incremental
22 studies for the SSA, you used the NECA per loop costs,
23 and assumed that is Whidbey's or one measure of
24 Whidbey's costs in the SSA?

25 A. Yes, one measure.

00143

1 Q. And from reading your ultimate
2 recommendation in your testimony, you said that one
3 alternative would be for the Commission to order
4 Whidbey's rates to be increased to that NECA per loop
5 cost. Is that one alternative?

6 A. Yes.

7 Q. Realistically, do you really expect the
8 Commission to do that, to raise Whidbey's rates SSA to
9 that level?

10 A. Well, Whidbey's service in the SSA is --
11 Whidbey's coming into the SSA as an additional
12 provider of local service, so how the Commission
13 chooses to set rates for competitive entry is an issue
14 to be decided.

15 Q. I understand, and is that really what
16 you're asking for?

17 A. I'm asking that the Commission make a
18 policy -- a decision on a policy that implements that.

19 Q. But in this particular controversy between
20 GTE and Whidbey -- because I'm assuming that there's a
21 controversy -- that there is -- that you are in effect
22 asking the Commission to establish a rate for
23 Whidbey's services within the SSA?

24 A. Yes.

25 Q. And that is partly because in your view

00144

1 Whidbey's -- two things. One, Whidbey's rates are
2 below cost; and, two, whatever is the fair, just and
3 reasonable cost is a figure that you as a Whidbey --
4 pardon me, as a GTE person -- can't figure out?

5 A. That's correct.

6 Q. Now, using the NECA per loop cost is not an
7 accepted method by any ratemaking body that you know
8 of, is it?

9 A. Well, I'm only familiar with Washington and
10 California, and I don't believe it's been used in
11 either one.

12 Q. I mean, certainly if GTE had come to this
13 Commission any time since 1983 or any time in the near
14 future and you propose to set your rates based on a
15 NECA -- your local rates based on a NECA per loop
16 cost, you wouldn't expect to get very far with that,
17 would you?

18 A. We wouldn't propose it, and we're only
19 proposing this as an interim pending a long-run
20 incremental cost study performed on Whidbey's SSA, not
21 as a long-term ratemaking methodology.

22 Q. Again, I think you've answered this, but
23 just bear with me because it will get into a couple of
24 other questions that I don't believe you've answered.
25 To get to Whidbey's monthly's cost per line from your

00145

1 Exhibit 4 you take Whidbey's study area cost per loop
2 of \$478.15 and divided that by 12 to arrive at \$39.84;
3 is that correct?

4 A. Yes.

5 Q. And doing the same calculation for GTE and
6 the Contel study areas, from Exhibit 4, isn't it true
7 that the GTE and Contel cost per line are \$22.69 and
8 \$36.85 respectively?

9 A. I'm sorry, could you repeat the numbers.

10 Q. \$22.69 for GTE, which is study area 522416;
11 is that correct?

12 A. Yes.

13 Q. And for Contel, which is also GTE, which is
14 study area 522449, the figure is \$36.85?

15 A. Yes.

16 Q. If we wanted to determine the total study
17 area loop costs --

18 And you would agree that's the same as the
19 total unseparated loop costs?

20 A. Yes.

21 Q. -- we could multiply the number of loops by
22 the study area costs per loop?

23 A. To get --

24 Q. The total unseparated loop costs.

25 A. Yes.

00146

1 Q. For that study area?

2 A. Yes.

3 Q. In GTE Northwest's study area 522416 the
4 total number of loops is 573,211?

5 A. For the -- corresponding to the 272.39
6 annual costs per loop, the loops are 573,211. Is that
7 your question?

8 Q. I'm sorry, corresponding to what? The
9 272.39?

10 A. Right.

11 Q. Yes. Referring to Exhibit 7, I'm just
12 getting it -- eventually we're going to come to some
13 numbers here. I think there might be -- there's a
14 discrepancy and I don't understand it. Again, under
15 study area 522416, what's the number of loops used for
16 calendar year ending December 31, 1993? Can you
17 calculate that?

18 A. By dividing the total unseparated loop
19 costs by the costs per loop on Exhibit 7 for the year
20 1993 it is 612,182.

21 Q. And from Exhibit No. 8 for December 31,
22 1995, for the same study area, I believe you answered
23 there were 625,238 loops?

24 A. That's what I answered.

25 Q. And in the information you provided in your

00147

1 Exhibit 4, that's based on 1993 data?

2 A. Yes, 1993 data.

3 Q. So, I guess I see it -- I mean, what am I
4 missing here? Referring to Exhibit 7 you had 612,181
5 loops but you have 573,211 under Exhibit 4.

6 A. Well, I believe we're missing the same
7 piece and if it would be satisfactory I can provide
8 the reconciliation of that. I don't have that
9 information here and I cannot reconcile it today.

10 MR. GOLTZ: Make a record request then for
11 a reconciliation -- either a reconciliation of those
12 two numbers or a clarification or yet a third number
13 would be a possibility.

14 (Record Requisition 1.)

15 Q. Do you know if GTE Northwest's response to
16 Whidbey's data request 1C and 2C which -- well, at
17 least 1C is Exhibit -- there's Exhibits 7 and 8 -- if
18 they understate GTE Northwest's costs per loop or
19 overstate GTE Northwest's costs per loop?

20 A. As compared to what?

21 Q. What the costs per loop are.

22 A. I'm sorry, could you repeat your question?

23 Q. Well, I guess it was compared to the loop
24 counts in Exhibit 4 but you're going to provide that
25 clarification; isn't that correct? We can skip over

00148

1 that.

2 JUDGE PRUSIA: Let me say for the record
3 the record requisition will be numbered No. 1.

4 Q. Would you agree subject to check that if
5 you multiplied the study area costs per loop -- that's
6 study area 522416 -- of 272.39 for GTE Northwest by
7 the 573,211 number of loops, the result would be 150
8 -- about 156,1 -- I'm sorry. 156,136,944?

