

0210

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION

2 COMMISSION

3 In the Matter of the Petition)
of) DOCKET NO. UT-011439
4) Volume VI
VERIZON NORTHWEST, INC., for) Pages 210 - 429
5 Waiver of WAC 480-120-071(2)(a).)

6

7 A hearing in the above matter was held on
8 January 23, 2003, at 9:40 a.m., at 1300 South Evergreen
9 Park Drive Southwest, Olympia, Washington, before
10 Administrative Law Judge THEODORA MACE, Chairwoman
11 MARILYN SHOWALTER, Commissioners RICHARD HEMSTAD and
12 PATRICK OSHIE.

13

The parties were present as follows:

14

15 QWEST CORPORATION, by DOUGLAS N. OWENS,
Attorney at Law, 1325 Fourth Avenue, Suite 940,
Seattle, Washington 98101; telephone, (206) 748-0367.

16

17 THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION, by GREGORY J. TRAUTMAN, Assistant Attorney
General, 1400 South Evergreen Park Drive Southwest,
18 Post Office Box 40128, Olympia, Washington 98504;
telephone, (360) 664-1187.

19

20 VERIZON NORTHWEST, INC., by JUDITH A.
ENDEJAN, Attorney at Law, Graham and Dunn, 1420 Fifth
Avenue, 33rd Floor, Seattle, Washington 98101;
21 telephone, (206) 340-9694.

22

23 RCC MINNESOTA, INC., by BROOKS E. HARLOW,
Attorney at Law, Miller Nash, 601 Union Street, Suite
4400, Seattle, Washington 98101; telephone, (206)
622-8484.

24

25 Kathryn T. Wilson, CCR
Court Reporter

0211

1 -----

2 INDEX OF EXAMINATIONS

3 -----

4

5 WITNESS: PAGE NO.

6 CARL R. DANNER

7 Direct Examination by Ms. Endejan 217

8 Cross-Examination by Mr. Trautman 219

9 Cross-Examination by Mr. Harlow 252

10 Cross-Examination by Chairwoman Showalter 253

11 Cross-Examination by Commissioner Hemstad 272

12 Further Cross-Examination by Chairwoman Showalter 281

13 Cross-Examination by Judge Mace 283

14 Cross-Examination by Mr. Owens 285

15 Redirect Examination by Ms. Endejan 288

16 Further Cross-Examination by Chairwoman Showalter 292

17

18 KYLE GRUIS

19 Direct Examination by Mr. Harlow 294

20 Cross-Examination by Mr. Trautman 295

21 Cross-Examination by Ms. Endejan 299

22 Cross-Examination by Mr. Owens 302

23 Cross-Examination by Chairwoman Showalter 310

24 Cross-Examination by Commissioner Oshie 314

25 Redirect Examination by Mr. Harlow 316

0212

	WITNESS:	PAGE NO.
1		
2		
3	ELIZABETH KOHLER	
4	Direct Examination by Mr. Harlow	317
5	Cross-Examination by Mr. Trautman	319
6	Cross-Examination by Ms. Endejan	321
7	Cross-Examination by Mr. Owens	322
8	Cross-Examination by Chairwoman Showalter	335
9	Redirect Examination by Mr. Harlow	337
10	Further Cross-Examination by Mr. Owens	341
11		
12	THERESA A. JENSEN	
13	Direct Examination by Mr. Owens	342
14	Cross-Examination by Mr. Trautman	344
15	Cross-Examination by Mr. Harlow	362
16	Cross-Examination by Chairwoman Showalter	389
17	Redirect Examination by Mr. Owens	394
18		
19	ROBERT J. HUBBARD	
20	Direct Examination by Mr. Owens	396
21	Cross-Examination by Mr. Trautman	402
22	Cross-Examination by Mr. Harlow	406
23	Cross-Examination by Chairwoman Showalter	408
24		
25		

0213

1	WITNESS:	PAGE NO.
2	PAMELA L. MORTON	
3	Direct Examination by Mr. Owens	411
4	Cross-Examination by Mr. Trautman	412
5	Cross-Examination by Mr. Harlow	419
6	Cross-Examination by Ms. Endejan	425
7	Cross-Examination by Chairwoman Showalter	426
8	Redirect Examination by Mr. Owens	427
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

0214

1 -----

2 INDEX OF EXHIBITS

3 -----

4 EXHIBIT NO. OFFERED: ADMITTED:

5

6 36 - 38 251 251

7 30-T - 35-T 293 294

8 91-T - 95-T 295 295

9 301 - 307 301 301

10 308 - 309 302 302

11 412 321 322

12 407 - 411 335 335

13 401 - 406 342 342

14 50-T - 53 344 344

15 54 361 362

16 61-T - 71 398 398

17 76 398 398

18 72 - 75 405 406

19 81-T 412 412

20

21

22

23

24

25

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

2 JUDGE MACE: Let's be on the record in Docket
3 No. UT-011439, and this is the second day of hearing,
4 and we're still waiting for all the commissioners to be
5 on the Bench, but I wanted to address the issue of the
6 Revised Exhibit No. 4 and just briefly the situation
7 with the maps and the exchange territory of Qwest and
8 CenturyTel. Mr. Owens, would you just briefly indicate
9 what you are going to do about that to clarify the
10 situation?

11 MR. OWENS: I'd be happy to. Subsequent to
12 the conclusion of cross-examination of Ms. Ruosch
13 yesterday based on her answers, Qwest went and examined
14 the actual Commission official maps for the various
15 companies in the area. We determined an assumption
16 that is underlying my questions -- namely, that
17 CenturyTel's Nespelem exchange was immediately to the
18 east of the Eastern boundary of Qwest's Omak
19 exchange -- was incorrect and that, in fact, there is
20 an area of unfiled territory there. So what we propose
21 to do is to -- that is, Verizon will modify its Exhibit
22 4 to show that on these two eastern-most sections on
23 the northern part of the depiction, there should be a
24 north-south boundary designating the eastern extent of
25 the Qwest Omak exchange.

0216

1 Qwest will also at the time of Mr. Hubbard
2 taking the stand submit a revised Exhibit 64, which
3 shows in place of the legend CenturyTel-Nespelem in
4 that area the legend unfiled. At that time, we will
5 also propose an additional map which depicts a little
6 to the east of the current maps showing exactly where
7 CenturyTel's western boundary of a Nespelem exchange is
8 and some CenturyTel facilities in that area, and I've
9 discussed that with the parties.

10 JUDGE MACE: Thank you. We'll look forward
11 to getting those revisions.

12 MR. OWENS: I did want to say that it was
13 simply incorrect information on my part that led to my
14 asking Ms. Ruosch questions that were predicated on the
15 notion that both companies would have to traverse the
16 CenturyTel exchange, and I didn't mean to mislead
17 anybody.

