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1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
2 COMMISSION

3 WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,) DOCKET NO. UT-950200
4)
Complainant,) VOLUME 18
5)
vs.) Pages 1527 - 1537
6)
U S WEST COMMUNICATIONS, INC.,)
7)
Respondent.)
8 -----)

9 A prehearing conference in the above matter
10 was held at 8:40 a.m. on January 11, 1996, at 1300
11 South Evergreen Park Drive Southwest, Olympia,
12 Washington before Administrative Law Judge C. ROBERT
13 WALLIS.

14

15 The parties were present as follows:

16 U S WEST COMMUNICATIONS, by EDWARD SHAW and
DOUGLAS OWENS, Attorneys at Law, 1600 Bell Plaza,
17 Seattle, Washington 98191 and JAMES VAN NOSTRAND and
SHERILYN PETERSON, Attorneys at Law, 411 - 108th
18 Avenue Northeast, Suite 1800, Bellevue, Washington
98004.

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

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23 FOR THE PUBLIC, DONALD TROTTER, Assistant
Attorney General, and JAMES CUNNINGHAM, Special
Assistant Attorney General, 900 Fourth Avenue, Suite
24 2000, Seattle, Washington 98164.

25 Cheryl Macdonald, Court Reporter

1 PROCEEDINGS

2 JUDGE WALLIS: Let's be on the record,
3 please for a brief pre-hearing marking conference in
4 the matter of docket UT-950200, U S WEST
5 Communications. We had marked up through Exhibits 262
6 for Lawrence McDonald yesterday, and I'm advised that
7 we didn't leave enough numbers between the company's in
8 order to -- and public counsel's in order to
9 accommodate staff. There is a document submitted by
10 the company for Mr. McDonald; is that correct?

11 MR. OWENS: Yes. This is a revised exhibit
12 which will be his Exhibit 22. It's an update, and it
13 has an additional column in it reflecting I believe
14 the company's agreement with certain of the
15 adjustments proposed by other parties, so it could be
16 substituted for what's been premarked as Exhibit 22.

17 JUDGE WALLIS: If it's acceptable to you I
18 think my preference would be to number it Exhibit 252
19 and that way the updated exhibit, revising Exhibit 22,
20 would have its own number and we'll be sure we have
21 the right one. Is that acceptable?

22 MR. OWENS: That's fine. 252 is the
23 number? Okay.

24 JUDGE WALLIS: Let's move to Commission
25 staff exhibits then on Mr. McDonald. Which stack is

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1 it that we're working from here?

2 MR. TRAUTMAN: It's the stack, the top
3 document says market pricing study. The first
4 document, it states market pricing study of services
5 provided to Pacific Northwest Bell by U S WEST
6 Business Resources, Inc.

7 JUDGE WALLIS: That will be 265 for
8 identification.

9 MR. TRAUTMAN: Next one, cover sheet is the
10 company response to staff data request WUT-01-423.

11 JUDGE WALLIS: 266 for identification.
12 Let's hang on for a second until we get all caught up
13 here. And next you have?

14 MR. TRAUTMAN: Next the cover sheet RFQ
15 response data sheet, Dave Zimmerman and handwritten in
16 the upper right-hand corner is 1988.

17 This is confidential.

18 JUDGE WALLIS: That would be Exhibit 267C
19 for identification.

20 MR. TRAUTMAN: And next is a document that
21 says 1990 market pricing study U S WEST Business
22 Resources, Inc.

23 JUDGE WALLIS: That will be 268 for
24 identification.

25 MR. TRAUTMAN: Next one has stated 1990 U S

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1 WEST value study appendices, and I think this might be
2 confidential. I'm not sure. I don't know if the
3 company had -- it doesn't say confidential but I think
4 it has materials similar to the other confidential
5 document.

6 MR. OWENS: I believe this is confidential.

7 JUDGE WALLIS: It will be 269C for
8 identification, and I would ask if there's any
9 question that the company take a look at it, and if it
10 turns out that it's not confidential let us know and
11 we will strike that.