9 A. Multiply by 272.39 times the 573,211?

10 Q. Yes.

11 A. Is 156,136,944?

12 Q. Yes.

13 A. Yes, that's the calculation.

14 Q. And that is GTE Northwest's Washington
15 unseparated loop cost?

16 A. Well, it's not shown on Exhibit 4 that's
17 what it is.

18 Q. No. I'm trying to get to that number.

19 A. And that's what we'll provide in record
20 requisition No. 1 is the unseparated loop costs and
21 then number of loops. That is the data that is
22 actually provided to NECA. The costs per loop is just
23 what calculates from those two figures, so what we're
24 seeing on Exhibit 4 is the end result versus the
25 input.

00149

1 Q. And that would be provided in the context
2 of your data request then, the reconciliation -- I
3 mean the record requisition?

4 A. Yes, it will be.

5 Q. Do you know if GTE Northwest recovers any
6 portion of its NTS costs through access charges?

7 A. Yes. We charge a carrier common line rate
8 which covers -- recovers nontraffic sensitive costs.

9 Q. Following up, I believe, on a question that
10 Mr. Snyder asked, is it your position that Whidbey
11 recover all of its NTS costs from its local exchange
12 services?

13 A. I don't believe that was what I --

14 Q. Maybe it wasn't. Well, is that your
15 position in this case? In the SSA --

16 MR. POTTER: When we say NTS we're talking
17 about the fully distributed type of NTS that we see on
18 Exhibit 4?

19 MR. GOLTZ: Yes.

20 A. No. The GTE's contention is that the rates
21 in the -- in Whidbey's SSA should recover the costs of
22 its long-run incremental cost in the SSA. That is
23 not -- that would not be what's represented by the
24 numbers on Exhibit 4.

25 Q. Whidbey recovers some of its costs through

00150

1 various access charges; isn't that correct?

2 A. Yes.

3 Q. And it covers a portion of its costs
4 through local exchange services?

5 A. Under the rate structure today, that is
6 true.

7 Q. If you were to -- even if -- well, if you
8 were to set rates in the SSA to recover, as you're
9 saying is an interim step, 100 percent of its NTS
10 costs, wouldn't they be recovering in effect many of
11 the same costs twice?

12 A. Well, I believe in answering Mr. Snyder's
13 question that related to the same subject is that the
14 -- while this is total unseparated costs there is an
15 amount that's allocated to interstate/intrastate
16 that's already recovered there, and that part would
17 not be appropriate to recover in the rate -- local
18 service rate if this was the methodology used to
19 calculate that rate.

20 Q. So even then under your suggested interim
21 order that you were suggesting to the Commission in
22 your recommendation, are you saying now that would be
23 inappropriate to order that even as an interim basis?

24 A. Inappropriate to order?

25 Q. That the total costs per loop be the rate

00151

1 in the SSA on an interim basis.

2 A. Yeah. I did not suggest that 100 percent
3 of this cost be -- as shown in Exhibit 4 be recovered
4 from the rates in the SSA.

5 Q. I thought that was your suggestion for an
6 interim rate until they came up with a long-run
7 incremental cost study.

8 A. No. My recommendation is that the
9 unseparated costs per loop shown on Exhibit 4 be used
10 as a basis for calculating a rate that could be
11 charged in the SSA pending the completion of a
12 long-run incremental cost and this unseparated cost
13 would then be separated to take out state and
14 interstate.

15 Q. So it would be in effect the ceiling?

16 A. Yes, it would be in effect a ceiling.

17 Q. And somehow the Commission would be -- on
18 an interim basis would have to figure out how far down
19 from that ceiling to go on an interim basis pending a
20 long-run incremental cost study?

21 A. Yes.

22 Q. You aren't suggesting how low that should
23 be dropped then?

24 A. No, I'm not suggesting how low it should be
25 dropped.

00152

1 Q. So referring to your testimony on page 7,
2 starting at page 7, line 24, where it begins, "Whidbey
3 could reset its local exchange service prices in the
4 SSA using Washington Utilities and Transportation
5 Commission's NECA cost per line as the price floor,
6 perhaps you would like to -- you really weren't
7 suggesting that as a Commission option?

8 A. I wasn't suggesting the \$39.84, if that's
9 what you're referring to, but the \$39.84 is, as you
10 put it, the ceiling, and because this is total
11 unseparated costs then there would be some separation
12 to interstate and intrastate which is recovered from
13 common line rates there.

14 Q. On page 5 starting at line 9 you stated
15 that GTE does not have access to the company specific
16 payment accounts in regards to the funds received by
17 Whidbey from WECA. So you used an estimated amount;
18 is that correct?

19 A. Yes.

20 Q. Would you accept subject to check based on
21 the information available from 1994 annual report of
22 Whidbey that the USF amount Whidbey received from WECA
23 is \$514,472?

24 A. Is how much?

25 Q. \$514,472.

00153

1 A. I have no way of knowing whether that's
2 right or wrong.

3 MR. GOLTZ: Can I have this marked, please.

4 JUDGE PRUSIA: I've been handed a one page
5 document which is headed Annual Report of Whidbey
6 Telephone Company year ended December 31, 1994. This
7 is page 34 and I've marked that for identification as
8 Exhibit No. 13.

9 (Marked Exhibit 13.)

10 Q. Ms. Tong, you probably can't but can you
11 identify this as an excerpt from Whidbey's annual
12 report for the year ended December 31, 1994?.

13 A. That is what it says on the sheet.

14 Q. Could you accept that subject to check?

15 A. I will accept that.

16 Q. And then referring to line 27, does that in
17 your view reflect the universal service fund
18 contribution to Whidbey for that year?