18 JUDGE MACE: Thank you.

19 MS. ENDEJAN: Your Honor, Judy Endejan for
20 Verizon. We will be submitting a revised Exhibit No. 4
21 that will show the two little square geographic areas
22 that are, in fact, as it turns out, unfiled territory,
23 and we will be doing that this morning.

24 JUDGE MACE: Thank you very much. Let's
25 proceed then to the next witness we have scheduled,

0217

1 Dr. Danner.

2 (Witness sworn.)

3

4

5

DIRECT EXAMINATION

6 BY MS. ENDEJAN:

7 Q. Good morning, Dr. Danner. Could you please
8 state your full name and business address for the
9 record?

10 A. My name is Carl Danner. My business address
11 is 100 Bush Street, Suite 1650, San Francisco,
12 California, 94104.

13 Q. Dr. Danner, do you have in front of you what
14 has been marked as Exhibit 30-T, which is your direct
15 testimony, dated March 6th, 2002?

16 A. Yes, I do.

17 Q. Do you also have in front of you what has
18 been marked Exhibit 32-T, which is your reply
19 testimony, dated May 15th, 2002?

20 A. Yes, I do.

21 Q. Do you also have in front of you what's been
22 marked as Exhibit No. 33-T, which is your July 5th,
23 2002, reply testimony?

24 A. Yes, I do.

25 Q. And finally, Dr. Danner, do you have in front

0218

1 of you your reply testimony dated December 24th, 2002,
2 which has been marked Exhibit 35-T?

3 A. Yes, I believe I have all of that.

4 Q. I'm going to ask you these questions as they
5 relate to each set of your testimony. Do you have any
6 additions or corrections you would like to make to any
7 of the four pieces of prefiled testimony that we've
8 just identified?

9 A. No.

10 Q. If I were to ask you the questions that
11 appear in each of these exhibits, would your answers
12 remain the same?

13 A. Yes, they would.

14 Q. Are they true and correct to the best of your
15 knowledge and understanding?

16 A. Yes, they are.

17 Q. Thank you, Dr. Danner.

18 MS. ENDEJAN: Dr. Danner is available for
19 cross-examination, and I will move for the admission of
20 all four pieces of his testimony at the conclusion of
21 cross-examination.

22 JUDGE MACE: Mr. Trautman?

23

24

25

0219

1 CROSS-EXAMINATION

2 BY MR. TRAUTMAN:

3 Q. Good morning, Dr. Danner.

4 A. Good morning.

5 Q. I'm Greg Trautman, assistant attorney general
6 for the Commission staff. First of all, is it correct
7 that you live and work in California?

8 A. Yes, it is.

9 Q. In preparation for your testimony today, I
10 assume you've read the line extension rule 480-120-071?

11 A. Yes.

12 Q. Do you understand that Subsection 4 of that
13 rule permits companies to recover extension costs
14 through terminating access?

15 A. Yes.

16 Q. But it does not compel that recovery;
17 correct?

18 A. I believe the company has to apply for it,
19 right.

20 Q. Referring now to what was marked as Exhibit
21 215, that was a five-page set of Verizon responses to
22 staff data request, and I'm referring specifically to
23 Data Request 116.

24 JUDGE MACE: This appears as one of
25 Ms. Ruosch's exhibits.

0220

1 MR. TRAUTMAN: Correct.

2 MS. ENDEJAN: Let me find the document,
3 please.

4 JUDGE MACE: Which discovery request was it?

5 MR. TRAUTMAN: 116.

6 THE WITNESS: I think I have that, yes.

7 Q. (By Mr. Trautman) I just want to confirm,
8 the question is, "Did Dr. Danner review the tariff,"
9 and the tariff referred to was the May 2nd tariff
10 filing by Verizon to the Commission that was later
11 allowed to go into effect on July 10th.

12 With respect to that, did you review that
13 prior to your May 15th, 2002, testimony in this case,
14 and the answer is no, and then the follow-up is, "When
15 did he first review the tariff and the cost support
16 associated with it," and the supplemental response
17 dated January 20th, 2003 is that you have not reviewed
18 the tariff or the cost support associated with it; is
19 that correct?

20 A. Yes. I understand this to be related to a
21 particular line extension file-up.

22 Q. The question would be, did you review the
23 tariff filing at all, any of the line extensions?

24 A. Do you mean the specific line extensions; in
25 other words, the recovery by Verizon of costs for

0221

1 particular projects?

2 Q. For the projects that were covered by this
3 May 2nd tariff, yes.

4 A. I don't believe I did.

5 Q. All right. Turning to your testimony, which
6 is Exhibit 35-T, this would be your reply testimony of
7 December 24th, and if you would turn to Page 4.
8 Starting at the top of the page, you discuss the
9 benefits to all applicants for telephone service if
10 only some applicants receive that service, and you
11 respond that having a nearby working connection for
12 urgent or emergency calls will benefit other applicants
13 who have no service and perhaps permit them to make
14 other calls under informal agreements; is that correct?

15 A. Yes.

16 Q. Would such an arrangement be better or worse
17 than a party line?

18 A. You mean in terms of benefit to the
19 customers?

20 Q. Correct.

21 A. I think a party line might be more convenient
22 for that.

23 Q. In that same testimony on Page 5, and this is
24 at the bottom of Page 5, you testify that RCC has
25 tested wireless 911 access on its network and confirms

0222

1 that it connects callers in both the Taylor and the
2 Timm Ranch locations to a local PSAP, which stands for
3 "public safety answering point"; is that correct?

4 A. Yes.

5 Q. Is it Verizon's position that connection to a
6 PSAP outside the county from which the 911 call
7 originated is the appropriate standard for the State of
8 Washington?

9 A. There are standards -- I think they are in
10 federal law and rule. I'm not sure what they are for
11 the state -- that relate to locations that all carriers
12 are supposed to connect calls. I know where I live in
13 California that when I call 911 from my wireless phone,
14 I think I get connected to Fairfield, which is an
15 adjoining county, but then calls are pretty quickly
16 switched to the appropriate location, so it is
17 Verizon's position, as I understand it, that this is an
18 appropriate routing for these calls.

19 Q. In your opinion, is a nearby working wireless
20 telephone connection a substitute in an economic sense
21 for a wireless connection of your own?

22 A. It can be, yes.

23 Q. Is it a substitute for a wireline connection
24 of one's own?

25 A. Yes, it can be.

0223

1 Q. I'm turning now to two references in Exhibit
2 30-T, and that was your testimony of March the 6th, and
3 essentially just referencing your footnotes 5 and 8, if
4 you looked at Pages 9 and 14, you will see that you
5 cite FCC publications.

