

1 **PURPOSE OF TESTIMONY**

2 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

3 A. The purpose of my testimony is to examine the issue of the disposition of the gain on the sale
4 of Dex using the two-step risk and burden test the Commission has previously employed to
5 make such determinations. I will review historic facts that indicate who (ratepayers or
6 investors) has borne the risk of loss and burden of the directory advertising business.

7 Specifically I will evaluate these questions in light of the history of:

- 8 • the Company's¹ telephone service operations in Washington;
- 9 • telephone industry competition in Washington;
- 10 • the Company's directory publishing and advertising operations in Washington;
- 11 and
- 12 • regulation of the Company's business in Washington.

13 In order to determine how to allocate the gain from the sale of Dex, I will analyze how and
14 the extent to which changes in the regulatory scheme in Washington ~~have~~ ~~has~~ shifted the risk
15 of loss and burden between investors and ratepayers over time.

16

¹ Qwest Corporation has many predecessors in interest in Washington. Specifically, Qwest Corporation was preceded by USWC, which was preceded by Pacific Northwest Bell Telephone Company (PNB) which was preceded by Pacific Telephone & Telegraph Company (PT&T), which was preceded in several parts of Washington by other telephone companies such as the Sunset Telephone and Telegraph Company (serving Seattle and Tacoma), the Inland Telephone and Telegraph Company (serving Spokane) and the Home Telephone and Telegraph Company of Spokane. For purposes of this testimony and its exhibits, I will refer to Qwest Corporation and its predecessors as the "Company" unless the context requires specific identification of the name of the company to which I am referring.