19 A. That is what it appears to be given the
20 title of the line item 27 universal service fund under
21 the state access revenue heading.

22 Q. Would you accept that figure subject to
23 your check then?

24 A. I have nothing to check it against.

25 Q. I guess I'm asking you to check to confirm

00154

1 that is in fact an excerpt from the annual report of
2 Whidbey Telephone Company.

3 MR. POTTER: If I may explain for the
4 record, we requested a copy of the annual report from
5 the Commission previously and this page was missing so
6 if you want to represent that this is --

7 MR. GOLTZ: I will represent that this is
8 the missing page.

9 MR. POTTER: -- that was supplied to the
10 Commission by the company.

11 MR. GOLTZ: That was supplied to the
12 Commission by the company because the Commission's
13 copy was missing page 14.

14 MR. SNYDER: 34.

15 MR. GOLTZ: Page 34. It was missing this
16 page.

17 Q. So could I ask you to accept that amount as
18 subject to check?

19 A. I will accept that the \$514,472 appears on
20 a sheet that says annual report of Whidbey Telephone
21 Company.

22 Q. Based on -- if you can answer this on
23 behalf of GTE, do you believe that either now or in
24 the long run NTS costs, nontraffic sensitive costs,
25 should be recovered in full from local exchange

00155

1 services for all companies including Whidbey, GTE, et
2 cetera?

3 MR. POTTER: Again, we're talking about
4 fully distributed or fully allocated NTS?

5 MR. GOLTZ: Yes.

6 A. I guess by definition a fully allocated
7 cost study would not recover all of the NTS costs from
8 the local service.

9 Q. So the answer to that would be no then?

10 A. But I don't think that's my answer to a
11 question that you asked would I accept that that's the
12 way it should be always.

13 Q. GTE is the primary toll carrier for its
14 Washington exchanges as well as for its in effect
15 Contel Washington exchanges?

16 A. Yes.

17 Q. And GTE pays access charges to the
18 independent telephone companies for terminating toll
19 calls on their networks?

20 A. On the independent company's networks as
21 well as on U S WEST's network.

22 Q. Is that correct?

23 A. Yes.

24 Q. On page 5 starting at line 16 you stated
25 that "local exchange service rates have traditionally

00156

1 been set on a residual revenue requirement basis and
2 this information supports the conclusion that
3 Whidbey's local exchange service prices are below
4 cost." Is that correct?

5 A. Yes.

6 Q. Do you believe that all local exchange
7 service rates are below cost if they are residually
8 priced?

9 A. Well, residually -- how do you mean costing
10 the way you use it?

11 Q. I'm reading from your testimony so you tell
12 me what you meant.

13 A. In a residual revenue requirement
14 environment the revenue requirement itself represents
15 the company's total cost of doing business including a
16 return on its investment and all of its expenses, and
17 when you residually price local service you take total
18 company revenue requirement less all your revenue
19 streams from interstate, from intrastate toll, from
20 access, from vertical services like custom calling,
21 whatever, and also whatever you receive from external
22 funding sources such as NECA, universal service fund,
23 and WECA, and then that total remaining amount is then
24 what's converted to a local service rate and that in
25 itself, whether or not that's below the cost of

00157

1 providing the local service, is unknown because I
2 don't know what the long-run incremental cost of it
3 is, but generally in a residual ratemaking process
4 toll is usually priced higher than cost, access is
5 priced higher than cost, and what's left over must be
6 priced less than cost in order for the sum of all
7 those pieces to equal the company's total revenue
8 requirement, which is at cost.

9 Q. So your testimony is that in a normal
10 ratemaking context a number of services of any local
11 exchange company are going to be below cost, as you
12 generally have used it in your testimony?

13 A. In a traditional ratemaking environment a
14 company has services some priced above cost, some
15 priced below cost, and usually the services are priced
16 below cost for the purpose of meeting a general public
17 policy or objective of the regulatory commissions, and
18 the services are priced above cost for the purpose of
19 helping to support the cost of those priced below
20 cost.

21 Q. So, for example -- you used the example of
22 custom calling features, and what would be an example
23 of those?

24 A. Call forwarding, call waiting are custom
25 calling features.

00158

1 Q. And is it true that those are generally
2 priced above cost?

3 A. They are usually priced to provide a
4 contribution, yes.

5 Q. So as a function of custom calling features
6 that some of us do not take, we are enjoying the
7 benefits from that because others take them?

8 A. You are enjoying benefits of having a
9 local rate that is priced residually, meaning that
10 rate is lower than it would be otherwise without that
11 custom calling contribution.

12 Q. And because of that and other factors my
13 residential rate may, you're saying, could be below
14 cost?

15 A. For you individually?

16 Q. Yes.

17 A. Yes.

18 Q. Just to clarify, is it GTE's position
19 that local service is not subsidized if the rate is
20 set at or above long-run incremental cost?

21 A. That is the objective of long-run
22 incremental cost is to insure that the rates cover at
23 least that level of cost. May not provide any
24 contribution if you price right at the long-run
25 incremental cost amount, but it would at least cover

00159

1 its cost and would not need to be subsidized in any
2 way because it would be fully compensatory for those
3 incremental costs.

4 Q. On page 6 starting on line 13 you stated
5 "The Commission utilizes a long-run incremental price
6 floor in the imputation tests it requires for
7 intraLATA toll service rates filed by GTE Northwest
8 and U S WEST. The same type of requirement should
9 apply to telecommunications companies offering
10 services in areas already serviced by other
11 telecommunications companies." Did I read that
12 accurately?

13 A. Yes.

14 Q. Could you explain what is the purpose of
15 an imputation test?

16 A. The purpose of the imputation test is just
17 to insure that the company is not pricing
18 uncompetitively such that its competitors would be
19 placed in an unfair advantage because they could not
20 compete with the prices that the existing provider
21 provides a service at.