6 JUDGE MACE: Give us a moment to get there.

7 MR. TRAUTMAN: On Pages 9 and 14, there is
8 footnotes 5 and 8.

9 THE WITNESS: Yes, I have those.

10 CHAIRWOMAN SHOWALTER: If you say the exhibit
11 number and quickly the page number -- you have to say
12 the exhibit number, see that we are at the exhibit
13 number, then the page number. Otherwise, our older
14 over-50 minds cannot hold this all in our heads while
15 we are looking, so what exhibit number?

16 MR. TRAUTMAN: 32.

17 CHAIRWOMAN SHOWALTER: What page?

18 MR. TRAUTMAN: Pages 9 and 14 each have a
19 footnote. There is footnote 5 and footnote 8, each
20 referring to an FCC report, "Trends in Telephone
21 Service," August 2001.

22 Q. (By Mr. Trautman) Having that in mind, are
23 you aware that the FCC released its latest report on
24 telephone subscribership in the United States on
25 November 8th, 2002, and this would be what's been

0224

1 marked as Exhibit 38.

2 A. I have five or six pages that you provided
3 that look like they come from that report.

4 Q. That's correct. And we did that in the
5 interest of brevity. It is the executive summary of
6 the entire report. The entire report is available
7 online. So you have the five pages that I reference.
8 If you could turn to Page 2 of that report.

9 JUDGE MACE: Now you are referring to Exhibit
10 38?

11 MR. TRAUTMAN: I am.

12 Q. (By Mr. Trautman) If you look down to the
13 second paragraph from the bottom, and this was a
14 November 2001 survey, and households were asked what
15 type of phones they had. While it indicated that it
16 was not a complete reporting of those who responded, do
17 you see that it indicates 1.2 percent of the households
18 indicated that they had only wireless phones?

19 A. Yes, and that's consistent with the
20 substitution discussion we were just having.

21 Q. Is it not true that more households have
22 wireline phones than wireless?

23 A. I don't know. At present, there are
24 approximately 140 million wireless phones in operation
25 in the United States, nearly half the population. I

0225

1 presume that there are a significant number of people
2 with wireline phones who do not have wireless phones,
3 but I don't know for sure.

4 Q. Is it true that some households have both?

5 A. I believe so, certainly, yes.

6 Q. Would this suggest that a wireless phone is a
7 complementary service rather than a substitute for
8 wireline?

9 A. Again, it can be, but the data you just
10 pointed me to indicated complete substitution for at
11 least a portion of the households, which is consistent
12 with other reports I've seen.

13 Q. From 1.2 percent; correct?

14 A. Yes.

15 Q. Do you know whether the Washington Commission
16 has found that wireless telecommunications is an
17 effective competition for wireline telecommunications?
18 Do you know whether they have or haven't?

19 A. I don't know if they've reached that issue or
20 not.

21 Q. Assuming for the purpose of the question that
22 they have not yet found that wireless
23 telecommunications are effective competition for
24 wireline telecommunications in Seattle, assuming that
25 that were the case, on what basis could it find that

0226

1 the presence of a weak wireless signal is an effective
2 substitute for wireline communications?

3 A. Well, your question is kind of compound. It
4 contains a number of presumptions. "Effective
5 competition" is a term that is often used to describe
6 the situation in the market where there is enough
7 pricing pressure from alternatives in the market so
8 that no one provider could exercise market power.

9 You can have a situation where two goods are
10 perfect substitutes for each other, but one does not
11 exercise effective competition on the other because
12 it's new or hasn't been adopted by a large number of
13 customers yet, or perhaps its price hasn't fallen far
14 enough yet, concerns like that. So there is nothing
15 inconsistent with the two premises that you offer in
16 your hypothetical.

17 Q. If you could turn now to Exhibit 32-T --
18 that's your testimony of May 15th. I don't have the
19 exact page at this point. Let me ask you, do you
20 recall stating that when you refer to the line
21 extension rule, you state that it excludes commercial
22 extensions and extensions to housing developments?

23 A. That is my understanding of the rule. I
24 don't know exactly where I've said that in this piece
25 of testimony.

0227

1 Q. Let me ask you this: Do you understand that
2 the rule expressly includes farmhouses?

3 A. I'm not sure. I don't remember that.

4 Q. Would you accept, subject to check, that, in
5 fact, the definition of "premises" in the rule includes
6 farmhouses?

7 A. I could accept that. I could look at the
8 rule and check that.

9 Q. Staying on this same testimony, Pages 3
10 through 4, and in this discussion, you are responding
11 to Mr. Shirley's discussion of Washington legislation,
12 the Washington statutes, and I believe he refers to
13 80.36.090 in the RCW's, which is often called the
14 obligation-to-serve statute, and also 80.36.300, which
15 has the various policies that the state has to follow.

16 I believe you indicate that since these
17 statutes were in effect prior to the line extension
18 rule under previous line extension tariffs; is that
19 correct. To that point, am I correctly stating?

20 A. Yes, that's what I discuss.

21 Q. At that time, most of the tariffs required
22 customers to pay \$440 per tenth of a mile extension
23 construction?

24 A. I don't know about most of the tariffs. I
25 did look at Verizon's tariff.

0228

1 Q. And theirs did?

2 A. Correct.

3 JUDGE MACE: I didn't hear your response.

4 THE WITNESS: I said that I don't know about
5 most of the tariffs, but I did look at Verizon's
6 tariff, and that's what it did provide.

7 Q. (By Mr. Trautman) So you could confirm it
8 with Verizon. Given that, you state that therefore, it
9 would be clearly proper for the Commission to determine
10 that the obligation-to-serve statute and the policy
11 associated with it need not be followed at the level
12 and investment associated with the extensions in this
13 case; correct?

14 A. No, I don't think I said quite that. I said
15 that the law is broad enough to permit line extension
16 policies other than the one that is currently in effect
17 in the state, and obviously, to permit a policy such as
18 was contained in the prior tariff. It would not
19 violate the statutes to do so since those tariffs were
20 in effect for many years under these statutes. That
21 was a response to Mr. Shirley's assertions to the
22 contrary.

23 Q. Let me ask you this: Is it Verizon's
24 position that at some lower level of investment than
25 that which is required by either the Taylor or Timm

0229

1 extensions but nevertheless the level of investment
2 that would not be recouped by a customer's payment,
3 which is \$520, is it your position that at some level
4 lower than that required by these extensions that
5 Verizon would have an obligation to provide the
6 extension?

7 MS. ENDEJAN: I respectfully object because I
8 frankly don't think I follow that question. I don't
9 know if the witness understood it, but I certainly
10 didn't.

11 CHAIRWOMAN SHOWALTER: I didn't either.

12 JUDGE MACE: Can you work at revising that,
13 Mr. Trautman?

14 Q. (By Mr. Trautman) Verizon's position is that
15 it should not have to provide the current extensions
16 given their expense. Is that not correct?