12 MR. OWENS: We will.

13 MR. TRAUTMAN: The next one is select pages
14 from the Commission's second supplemental order in
15 cause No. U-82-45.

16 JUDGE WALLIS: Marking as 270 for
17 identification a document consisting of excerpts
18 second supplemental order, U-82-45.

19 MR. TRAUTMAN: Next is the company's
20 response to staff data request WUT-01-468.

21 JUDGE WALLIS: That's 271 for
22 identification.

23 MR. TRAUTMAN: Next document the cover
24 sheet is the response to -- company response to public
25 counsel data request 01-214.

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1 JUDGE WALLIS: That's 272 for
2 identification.

3 MR. TRAUTMAN: Next is the company response
4 to public counsel data request 01-215.

5 JUDGE WALLIS: 273 for identification.

6 MR. TRAUTMAN: Next is the company response
7 to staff data request 01-302.

8 JUDGE WALLIS: 274 for identification.

9 MR. TRAUTMAN: Next is the company's
10 response to public counsel data request 01-128.

11 JUDGE WALLIS: 275 for identification.

12 MR. TRAUTMAN: And last is the company's
13 response to public counsel data request 01-243.

14 JUDGE WALLIS: Any further exhibits for
15 witness McDonald? Now, I understand that witness
16 Cummings may be called following McDonald; is that
17 correct?

18 MR. OWENS: Yes, that is correct, although
19 we were also going to suggest that perhaps we could
20 take Mr. Easton following Ms. Koehler-Christensen on
21 the anticipation that there would be the argument on
22 the issues, but relatively little time taken up in
23 actual witness examination, if I am understanding
24 correctly.

25 JUDGE WALLIS: Yes. We can accommodate

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1 that. How long do you expect to --

2 MR. OWENS: I think it would be a fairly
3 short argument.

4 JUDGE WALLIS: Let's go on and do Cummings.

5 MR. SMITH: Your Honor, I distributed the
6 chronic set of staff exhibits for Cummings so if I can
7 replace those before we start.

8 JUDGE WALLIS: While that's going on let's
9 then look to Mr. Easton's. Mr. Easton is at page
10 32. Let's be off the record for a second.

11 (Recess.)

12 JUDGE WALLIS: Let's be back on the record,
13 please. The following documents were marked for
14 William R. Easton. The direct testimony is marked as
15 Exhibit 30-T. Document designated WRE-1 is Exhibit 31
16 and WRE-2 is Exhibit 32 for identification. Mr.
17 Easton's rebuttal testimony of October 3, 1995 is
18 designated 280T for identification. WRE-3 1994 state
19 depreciation rate study is 281 for identification.
20 Marking as 282 for identification a multi-page document
21 consisting of Mr. Easton's rebuttal testimony in UT-
22 940641, and the following attachments to that
23 testimony, WRE-5 depreciation rate rankings, WRE-6 USWC
24 plant, WR -7 statements, and a document designated USTA
25 engineering subcommittee. Those are collectively 282

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1 for identification. 283 is a document designated WRE-5
2 depreciation statements.

3 Public counsel has also distributed two
4 documents to be marked. Mr. Trotter.

5 MR. TROTTER: Yes. The first is the
6 company's response to our request 623.

7 JUDGE WALLIS: Document designated request
8 No. PC 01-623 will be 284 for identification. Give us
9 just a second to catch up if you would.

10 MR. TROTTER: And then the next is the
11 document consisting of certain work papers for the
12 rebuttal testimony of Mr. Easton, and it's
13 characterized as attachment F in response to our
14 request 945.

15 JUDGE WALLIS: And that is designated as
16 285 for identification. Are we ready to move on to
17 Mr. Cummings?

18 MR. TROTTER: Your Honor, I would like to
19 note for the record at this time I believe we've
20 entered an appearance in this docket for Mr. James R.
21 Cunningham, special assistant attorney general. He
22 will be handling Mr. Cummings, I hope.