22 Q. So it must in effect charge to itself what
23 it charges others?

24 A. It must --

25 Q. Or vice versa?

00160

1 A. Its rates that it charges must at least
2 cover the cost of providing the service to itself as
3 it charges its competitors to provide the same
4 service.

5 Q. And on line 14 where I read on page 6, the
6 service rates that you refer to on line 14 include
7 which services?

8 A. These are just the intraLATA toll services
9 that we charge as the primary toll carrier.

10 Q. So you're only talking about toll service
11 not local services or others?

12 A. In this sentence I'm only talking about the
13 toll services.

14 Q. And then down on line 17 on page 6, the
15 same -- well, lines 15 through 18, the same type of
16 requirement should apply to telecommunications
17 companies offering services in other -- in areas
18 already served by other telecommunications companies.
19 What sort of services are you referring to there?

20 A. Referring to any services and all services
21 that are brought in to be competitive in nature.

22 Q. So it's more than just toll services?

23 A. Yes.

24 Q. So do you think that local exchange
25 services if offered by two or more providers are

00161

1 subject to imputation requirements?

2 MR. POTTER: You said are subject. You
3 mean there's a current Commission order?

4 MR. GOLTZ: No.

5 Q. I am saying are subject to -- that would be
6 the proper way to, in your opinion, based on your
7 statement on page 6, lines 15 through 18?

8 A. Could you please repeat your question.

9 Q. Well, if there are -- if local exchange
10 services are offered by two or more providers, i.e.,
11 we have two companies in competition for local
12 exchange service, is there any need for imputation
13 requirements?

14 A. Not being an expert in long-run incremental
15 costs, I am not prepared to answer whether if it meets
16 long-run incremental costs it also passes imputation.
17 I'm not sure.

18 Q. But if there are two facilities-based
19 providers, then -- and you are actually in
20 competition, then would there possibly be a need for
21 an imputation test?

22 THE WITNESS: Could you read back the
23 question.

24 (Record read as requested.)

25 A. I think that goes back to my earlier

00162

1 answers. Normally imputation comes into play when a
2 competitor uses the facilities of the provider in
3 existence. In the case where you have a provider
4 coming in building a duplicate network long-run
5 incremental costs may take the place of that but I'm
6 not sure.

7 Q. But I guess where you may have toll, then
8 you may very well use facilities of another provider,
9 but if you have local exchange service where you're
10 just talking about -- and they're both facility-based,
11 there's no need to use the services of the other
12 provider; isn't that correct?

13 A. If they build a duplicate network that's
14 true.

15 Q. On page 6 you stated that -- on lines 23
16 and 24 you talked about -- you state that you've
17 already described Whidbey's large external subsidy
18 funding and that GTE Northwest contributes to those
19 funds. Do you know how much GTE Northwest contributes
20 or I should say which -- when you say those funds --
21 let me rephrase that. When you say those funds which
22 funds are you referring to?

23 A. Well, those universal service funds and --

24 Q. Federal and state or just state?

25 A. Federal and state.

00163

1 Q. GTE contributes to both?

2 A. Or GTE pays the access charges and/or
3 surcharges that company -- that result from a need to
4 generate the number of dollars to fund these
5 requirements, yes. GTE actually pays those.

6 Q. Has GTE Northwest or Whidbey filed with the
7 Commission to reclassify their local services in the
8 SSA to be competitive services?

9 A. GTE has not filed, made such a filing.

10 Q. Do you know if Whidbey has?

11 A. I will assume Whidbey has not, but I have
12 not seen that they have.

13 Q. Now, as I understand what you're asking the
14 Commission to do, it would be to order or to undertake
15 a long-range incremental cost study or to order one
16 for the SSA for Whidbey services. Is that a summary
17 of what you're asking the Commission to do here?

18 A. Yes.

19 Q. Now, looking at the horizon, would you
20 agree that in the changing competitive environment
21 there's going to be or likely to be additional, for
22 lack of a better word, incursions by one local
23 exchange company into the service territory of
24 another?

25 A. I would expect that to happen, and when

00164

1 that happens that the company expanding its horizons
2 would be expanding it and charging rates that recover
3 its cost for being in that additional service
4 territory.

5 Q. And so you may have a situation, for
6 example, where U S WEST seeks to serve an area
7 currently served by GTE's former Contel areas, say up
8 in Whatcom County?

9 A. Yes, that could happen.

10 Q. Now, hypothetically, should that happen,
11 who would be called upon to do a long-run incremental
12 cost study? U S WEST or GTE?

13 A. Well, U S WEST would be called upon to show
14 that the costs they're charging in that expanded
15 service area covers their cost of being in that
16 expanded service area.

17 Q. And let's assume further that they do that
18 and the Commission is convinced that their services
19 are above cost, as you've defined them. Could U S
20 WEST then under your theory in this case bring a
21 complaint against GTE and its Contel exchanges because
22 Contel is receiving what you refer to as subsidies for
23 various -- universal service funds?

24 MR. POTTER: Objection to the extent that
25 it calls for a legal opinion or conclusion.

00165

1 MR. GOLTZ: Well, I don't think I'm asking
2 for a legal conclusion. I'm asking for an expectation
3 because she's testified as to what her expectations of
4 the company are in this case and asking the Commission
5 to establish certain principles through this case, I
6 presume, so I'm just posing a hypothetical to flesh
7 out that principle.

8 JUDGE PRUSIA: Mr. Snyder?

9 MR. SNYDER: Could the question be
10 clarified? I think you said funds being received by
11 Contel. Did you mean funds by GTE with respect to the
12 former Contel exchanges?

13 Q. Do you understand?

14 A. I lost the question.

15 Q. I'm posing the hypothetical of U S WEST
16 moving into a GTE exchange which is formerly a Contel
17 exchange. As I understand it there are USF funds
18 available to GTE for its Contel exchanges; is that
19 correct?