17 A. More or less, yes. Verizon has applied for a
18 waiver based on the cost of the extensions, yes.

19 Q. Is there some lesser level of expense at
20 which you would say that there would be an obligation
21 to provide the extension?

22 A. At the moment, there is an obligation to
23 provide the extension unless the Commission grants a
24 waiver. That's a function of the Commission's rules.

25 Q. Let me turn to Page 15. We are still on

0230

1 Exhibit 32-T. You say on Lines 9 or 10, "Personally, I
2 think it is difficult enough to justify a subsidy of
3 \$15,000 to \$20,000 per customer to provide telephone
4 service, especially under these circumstances," and
5 then you say, "to reach the six-figure range as would
6 occur here is clearly going too far."

7 Is \$15,000 or \$20,000, are either of those
8 figures the bright line above which service should not
9 have to be provided?

10 A. Well, I thought a great deal about this
11 question, and I'm sure the Commission is very concerned
12 about this as well as to how far is too far, and in my
13 testimony, I provide a great many comparisons and sort
14 of economic discussions of alternatives you can think
15 about to try to evaluate this issue.

16 It's clear from a matter of simple economics
17 that most of the line extensions that the rule permits
18 don't pass an economic test. They do cost more than
19 they are worth, but economics is not the sole
20 determinant of the Commission's policy and economics is
21 not the sole determinant of universal service concerns
22 and other things the Commission is responding to in
23 promoting the rule.

24 I thought long and hard about this and tried
25 to come up with some levels at which it would make

0231

1 sense to call a halt to this or say that some places
2 are too far out; some burdens are too great for other
3 customers and the company to bear. The figure of 15-
4 to \$20,000 here, you can back out a number of ways.
5 One way of thinking about this is, are we creating
6 anything of value that corresponds to the cost that's
7 being expended? I talk a fair amount in my testimony
8 about that.

9 Well, 15- to \$20,000 range, what you are
10 saying essentially to a customer -- it's kind of like a
11 hypothetical -- would you rather have a new car, or
12 would you rather have this phone line? Is the phone
13 line worth as much as a new car would be? It seems to
14 me that's starting to stretch it. It's particularly in
15 terms of the customers who are paying the bill for
16 that.

17 Another way you could think of that is you
18 could take the basic rate the Commission requires
19 Verizon to charge for service, which is about \$13. You
20 add the FCC portion of that and you get to the vicinity
21 of \$20. You could ask yourself, what kind of capital
22 investment could you actually support on a
23 \$20-per-month rate on an economic basis, and if you
24 just go in and back-of-the-envelope kind of thing and
25 say maybe a 15 percent capital recovery factor, you

0232

1 could find your way to about \$1,600 is what you can
2 support on a \$20-basis rate. So if you say, All right,
3 we are going to have the customer pay for that and we
4 will foot the bill for the rest, \$16,000 is about ten
5 times what the basic rate would support in terms of
6 capital recovery. That's another idea for a threshold.

7 I've said elsewhere in my testimony that I'm
8 not the authority on this. The Commission has to make
9 this decision based on weighing a variety of
10 considerations, but these are some of the things that I
11 thought about in getting to this kind of level and
12 saying, going beyond that and forcing the other
13 ratepayers to pay for it is too much.

14 Q. My question was 15- or \$20,000 the amount,
15 the limit, and I'm not sure I got an answer.

16 A. In my view, I think it's an appropriate
17 limit. I think it depends on other circumstances, and
18 I don't think there is a bright line you can draw
19 firmly in the sand, but I'm pretty uncomfortable even
20 going to that level, and going beyond that is, I think,
21 more than should occur.

22 Q. I believe you indicated earlier that you
23 weren't aware whether or not Verizon has sought a
24 greater amount per customer in any of the extensions
25 contained in the May 2nd tariff filing.

0233

1 A. No, I didn't say that. I have seen the
2 summary sheets that were discussed yesterday regarding
3 the sort of average cost per customer and total cost of
4 some extensions that have been made. I think there may
5 be some where the per-customer cost is higher than this
6 level. They are compelled to build them under the
7 Commission's rules unless they get a waiver.

8 Q. So it is your testimony that Verizon has
9 sought recovery in some instances for amounts that are
10 beyond the level you would deem acceptable?

11 A. I suppose you could say that. There is
12 nothing unacceptable about asking for recovery, given
13 the money was spent under the rule, but I think the
14 extensions were probably more costly than would be
15 justified.

16 Q. Would it be unacceptable to seek recovery for
17 \$49,000 in direct costs from one person?

18 A. Well, again, the rule provides for that, so
19 it is acceptable by definition. I think that may be a
20 cost that's too high, but it is acceptable to seek
21 recovery. The rule is there.

22 Q. If you could turn to Page 12 of Exhibit 32-T,
23 and I'm looking at Lines 11 to 13, is it correct that
24 you state here the 1.2 million dollars at issue in this
25 case alone already approaches \$1.50 per Verizon's

0234

1 switched access line?

2 A. Yes.

3 Q. Is it not correct that terminating access is
4 paid by long-distance companies that serve all
5 customers in Washington who might call a Verizon
6 customer?

7 A. Yes, I suppose it is.

8 Q. Did any of the long-distance companies in
9 Washington intervene in this case?

10 A. I don't believe so.

11 Q. Is it true that Qwest was brought into the
12 case through a joinder motion, but none of the other
13 companies intervened; is that correct?

14 A. I don't see AT&T or WorldCom or others.

15 Q. Is there anyplace in your testimony where you
16 quantify the harm that each customer will experience,
17 each customer that might pay terminating access
18 charges?

19 A. No, but in principle, those kind of efforts
20 have been done in the economics literature for years,
21 but no, I didn't make that calculation.

22 Q. Is there anyplace where you indicate what the
23 terminating access charge -- what terminating access
24 charge would need to be applied to recover the amounts
25 associated with these expenses?

0235

1 A. No. I was focusing on the total revenues.

2 Q. So is there anyplace in your testimony where
3 you would quantify the harm to an individual
4 shareholder that would result if these extensions were
5 constructed?

6 A. I haven't done that. I think that would be a
7 difficult analysis except for just the monetary impact
8 on the company. The shareholders' impact is ultimately
9 due to the change in the stock prices associated with
10 that.

11 Q. Have you quantified as to the shareholders
12 collectively?

13 A. Well, the shareholders lose what they are not
14 allowed to recover from these line extensions, which is
15 at present, as I understand it, was defined as
16 reinforcement costs. So you can add those dollars up
17 by going back to the particular filings and seeing how
18 much they have not been allowed to recover.

19 Q. If you could turn back to Exhibit 30-T, which
20 is your March testimony, and I'm on Page 5. I'm at the
21 top of the page, Lines 1 to 4, and you say, "Two of the
22 fundamental principles of economics are as follows:
23 One, people face trade-off's. To get one thing that we
24 like, we usually have to give up another thing that we
25 like, and two, the cost of something is what you give

0236

1 up to get it." Do you see that?