23 JUDGE WALLIS: Welcome, Mr. Cunningham.
24 For Mr. Cummings, do we have anything from the
25 company?

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1 MR. SHAW: Additional exhibits, no, I
2 believe not.

3 JUDGE WALLIS: For Commission staff?

4 MR. CUNNINGHAM: Rebuttal exhibits?

5 JUDGE WALLIS: Yes, that's correct. Mr.
6 Cummings's direct testimony is 6T and the following
7 attachments are designated as exhibits: PCC-1 is
8 Exhibit 7; PCC-2 is Exhibit 8; PCC-3 is Exhibit 9;
9 PCC-4 is Exhibit 10 for identification. PCC-5 is
10 Exhibit 11. PCC-6 is Exhibit 12. PCC-7 is Exhibit 13.
11 PCC-8 is Exhibit 14. PCC-9 is Exhibit 15.
12 PCC-10 is Exhibit 16. PCC-11 is Exhibit 17. PC
13 C-12 is Exhibit 18. PCC-13 is Exhibit 19 and PCC-14
14 is Exhibit 20.

15 Cummings' rebuttal testimony is designated
16 290-T for identification. PCC-15, rate of return
17 recommendation is designated 291 for identification.
18 PCC-16 debt ratios Bell is 292 for identification.
19 PCC-17 debt ratios independent 293 for identification.
20 PCC-18 capital structure debt cost is 294 for
21 identification. PCC-19, DCF analysis regional is 295
22 for identification. PCC-20, DCF analysis independent
23 is 296 for identification. PCC-21 DCF analysis
24 comparable is 297 for identification.
25 PCC-22 CAPM analysis regional is 298 for

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1 identification. PCC-23 CAPM analysis independent is
2 299 for identification. PCC-24 CAPM analysis
3 comparable is 300 for identification. PCC-25 stock
4 issues, expenses is 301 for identification. PCC-26
5 DCF analysis Standard and Poor 500 is 302 for
6 identification. PCC-27 CAPM analysis S and P 500 is
7 303 for identification. PCC-28 equity risk premium is
8 304 for identification.

9 MR. CUNNINGHAM: Can I interrupt for a
10 moment? PCC-27 is 302 did you say?

11 JUDGE WALLIS: 303.

12 MR. CUNNINGHAM: Thank you.

13 JUDGE WALLIS: PCC-28 equity risk premium
14 is 304 for identification. PCC-29 pre-tax interest
15 coverage is 305 for identification. And PCC-30
16 analysis of betas is 306 for identification. Now for
17 staff.

18 MR. SMITH: Yes. First exhibit is a
19 three-page exhibit, Smith Barney report on large
20 telephone companies on the cover page.

21 JUDGE WALLIS: That's 307 for
22 identification.

23 MR. SMITH: Second consists of six pages.
24 Cover sheet is Smith Barney large telco's
25 vulnerability analysis.

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1 JUDGE WALLIS: That's 308 for
2 identification. Moving on to public counsel's.

3 MR. CUNNINGHAM: Yes, Your Honor. As the
4 exhibit next in order the deposition upon oral
5 examination of Peter Cummings dated July 10, 1995.
6 That would be 309.

7 JUDGE WALLIS: Yes. I'm holding off until
8 I make sure that we're caught up on the administrative
9 end of things here.

10 MR. CUNNINGHAM: Next one would be a single
11 page document bearing two tables identifying market
12 prices for regional Bell telephone companies,
13 operating companies, I'm sorry.

14 JUDGE WALLIS: 311 is the next document and
15 that would be.

16 MR. CUNNINGHAM: That would be a
17 three-sheet document excerpt from a book entitled
18 Capital Ideas by one Peter L. Bernstein.

19 JUDGE WALLIS: That's 311 for
20 identification.

21 MR. CUNNINGHAM: Finally a two sheet
22 document designated as the response to public counsel
23 request No. PC-01-970.

24 JUDGE WALLIS: That's 312 for
25 identification. Again, I want to thank you very

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1 much for your cooperation in premarking these
2 documents and let's be off the record.

3 (Prehearing adjourned at 9:20 a.m.)

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