20 A. Yes.

21 Q. And just like you have characterized, if
22 Whidbey's receipt of USF funds is a subsidy then I
23 presume that Contel's receipt of USF funds is a
24 subsidy?

25 A. Yes.

00166

1 Q. And my question is if U S WEST and GTE are
2 in, quote, competition, unquote in Whatcom County,
3 could U S WEST under the principles you have
4 enunciated in your testimony ask the Commission to
5 change your rate to exclude the subsidy that you
6 receive?

7 A. Well, first, I would hope that the
8 Commission would address the subject generically for
9 the whole state so that we don't have to deal with
10 each incursion, as you call it, separately, but in the
11 absence of such a general Commission policy as what to
12 do with those funds in a competitive environment, then
13 given the RCW 80.04.110, complaint is the name of that
14 section, which is the one we filed in compliance when
15 we filed our complaint, then U S WEST could follow
16 the same RCW. It says, "When two or more public
17 service corporations are engaged in competition in any
18 locality or localities either may make complaint
19 against the other or others that the rates, charges,
20 rules, regulations or practices...are unreasonable,
21 unremunerative, discriminatory," et cetera.

22 Q. And I guess I'm asking if U S WEST then
23 could suggest that the rates of GTE in its Contel
24 exchanges should be set -- would have to be increased
25 because -- or that there could be no subsidy component

00167

1 to their rates?

2 A. I couldn't speak for what U S WEST would
3 ask for in such a complaint. They are free to file
4 one.

5 Q. And --

6 A. And we would respond to it.

7 Q. But I'm asking you if you can -- if you can
8 understand the principle I'm getting at. You've
9 raised in effect the converse in this case where you
10 are suggesting that Whidbey excluded those from its
11 rates and imposing the converse where a company that
12 is without any subsidies, like U S WEST actually
13 makes an incursion into a company's territory that's
14 receiving subsidies, shouldn't the same apply?

15 A. I can understand that principle.

16 Q. But you aren't willing to make a position
17 on that?

18 A. Well, I would be speaking on U S WEST's
19 behalf and I don't feel I can do that.

20 (Discussion off the record.)

21 MR. GOLTZ: I have no further questions.

22 JUDGE PRUSIA: Mr. Potter, do you have any
23 redirect?

24 MR. POTTER: Yes, a brief amount.

25

00168

1 REDIRECT EXAMINATION

2 BY MR. POTTER:

3 Q. You mentioned earlier that you had visited
4 the SSA, correct?

5 A. Yes, I did.

6 Q. When was your most recent visit?

7 A. Two days ago on Tuesday.

8 Q. And what time of day were you there?

9 A. I was there in the morning between about
10 9:30 and 12.

11 Q. And in the SSA at that time did you observe
12 any construction activity by what appeared to be
13 Whidbey Telephone crews?

14 A. As a matter of fact, I observed quite a
15 bit.

16 Q. How could you tell it was Whidbey Telephone
17 activity?

18 A. Because it had a Whidbey logo on the side
19 of their truck on those several trucks that I saw out
20 there.

21 Q. Did you observe any activity which looked
22 to you to be involved with actually connecting
23 customers?

24 A. Yes. I saw one crew trenching up from the
25 street along the driveway towards the house which I

00169

1 assume is to take the drop up to the house, so
2 therefore, the customer probably ordered service and
3 Whidbey was putting in the facilities to provide that
4 service. And there was another location where it was
5 -- looked like it was marked for trenching up towards
6 the house.

7 Q. What kind of markings?

8 A. Orange lines on the ground.

9 MR. POTTER: Those are all my questions.

10 MR. SNYDER: I have have a very brief
11 amount, Your Honor.

12

13 RE-CROSS-EXAMINATION

14 BY MR. SNYDER:

15 Q. Do you know where in the supplemental
16 service area that activity was that you observed?

17 A. It was in the section known as Lagoon
18 Point.

19 Q. You were asked some questions by Commission
20 counsel having to do with residual pricing, and you
21 made the observation that access commonly is priced
22 above cost and toll is priced above cost, commonly.
23 That other services that are residually priced are
24 therefore priced below cost. Do you remember that
25 testimony?

00170

1 A. Yes.

2 Q. Have I summarized it fairly?

3 A. Yes.

4 Q. When you said that access tends to be
5 priced above cost, which type of cost were you
6 referring to? Long-run incremental cost or fully
7 distributed cost?

8 A. Over long-run incremental cost.

9 Q. When you observed that toll tended to
10 be priced above cost, were you just alluding to
11 long-run incremental cost or to fully distributed
12 cost?

13 A. Long-run incremental.

14 Q. When you said that that then resulted in
15 residual service being -- residually priced exchange
16 service being under cost or priced under cost, which
17 type of cost were you referring to there?

18 A. Long-run incremental.

19 Q. Now, the revenue requirement by which
20 total costs are set -- you said was ratemaking cost --
21 is a revenue requirement, right?

22 A. Yes.

23 Q. Is that long-run incremental cost or is
24 that fully distributed cost?

25 A. That's just total costs of the company

00171

1 doing business including all its overheads, so in the
2 definition that you and I went through earlier it
3 would be fully distributed costs I believe is what you
4 called it.

5 Q. So isn't it then possible that access could
6 be priced above incremental cost and toll could be
7 priced above incremental cost and the residual, while
8 below fully distributed cost, could still be above
9 incremental cost?

10 A. It is possible.

11 Q. You indicated in response to some questions
12 by Commission counsel that GTE contributes to both the
13 federal and state universal service funds that Whidbey
14 receives?

15 A. Yes.

16 Q. Is that correct?

17 A. Yes.

18 Q. Is GTE Northwest an interstate carrier?

19 A. No, we don't carry interstate toll traffic.

20 Q. Then how do you contribute to the
21 interstate universal service fund?

22 A. GTE, as a corporation, is not a participant
23 in the NECA NTS pool, but GTE is obligated to support
24 that fund through the long-term support mechanism.