2 A. Yes.

3 Q. Now hypothetically, could such a trade
4 involve -- from a company's standpoint, could that
5 trade of benefits include acquiescing in a tariff an
6 exchange for constructing a line extension in exchange
7 for this commission staff's acquiescence?

8 MS. ENDEJAN: Objection.

9 JUDGE MACE: Why don't you go back through
10 that again.

11 Q. (By Mr. Trautman) Could such a trade from
12 the company's standpoint include the company's agreeing
13 to construct a line extension in exchange for
14 Commission staff's acquiescence in a tariff?

15 MS. ENDEJAN: Objection.

16 CHAIRWOMAN SHOWALTER: When you say "such a
17 trade," I think there has been too much intervening.
18 What is your reference here?

19 MR. TRAUTMAN: It's a hypothetical. It's
20 referring to....

21 CHAIRWOMAN SHOWALTER: Who is trading with
22 whom?

23 MR. TRAUTMAN: It's referring to Exhibit 213,
24 which was referred to....

25 CHAIRWOMAN SHOWALTER: When you said "such a

0237

1 trade," you are making a reference to the testimony, I
2 think.

3 MR. TRAUTMAN: It's a hypothetical. It's
4 referring to a trade where Verizon would agree to
5 construct a line extension in exchange for the
6 Commission staff's acquiescence in a proposed tariff of
7 Verizon. Would that not be an economic trade-off, and
8 such a trade-off occurred as is reflected in Exhibit
9 213.

10 JUDGE MACE: Hold on a moment while we deal
11 with that question and refer to Exhibit 213, which is
12 one of Ms. Ruosch's exhibits.

13 MS. ENDEJAN: At the appropriate time, I
14 would like to lodge an objection.

15 JUDGE MACE: Go ahead, Ms. Endejan.

16 MS. ENDEJAN: I object to apparently what
17 this line of questioning is seeking, which is to
18 question Dr. Danner about an exhibit that he didn't
19 author, apparently has no knowledge of and no
20 participation in about an arrangement that he also has
21 not testified he has knowledge of or participated in.

22 There really is no foundation for this
23 inquiry, and A and B, I would say it's irrelevant to
24 the purpose of Dr. Danner's testimony. C, the question
25 is relatively incomprehensible because I still don't

0238

1 understand what he's getting at, and I believe those
2 cover -- I can think of others, but that will do for
3 now.

4 JUDGE MACE: Mr. Trautman?

5 MR. TRAUTMAN: It's simply hypothetical. I
6 asked for a hypothetical. I asked to assume the
7 company would do one thing in exchange for another, and
8 I asked whether that would be included within his
9 concept of an economic trade-off. It's his principle.
10 He stated that that's one of his principles. People
11 trade one thing to get another. I asked hypothetically
12 under that hypothetical, would that fit within that
13 economic principle.

14 CHAIRWOMAN SHOWALTER: There have been so
15 many versions of the question, but is an appropriate
16 version of the question, is the example of when a
17 company strikes a deal with the staff an example of an
18 economic trade-off from the company's point of view,
19 hypothetically?

20 MR. TRAUTMAN: That's correct.

21 CHAIRWOMAN SHOWALTER: That seems to be
22 within the scope of his cross.

23 THE WITNESS: I think it's important to keep
24 two things straight. One is the flow of dollars. The
25 other is the actual flow of resources that are

0239

1 involved. What I'm speaking about here principally is
2 the flow of resources and the idea that when we devote
3 resources to building something, those are not
4 available to build something else that would be of
5 value, and the notion is that it's important for us to
6 use our resources in ways to create the most value, and
7 there are a number of comparisons I go through
8 subsequently.

9 Certainly in a monetary sense, companies or
10 individuals can make trade-off's in administrative or
11 legal proceedings. I kind of hate to say it, but those
12 are often lumped in the category of transaction costs
13 and economics, which are generally understood to not
14 create much value, but yes, I suppose from the
15 company's standpoint, if there is some sort of an
16 implicit threat or concern about the staff's action, if
17 they don't go along with a particular point of view the
18 staff is expressing, then the company might make a
19 monetary trade-off and say, This will cost us so much,
20 but if we have to get on the wrong side of the staff,
21 it might cost us more, so let's go this way. That's
22 possible.

23 Q. (By Mr. Trautman) Dr. Danner, if a line
24 extension were constructed under the tariff prior to
25 2001 and it did not contemplate cost recovery through

0240

1 terminating access -- do you have that in mind?

2 A. So what you are saying is that under the
3 prior tariff, there was a line extension. There were
4 some costs the customer didn't pay, and the company
5 didn't have an explicit provision for recovery of them
6 through terminating access.

7 Q. Right. Given that, would inclusion of that
8 extension in a later tariff filing made under the line
9 extension rule, which provides for terminating access
10 recovery, would that inclusion effectively move
11 recovery from that investment from the shareholders to
12 ratepayers?

13 A. Depending on your assumptions about what
14 would have happened to the investment otherwise. There
15 might have been an intervening rate case or other
16 proceeding where that investment could have been
17 recovered by the company, but if no such thing was to
18 occur, yes, I think the customers would end up paying
19 costs that the company would otherwise have borne.

20 Q. Could you turn to Page 28 of Exhibit 32-T,
21 and I'm starting at Line 15.

22 A. That's the reply?

23 Q. Yes.

24 A. I believe I have it.

25 Q. On Line 15, there is a question that begins,

0241

1 "Is there an obligation on the part of the Commission
2 to inform the public about the impacts of its line
3 extension policy?" Do you see that?

4 A. Yes.

5 Q. You respond by saying, "Recovering through a
6 terminating access charge is perhaps the epitome of a
7 hidden tax." Do you see that?

8 A. Yes.

9 Q. My question is, and you may not know the
10 answer, do you know whether prior to Verizon making its
11 May 2nd tariff filing, do you know whether Verizon made
12 any effort to inform the public about its plan or to
13 inform access payers of its plan?

14 A. I don't know. I'm talking here about what I
15 thought the Commission ought to do.

16 Q. Right. But you don't know whether Verizon
17 informed access payers of its plan to recover through
18 terminating access?

19 A. I don't know. I would presume that AT&T and
20 other companies like that would be aware of this, but I
21 don't know.

22 Q. Could you turn to Page 21 of that same
23 testimony, Exhibit 32-T? Do you have that?

24 A. Yes, I do.

25 Q. At Line 6 to 9, you say that you have no

0242

1 reason to dispute Professor Duft's characterization
2 that, quote, "The Timm Ranch is indicative of our
3 state's agricultural future and fulfills a vital roll
4 in our state's continued need to produce food stuffs
5 efficiently while making the best use of available
6 productive resources." Is that correct?

7 A. Yes.

8 Q. Did you make that statement after reviewing
9 Professor Duft's entire testimony?

10 A. Yes.

11 Q. So may I assume that you also read Professor
12 Duft's characterization of the Timm Ranch, which
13 included the statement, and this is at Page 16 of his
14 testimony -- I assume you've read all of his testimony?

15 A. Yes, I have.

16 Q. He states that in most every way, the Timm
17 Ranch is typical of contemporary cow-calf operations
18 requiring large acreage and a location in a sparsely
19 populated area. Is that correct?

20 A. I recall that, yes.

21 Q. Is it also correct in your reply testimony
22 you did not comment on his statement that society would
23 not likely accommodate and conditions would not likely
24 permit operations of this type and size to be located
25 in areas other than those that might first appear to be

0243

1 remote?

2 A. I didn't comment on that, no.

3 Q. Did you address the fact of his statement
4 that a farmer might raise two to three thousand cattle,
5 own 9,000 acres, lease 30,000 acres from the Colville
6 tribe, and sometimes use up to additional 100,000 acres
7 --

8 JUDGE MACE: Mr. Trautman, can I just
9 interrupt for a moment? Dr. Duft's testimony will be
10 presumably admitted into the record. Dr. Danner
11 testified as he testified in his prefiled testimony. I
12 don't think it's helpful for the record to repeat what
13 will be or already is in the testimony.

14 MR. TRAUTMAN: All right.

15 Q. (By Mr. Trautman) If you could turn to Page
16 24, and I'm at Line 5, and you have the question, "Does
17 agriculture receive a wide array of public policy
18 preferences and subsidies," and you answer in part, "In
19 general, agricultural interests have --"

20 JUDGE MACE: If you could just go to your
21 question, we do have that testimony before us, and if
22 you could just go to your question about it.

23 MR. TRAUTMAN: The statement is necessary
24 because he states that agriculture interests have long
25 succeeded in exerting considerable political influence.

0244

1 JUDGE MACE: We have that before us.

2 Q. (By Mr. Trautman) You did not comment on
3 Mr. Duft's statements that mail service is provided to
4 each private residence at the Timm Ranch; is that
5 correct?

6 A. I did not comment on that either. If we
7 could talk about what I did comment on.

8 Q. Let me just clarify that Professor Duft
9 refers to a mail service, common school education, and
10 public roads being provided to the Timm Ranch. It
11 isn't your testimony that those are provided because of
12 any considerable political influence by the Timm Ranch;
13 is that correct?

14 A. Well, I've done some work in postal service
15 with the United States Postal Service, and I think
16 rural agriculture interests have a definite role in
17 keeping some post offices open.

18 JUDGE MACE: Dr. Danner, could you make sure
19 your mike is on, and would you speak directly into it?

20 Q. So is it your testimony to the Timm Ranch in
21 particular that those services are provided because of
22 considerable political influence by the Timm Ranch?

23 A. You know, my statement here says, "in
24 general," and that's my opinion.

25 Q. In Exhibit 30-T on Page 15, I'm looking at

0245

1 Lines 7 to 8 where you state that rather than
2 constructing extensions, quote, "It would be less
3 costly to buy these customers nice houses that already
4 have telephone lines installed." Is that correct?

5 A. Yes.

6 Q. Would that same principle apply to homes that
7 receive mail delivery at an expense greater than 37
8 cents?

9 A. I don't know if you could get enough mail to
10 justify this kind of subsidy cost to need equipment of
11 a house. It's also true in postal service that
12 universal service calculations aren't quite as
13 straightforward as they are in telephones, because one
14 of the benefits is of the ability to mail to all
15 places, but if you received enough mail where you were
16 being subsidized to the tune of \$150,000, then the same
17 comparison would apply, I suppose.

18 Q. Would the same comparison apply to school bus
19 service if this service exceeded the average
20 contribution of the property taxes to that service?
21 Would you submit they should move to a different
22 location rather than provide the bus service where they
23 are?

24 A. I don't believe the subsidies you are
25 discussing, if they are subsidies, and we haven't

0246

1 established that necessarily because I don't know how
2 much property tax the Timm Ranch pays on a spread of
3 that size, we haven't established those are of the
4 magnitude we are discussing here, so I don't know
5 really how to respond to your question. Again, I would
6 find it hard to believe that the cost you are
7 describing could approach this level.

8 Q. If you could turn to Page 6 of Exhibit 30-T,
9 and you state on Lines 9 and 10 that it makes economic
10 sense to go ahead, I should say, and deliver a service
11 when the result is more valuable than what is consumed
12 in making it; correct?

13 A. Yes.

14 Q. Does that principle apply to the subsidized
15 telephone service that is provided throughout a great
16 deal in Washington?

17 A. In economic terms -- well, it's a longer
18 discussion as are many of these questions. In economic
19 terms, that's certainly true. Subsidized telephone
20 service in most of Washington though may be worth
21 providing where the subsidies aren't large because
22 customers do find value in the service that exceeds
23 what they are being asked to pay, but as a general
24 matter, yes. If it costs more to provide than it's
25 worth, than there is an economic loss. You may want to

0247

1 provide it for other reasons, but there is an economic
2 loss.

3 Q. Does Verizon provide local service in
4 Washington through average cost pricing?

5 A. I believe it does as the Commission has
6 required, yes.

7 Q. Is that \$13 per month for residential and
8 about double that for businesses?

9 A. I believe those are the current rates, yes.

10 Q. Do you know what would be the range of
11 monthly charges if it were priced on a deaveraged cost
12 basis?

13 A. I guess there are two components to that
14 question. The first question is whether it was priced
15 to recover costs at all in the first instance. I
16 understand the \$13 is considerably below cost on
17 average. So the first question is, do you price basic
18 phone service at its cost to begin with.

19 If you are speaking of deaveraging it, as I
20 referred to elsewhere in my testimony, there are kind
21 of administrative or marketing considerations that
22 limit deaveraging for many service providers, and you
23 wouldn't necessarily -- sure, you wouldn't want to
24 charge each customer exactly what their service costs,
25 but deaveraging would be a more economically efficient

0248

1 way to price the service. It would impair local
2 competition less than the current pricing does. There
3 are a lot of economic benefits to having prices more
4 closely match costs.

5 Q. Do you know what the range of charges would
6 be if each customer paid what their actual cost is for
7 local service?

8 A. I believe the average cost in Washington is
9 on the order of \$27 or \$28 for Verizon's residential
10 service. You have to include the FCC charges helping
11 to recover that. The basic local rate would be several
12 dollars higher on average. Depending on the extent of
13 deaveraging you get --

14 Q. Do you know what the range of charges would
15 be?

16 A. I can only think about the range of charges
17 if we think about the extent of deaveraging. If you
18 are deaveraging into, say, a higher and lower cost
19 area, you would average within those. If you are
20 deaveraging within three or four areas, you would have
21 a greater range of costs. It's not a question you can
22 answer simply without knowing how many rate groups you
23 are creating, so I can't give you a simple answer to
24 that.