25 Q. Does GTE have any plans or is it otherwise

00172

1 contemplating extending its exchange services in the
2 state of Washington beyond its present orders?

3 A. I am not privy to such plans.

4 MR. SNYDER: If I may be permitted I did
5 have one question I wanted to ask about long-run
6 incremental studies.

7 Q. I had asked you a question about how many
8 man hours were involved in them and you indicated it
9 takes about a month to gather the data. Do you have
10 any information about what it costs to perform a
11 long-run incremental study?

12 A. I don't. I'm sorry, I don't.

13 MR. SNYDER: That's all I have. Thank you
14 very much.

15 JUDGE PRUSIA: Mr. Goltz.

16 MR. GOLTZ: No. Let me move my exhibit.
17 Thank you. No. 13.

18 JUDGE PRUSIA: Are there any objections to
19 the admission of Exhibit No. 13?

20 MR. POTTER: No.

21 JUDGE PRUSIA: Hearing none the exhibit
22 will be admitted. Is there anything further to come
23 before us this afternoon?

24 (Admitted Exhibit 13.)

25 MR. POTTER: If I might have just a moment

00173

1 with the witness there might be one question.

2 No, we have no further questions.

3 MR. GOLTZ: I have no further questions. I
4 have another matter.

5 MR. POTTER: Related to this case?

6 JUDGE PRUSIA: Something we should take up
7 on the record?

8 MR. GOLTZ: It can be. It doesn't have to
9 be but we can go off the record briefly if we're done
10 with the witness. If we're done it's another matter
11 other than the testimony.

12 JUDGE PRUSIA: The witness may be excused
13 then. Thank you.

14 Let's be off the record briefly.

15 (Discussion off the record.)

16 JUDGE PRUSIA: Let's be back on the record
17 for you to make the motion.

18 MR. GOLTZ: Your Honor, after hearing the
19 testimony today and reviewing the prefiled testimony
20 and reviewing the law in this case, it seems to me
21 that a motion to dismiss would be appropriate, and
22 therefore I would like to make such a motion although
23 part of the motion would be in the nature of a summary
24 judgment.

25 The reason, as a background, the complaint

00174

1 statute, 80.04.110, which is the statute under which
2 the complainants have brought this matter, authorizes
3 but does not require the Commission to set a certain
4 rate within the competitive area, that is to say the
5 SSA. It is even assuming, and this may be an issue
6 Mr. -- that would be -- Mr. Snyder may wish to bring
7 up, but even assuming that those two parties are in
8 competition, that statute does not require the
9 Commission to undertake anything. It authorizes the
10 Commission to set a certain rate and it is clear that
11 what the complainants wish in this matter is for the
12 Commission to undertake an, in effect, a ratemaking
13 proceeding for the SSA. That the record reflects that
14 the alternative method absent a ratemaking proceeding
15 for setting a rate on an interim basis is simply not
16 appropriate. That is to say, working backwards from
17 the NECA costs per loop, even reducing that somewhat,
18 that the burden that would be upon them, although I
19 understand it's a tough burden because they don't have
20 access to all the information, that that evidence
21 presented does not establish that Whidbey's rates
22 are below costs. But even if they are below cost,
23 meaning, that is to say, even if GTE has in effect met
24 its burden of coming forward with evidence, its burden
25 of proof in this case, that 80.04.110 gives the

00175

1 Commission the discretion not to grant -- not to set a
2 certain rate. Indeed the witness toward the end of
3 her testimony acknowledged that the best place to
4 handle these large issues -- and they are large issues
5 -- is in a more generic proceeding.

6 And so I am suggesting a twofold motion.
7 One is they did not meet their burden. Second that
8 even if they did it would not be appropriate for the
9 Commission to implement the remedy requested, which
10 would be in effect a staff-led investigation into the
11 costs for a very tiny area in the big scheme of things
12 when the GTE witness herself acknowledged that the
13 best way to handle all these issues of competition is
14 in a much more generic proceeding and not within the
15 confines of a -- in my case, I added a hypothetical
16 dispute between U S WEST and GTE over in one of their
17 Contel exchanges. Here we have an analogous sort of
18 thing between GTE and Whidbey, and I think that's
19 simply the inappropriate forum in which to address
20 these much larger policy issues.

21 So therefore I would move to dismiss the
22 complaint and be happy to supplement this in, I'm
23 sure, a more articulate manner in a memorandum I could
24 file by early next week.

25 JUDGE PRUSIA: Mr. Potter.

00176

1 MR. POTTER: Yes. I object both to the
2 procedural notion and to the substance of the motion,
3 but first I think if staff is going to make such a
4 motion it should make it in writing. It should not
5 make it orally --

6 MR. GOLTZ: I would be happy to.

7 MR. POTTER: -- today, and that in the
8 meantime the schedule of the case should not be
9 interrupted, and if staff is going to be granted
10 leave to make such a motion -- I don't think it's
11 been shown that it has standing to make such a motion.
12 But the company believes it's entitled to
13 determination by the Commission in this case and it's
14 already agreed to extend the schedule once and it's
15 not willing to do so again.

16 As to staff offering to make it very
17 promptly that's of practically no use to me personally
18 at the moment since I start two weeks of hearings in
19 Oregon next week, and I just want to state for the
20 record that the company is baffled by this approach
21 because it took what it thought was the appropriate
22 first step in protesting Whidbey's filing of the
23 exchange map amendment and was -- I can visualize it
24 still -- it was told by the commissioners that they
25 thought it was more appropriate procedurally for the

00177

1 company to file a complaint, which it did, but of
2 course we can address that in more length in response
3 to any written motion.