25 Q. Turning back to Exhibit 32-T, on Page 2, and

0249

1 at I'm at the bottom of the page, and at the bottom of
2 the page, you refer to what you call, quote, you say,
3 "Mr. Shirley's absolutist position." Do you see that?

4 A. Yes.

5 Q. Where in his testimony did he state that
6 absolutely no extension should be waived?

7 A. I don't think he said it in those words. I
8 did not find anything in his testimony that suggested a
9 waiver would ever be appropriate. I did not find
10 anything in his analysis of these customers that
11 suggested any limits. I found him arguing that the
12 business purposes of agriculture justified the
13 extension even though the rule excludes that. I didn't
14 find any reasoned weighing of costs and benefits. I
15 just found him at every point arguing that we should
16 just go ahead.

17 Q. Again, he did not state that absolutely no
18 extension should be waived; is that correct?

19 A. I didn't see those words, no.

20 Q. Did he not say as to the Timm Ranch that
21 there should not be a waiver because, quote, "The Timm
22 Ranch is exactly what policy makers should expect, a
23 large-scale cattle ranch located far enough from others
24 to permit it to operate in an economically viable way
25 and without being a nuisance to his neighbors." Did he

0250

1 not state that's the reason for his position on the
2 Timm Ranch?

3 A. You just restated the business purposes that
4 he and Dr. Duft emphasized with respect to the Timm
5 Ranch.

6 Q. So he stated conditions related to the Timm
7 Ranch; correct?

8 A. I don't think those are conditions. Those
9 are affirmations of why he thinks they should have the
10 service, and again, they all relate to business.

11 Q. Did he not say of the Taylor location that
12 it's on a well-maintained county road connecting to a
13 state highway on which more than 800 vehicles travel
14 per day?

15 A. I don't recall that exact phrase. I'm sure
16 it's in there. He did not say something, for example,
17 that if there were fewer than 800 vehicles per day, we
18 wouldn't have an extension, or if the county road
19 wasn't well-maintained, we shouldn't have an extension.
20 These are all, again, affirmative reasons why he thinks
21 it should be allowed. I didn't see anything placing
22 limitations.

23 Q. Am I correct that I found no testimony in
24 none of your testimony rebutting Mr. Shirley's
25 testimony concerning Verizon's impending receipt of

0251

1 support from the federal high-cost fund?

2 JUDGE MACE: Could you repeat that question?

3 Q. I just want to confirm, Mr. Shirley refers to
4 Verizon's impending receipt of support from the federal
5 high-cost fund. You don't challenge that; is that
6 correct?

7 MS. ENDEJAN: Wait a minute. I object. I'm
8 having certain problems with Mr. Trautman
9 cross-examining Dr. Danner about Mr. Shirley's
10 testimony.

11 MR. TRAUTMAN: Fine. We can just leave that
12 at that. At this point, I just need to move for
13 admission of Exhibits 36 through 38 into the record.

14 JUDGE MACE: Just one moment. Any objection
15 to the admission of proposed Exhibits 36 through 38?

16 MS. ENDEJAN: No objection, Your Honor.

17 JUDGE MACE: Those will be admitted.

18 MR. TRAUTMAN: I have no further questions.

19 JUDGE MACE: We will take a 15-minute break
20 at this point.

21 (Recess.)

22 JUDGE MACE: Staff has concluded its
23 cross-examination of Dr. Danner. My understanding is
24 that Qwest has no cross for Dr. Danner, so let's turn
25 to Mr. Harlow.

1 CROSS-EXAMINATION

2 BY MR. HARLOW:

3 Q. Good morning, Dr. Danner. I'm Brooks Harlow
4 representing RCC.

5 A. Good morning, Mr. Harlow.

6 Q. If you would turn to Exhibit 33-T.

7 A. If you could remind me which one that was.

8 Q. That was the July 5th reply testimony. In
9 particular, Page 3, Line 13, you were asked, "Should a
10 wireless carrier that has been granted ETC status serve
11 geographically isolated areas like Timm Ranch." Do you
12 see that question?

13 A. Yes, I do.

14 Q. Your answer starts out with a condition that
15 reads: "Yes. If the costs of doing so are not
16 excessive." Do you see that?

17 A. Yes.

18 Q. Since you filed this testimony in July, RCC,
19 of course, has provided some attempts to serve the area
20 and some cost estimates for improving the service. Are
21 you familiar with those?

22 A. Yes, I am.

23 Q. Based on your review of RCC's work and
24 testimony, do you have an opinion as to whether that
25 condition has been met in this case, i.e., the costs of

0253

1 doing so are not excessive?

2 A. Yes. I believe that condition has been met
3 with respect to the service provided through the phone
4 cell units.

5 Q. What about the cost to provide an improved
6 level of service? Would the condition be met in that
7 instance?

8 A. To the extent that costs would include siting
9 new cell sites and towers, as your company described,
10 those costs appear excessive.

11 MR. HARLOW: Thank you. That's all I have.

12 JUDGE MACE: Do the commissioners have
13 questions?

14

15

16 CROSS-EXAMINATION

17 BY CHAIRWOMAN SHOWALTER:

18 Q. I've got a couple of areas I would like to
19 follow up on. One is this concept of what is economic,
20 and you were asked some questions about the company
21 striking a deal with the staff, and you tell me if
22 conceptually I have things right.

23 There is one sense of economic which might be
24 a lay sense in which if a company found in its interest
25 to take an action, it might do so, and I think you

0254

1 called that a transaction cost, or it's a calculated
2 decision of a company, but I took your sense of
3 economic to mean in some kind of societal sense, or
4 maybe it's an abstract sense, about whether an action
5 increases value in some kind of universe, not a
6 shareholder universe necessarily. Have I basically got
7 it right? And maybe you can articulate that
8 distinction better than I did.

9 A. I would be happy to speak to that. You have
10 it about right. Maybe a simpler way to think about it
11 is a flow of dollars versus the resources that those
12 dollars command, so from the company's -- I'll give you
13 an example using the company versus society and
14 ratepayers.

15 For example, if you were to clarify your rule
16 that the reinforcement costs associated with a
17 particular extension were to be recovered by the
18 company -- let's just simplify the situation to that.
19 So the company is in a sense truly indifferent to
20 whether or not they would go ahead with a particular
21 extension because they will recover the dollars.
22 That's one consideration, and that's the flow of money
23 and the company's own decision-making process.