4 MR. GOLTZ: I am not suggesting any delay
5 in the schedule.

6 JUDGE PRUSIA: Mr. Snyder, do you have any
7 comment?

8 MR. SNYDER: Like to make two observations.
9 Number one with respect to the pre-hearing order I had
10 understood the time limit for dispositive motions to
11 refer to dispositive motions addressed to the
12 pleadings not motions addressed to the sufficiency of
13 the evidence. This is what I understand Commission
14 staff to be moving is the equivalent of a motion
15 pursuant to civil rule 41(b)(3) which is a motion
16 after plaintiff recesses based upon a failure of
17 proof.

18 I share the view of Commission counsel that
19 there has been a wholesale failure to carry the burden
20 of proof in this matter. I am not fully prepared at
21 this point to comment further on the merits of the
22 motion, but I do agree with the Commission staff that
23 there's been a wholesale failure of proof, and if we
24 look at the schedule that is mapped out this does look
25 like a very substantial schedule and burden upon all

00178

1 of the parties and the Commission's resources. It is
2 a particularly heavy burden obviously for a company of
3 Whidbey's size to, as we now understand from the
4 evidence, apparently being the guinea pig in the
5 development of a methodology to perform long-run
6 incremental cost studies on the sub-exchange level for
7 a type of service for which such studies have not
8 previously been performed, but I think that the motion
9 as made is both timely and is well founded.

10 JUDGE PRUSIA: I will grant you leave to
11 file your motion. I guess we have a question of the
12 time to grant other parties to respond to it. We have
13 Whidbey prefiling deadline is the 27th.

14 MR. POTTER: Well, I will not be able to
15 turn my attention to it for a minimum of two weeks and
16 then -- well, I guess we don't know whether the U S
17 WEST rate case hearings are going to be moved for sure
18 or not just yet. I guess we'll find that out next
19 Tuesday, but if they're not moved then that comes up
20 rather quickly on the heels --

21 MR. SNYDER: My recollection is that GTE
22 has three counsel of record in this proceeding. I'm
23 not sure, perhaps one of them --

24 MR. POTTER: The other two are very busy
25 and it will be quite counterproductive to try to get

00179

1 somebody else up to speed to work on this motion.

2 MR. SNYDER: I guess from our standpoint I
3 would like to think about it working backwards. With
4 this motion pending we would obviously prefer not to
5 be put to the expense of prefiling testimony until we
6 knew the disposition of the motion. I just mentioned
7 that. I'm not sure how much time the Commission would
8 need to rule upon such a motion after it received
9 responses.

10 JUDGE PRUSIA: Given the schedule it's hard
11 to see how we can do anything other than have you
12 proceed and prefile your testimony even while we're
13 considering the motion.

14 MR. SNYDER: We have 16 or 15 days from
15 now, and if the motion -- the motion has been made,
16 presume the memorandum would be forthcoming in the
17 early part of the week. I guess what Mr. Potter is
18 suggesting is that his schedule precludes responding
19 to a memorandum and motion in any respect until when?
20 I'm not sure.

21 MR. POTTER: Well, the hearings in Oregon
22 run for two weeks starting a week from Monday so we
23 won't be back in the office until following that
24 time.

25 MR. GOLTZ: I suppose my -- I guess my

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1 motivation was in part to save the staff from going
2 through their prefilng exercises not due until
3 November 21, which is approximately almost four weeks
4 after Mr. Snyder's deadline, so I don't know if Mr.
5 Snyder wanted to join in the motion, actually also
6 make the motion, or if he's just happy that I did, but
7 I mean, it seems to me that, you know, if he's not
8 going to join then it's a little bit hard for him to
9 say that his schedule ought to be bumped back, but if
10 he joins then he could argue that as well, I suppose.

11 MR. SNYDER: Your Honor, we had looked at
12 this possibility in light of the prefiled testimony
13 and determined that we could not make a fair
14 determination of the carrying of the burden of proof
15 until we actually had the opportunity for cross and
16 heard it. As I've indicated, we're satisfied that the
17 burden has not been met, but I do need to confer with
18 my client to find out whether they wish to join in the
19 motion or not.

20 I think that's entirely possible that we
21 would want to join in the motion. I just couldn't
22 leap to my feet without having had the opportunity to
23 confer with my client on it. But I would anticipate
24 that we most likely would want to join in the motion
25 and that's under rule 41(b)(3), that motions when made

00181

1 by a respondent or defendant, the rule explicitly
2 provides that, preserves to them the right to present
3 their own evidence in the case, but I do think that an
4 orderly procedure would be to have a ruling on the
5 motion before we have to prefile testimony.

6 MR. GOLTZ: As I understand it Mr. Potter's
7 starting October 16, if that's --

8 MR. POTTER: Yes.

9 MR. GOLTZ: Is going to be gone until or
10 tied up in Oregon until the 30th?

11 MR. POTTER: In Oregon through the 27th,
12 yes.

13 MR. GOLTZ: So then your first day back in
14 the office in effect might be the 30th?

15 MR. POTTER: Right. If I'm not sitting in
16 on U S WEST rate case.

17 MR. GOLTZ: That's when the U S WEST rate
18 case hearings commence?

19 MR. POTTER: Yeah. We have a little bit of
20 cross contemplated in there but we don't know what
21 witness is going to be up when exactly yet assuming
22 the hearings go forward. They may not.

23 MR. GOLTZ: Well, I guess I sort of hate to
24 see that a potential for avoiding a lot of procedure
25 being not allowed because one of our number has got

00182

1 some other procedures to attend to. But perhaps one
2 should -- I should file the motion and we can deal
3 with it then.

4 MR. SNYDER: As I understand it the motion
5 has been made.

6 MR. GOLTZ: File a memorandum, I should
7 say.

8 MR. SNYDER: It is a proper oral motion
9 pursuant to rule 7 of the civil rules.

10 JUDGE PRUSIA: It's certainly a case in
11 which we want to give Mr. Potter an opportunity to
12 file an adequate response.

13 MR. SNYDER: Perhaps the appropriate thing
14 to do would be to defer the Whidbey prefiling date.
15 I'm not sure by how much, but if Mr. Potter is not
16 going to be back before the 30th certainly Mr. Potter
17 is not going to be devoting much time to our prefiled
18 testimony, and perhaps I only offer this as a
19 suggestion, that prefiling date could be slipped into
20 November as opposed to the date at which it is now
21 set. I mean, this may mean that we need to compress
22 some of this other interval slightly, but to allow Mr.
23 Potter an opportunity to respond that may be the
24 remedy that needs to be -- to be seized upon.

25 JUDGE PRUSIA: Let's be off the record to

00183

1 discuss the scheduling.

2 (Discussion off the record.)

3 JUDGE PRUSIA: Let's be back on the record.

4 While we were off the record we discussed possible
5 modifications of the schedule. Mr. Goltz, Commission
6 staff has agreed that when he files his memorandum,
7 which will be filed when?

8 MR. GOLTZ: Wednesday.

9 JUDGE PRUSIA: Wednesday of next week which
10 would be --

11 MR. POTTER: Well, there's no rush since I
12 would ask for adequate time to respond. Rob, you
13 didn't find the rule?

14 MR. SNYDER: I stopped looking. I
15 apologize.

16 JUDGE PRUSIA: Mr. Goltz indicated that he
17 will file a proposed schedule modification at that
18 time attempting to adjust the schedule at the expense
19 of Whidbey and Commission staff rather than at the
20 expense of GTE, and we will make every effort to give
21 GTE adequate time to respond to the motion.

22 Do you have the date by which you would
23 file your memorandum?

24 MR. GOLTZ: Well, I can do it by Wednesday
25 or Thursday, I think. How about if I were to say

00184

1 Friday? And I will file it earlier if at all
2 possible.

3 JUDGE PRUSIA: Very well. The memorandum
4 will be filed by -- before the close of business on
5 Friday October the 20th.

6 MR. SNYDER: Your Honor, I would like to
7 then take this same opportunity to request leave to
8 file a similar motion or to join in the motion made by
9 the Commission staff counsel in the event that we
10 determine that is the appropriate course for us to
11 follow.

12 JUDGE PRUSIA: I will grant you leave to
13 file an appropriate motion.

14 MR. POTTER: By the same date.

15 JUDGE PRUSIA: Yes, by the same date.

16 MR. GOLTZ: And in that I will propose and
17 if possible I will need to get together with Mr.
18 Snyder and we will jointly propose revisions of the
19 schedule, should the motion be denied.

20 JUDGE PRUSIA: Anything further to come
21 before us this afternoon?

22 MR. SNYDER: Do we need to identify a
23 response time for the motion, for GTE to file its
24 response to the motion?

25 JUDGE PRUSIA: If we're going to shorten

00185

1 the time.

2 MR. GOLTZ: I would be happy to let that be
3 set by the presiding officer and --

4 MR. SNYDER: In connection with the
5 schedule that you would be proposing?

6 MR. GOLTZ: Yes. And if we need to have a
7 conference call on the schedule and that, that's fine.

8 MR. SNYDER: The objective of the short --

9 MR. POTTER: Well, okay. So do I need to
10 respond to your scheduling suggestion sooner than I
11 need to respond to the merit of your motion? I
12 suppose I could do that.

13 MR. GOLTZ: I guess the answer is yes.

14 MR. SNYDER: My concern, Your Honor, is the
15 issue of the prefiling of the Whidbey testimony. We
16 would not like to find ourselves in the position of
17 having to make that filing before there has been a
18 ruling upon the motion. We need at least a little
19 bit of time after that to get it all in order.

20 JUDGE PRUSIA: Let's be off the record.

21 (Discussion off the record.)

22 JUDGE PRUSIA: Let's be back on the record.

23 While we were off the record we were discussing the
24 timing of GTE's response to the motion, and GTE will
25 file the response by the 6th of November. They may

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1 file by fax and if they have a difficulty meeting that
2 date then Mr. Potter will file an appropriate motion.
3 Is there anything else to come before us this
4 afternoon?

5 MR. SNYDER: Do we need at this time to ask
6 for a continuance of our prefiling date? I think that
7 should be a formal matter that that date is suspended
8 as of this time until it is reset.

9 JUDGE PRUSIA: The date is suspended as of
10 this time. It will be determined after we receive --
11 I receive the proposed schedule from Mr. Goltz.

12 MR. GOLTZ: So it might be reimposed.

13 JUDGE PRUSIA: That specific date, I mean,
14 there will be a new date but it will not be that date.

15 MR. SNYDER: Thank you.

16 MR. GOLTZ: The reason I say that is -- the
17 reason that date was chosen is in effect so we could
18 have adequate time to respond to their counterclaim,
19 and so if Whidbey is not joining in the motion it may
20 not be appropriate for them to be able to take
21 advantage of our filing the motion to avoid --

22 MR. POTTER: Don't encourage him to file a
23 motion just to get a continuance.

24 MR. GOLTZ: So in any event we will put a
25 suggested schedule along with, accompanying, our

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1 motion, and as far as I'm concerned we can just let
2 Your Honor dictate what that will be.

3 MR. SNYDER: That's acceptable to us too,
4 Your Honor.

5 JUDGE PRUSIA: Very well. Then at this
6 point the date is suspended and I will indicate after
7 I receive Mr. Goltz's proposed schedule how we're
8 going to proceed.

9 Is there anything else to come before us
10 this afternoon? Not hearing an affirmative response
11 we will be adjourned.

12 (Hearing adjourned at 5:00 p.m.)

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