24 The other consideration relates to the
25 genuine resources that are going to be consumed in the

0255

1 process of creating these extensions. In one part of
2 my testimony, I referred to something Ms. Ruosch
3 described, the numbers of workers and cable and plant
4 and use of tractors and all those sorts of thing that
5 go into the actual physical resources. The question
6 there is whether in consuming those resources, which
7 have a certain value, you are creating something new
8 that has a greater value to somebody. In this case, we
9 are looking at the customer who would be served.

10 So for example, I think a round number for
11 the average cost of the extensions we are talking about
12 here is 100- to \$150,000 per customer served. We are
13 going to take resources that have a value of 100- to
14 \$150,000, we are going to consume them. They are going
15 to be used up, and we are going to be left with these
16 phone lines at the end, so the question is, do those
17 customers get or does somebody get 100- to \$150,000
18 worth of value out of those phone lines when we are
19 done? Is it worth a house?

20 Q. So if the company and the staff came to some
21 sort of agreement on expenditure by the company, the
22 company may have determined its interest. The staff
23 may have determined in their personal view correct, but
24 it doesn't mean that that transaction was, in fact,
25 beneficial. Am I right on that? If the two of you

0256

1 agreed to something that cost five million dollars, the
2 fact of an agreement doesn't show it's economic in the
3 broader sense that you, I think, are meaning it in your
4 testimony.

5 A. Yes, that's exactly right, and that's where
6 the Commission comes in as the gatekeeper of the public
7 interest.

8 Q. Where there has been an agreement that did
9 not get the approval of the Commission itself, except
10 perhaps later in some form of recovery, I don't think
11 one can draw a conclusion as to what the Commission
12 might have thought of that deal.

13 A. Well, certainly, if the Commission didn't
14 address it, we don't know.

15 Q. I want to go to this issue of how much is too
16 much, and there was a talk of a 15- to \$20,000 limit,
17 and what I found missing in that discussion is that it
18 appeared that the discussion was going along
19 one-dimensional lines; that is, if all we had in the
20 universe were one land-line company and customers, some
21 of whom are not served and the other customers are the
22 ones paying, that very simplified version, there would
23 be a question, I think, of how much does the group pay,
24 that is, ratepayers, or how much should they pay for
25 some extension to a single customer?

0257

1 But aren't we really dealing, as the rule
2 reflects, with other factors being present, namely, the
3 presence of wireless as a more or a less perfect
4 substitution, the presence of other potential
5 customers, the prospect of development in the future,
6 so that this simply isn't a one-dimensional line that
7 ranges from ten million at one end down to \$200 cost at
8 the other.

9 A. I agree. I don't think there is a bright
10 line, and I tried to express that in my earlier
11 responses. There are these other circumstances you
12 need to think about.

13 Q. So let's take the simplest example.
14 Supposing the line extension to a single person on a
15 mountain top would cost ten million dollars and that
16 person has a working wireless phone that cost \$20 a
17 month. Now, in that case -- this is somewhat
18 rhetorical, but I assume most of us would say that's
19 not an appropriate expense for the group to incur.

20 A. I think that would be hard to explain to the
21 ratepayers.

22 Q. Now I want to draw a couple of other
23 examples. Supposing you have the same scenario. It's
24 still only one person. It still costs ten million
25 dollars, but there is no wireless there either. That

0258

1 is, there is not any substitute. Fundamentally, isn't
2 the analysis the same? It's still the question of how
3 much is too much.

4 A. Yes, the analysis is the same. I think
5 having the working wireless there shows you that the
6 added value from the land line may be quite small.

7 Q. So isn't the presence of, let's say, a
8 perfect substitute, at this point, doesn't that operate
9 to lower the threshold at which something is worth
10 doing? In other words, if it was 15- to 20,000 without
11 the presence of wireless, then maybe it's 10 to 15 with
12 it.

13 I'm not trying to suggest these are the
14 correct amounts. I'm just saying that doesn't the
15 presence of some form of substitution lower the
16 economic threshold at which service is reasonably
17 provided?

18 A. It certainly would, and the way you could
19 think about that is coming back to the idea of value to
20 the customer. The customer on the mountain top who has
21 no service at all will be more interested in having
22 that wireline put in, would be willing to pay more for
23 it if they had to than the customer who already has the
24 working wireless, and that's one reason why we did talk
25 about wireless in this case and the efforts of RCC who

0259

1 are important in trying to bring some more service out
2 there and so on.

3 Q. Then on the question of what kind of
4 substitute wireless is or isn't, isn't it correct that
5 wireless that can only call 911 from three miles away
6 from a house is a partial substitute? It's not a total
7 substitute for a land line?

8 A. I would agree with that, yes. It may
9 substitute for a few of the highest value uses. That
10 911 call can be a quite important and valuable thing,
11 but it's not a perfect substitute, no.

12 Q. So when you are trying to do these
13 trade-off's, isn't it that the worse the wireless
14 works, the higher that quote, 15- to 20,000 threshold,
15 would go along that scale.

16 A. Conceivably. You also want to think a little
17 bit about expectations of people living in remote
18 places or living in the country and a lot of utilities
19 are hard to get, but yes, you are right.

20 Q. On the question of substitution and whether
21 wireless is or isn't good substitution, would you agree
22 that if we had number portability that wireless would
23 be a much better substitution in the eyes of a consumer
24 than it is without it?

25 A. I'm not really sure about that. As I say,

0260

1 we've gotten almost to the point where half the people
2 -- I dare say if we ask for a show of hands in this
3 room, there might be a cell phone in every pocket, so
4 we've done rather well without it. It certainly would
5 help.

6 Q. I meant in terms of when people are willing
7 to drop their land line, isn't part of the reason that
8 no one knows how to call you anymore, and if you could
9 transfer your land line number over to a wireless, that
10 would make wireless quite a bit more attractive?

11 A. It would make it easier, yes. I don't know
12 how attractive, and it would vary by the person, but
13 yes, that would make it more attractive.

14 Q. But back to these factors. Isn't the
15 Commission really dealing with kind of a
16 multidimensional situation in which it has to balance
17 the cost of delivering the land line on the one hand
18 with a mixture of factors that we have laid out, at
19 least in part in our rule, that should be weighed as a
20 mixture, not one element against the cost or another
21 element against the cost, meaning one element is
22 wireless there or not or will we call 911 or not or is
23 there a house or not or a residence or not, or another
24 element, are there some other residences or not.

25 Isn't it we have to take all those things

0261

1 into account, which is why it's going to be extremely
2 difficult to draw a bright line outer limit to our
3 rule, other than to say whichever way we go on this,
4 parties would know, perhaps, on one side or the other
5 of this little mix of factors whether we do or don't
6 say a waiver is appropriate?

7 A. I agree. There are a great many factors you
8 have to consider. I would note that the economic
9 analysis I provided in my testimony left you, in a
10 sense, a large margin of error. By the time you get to
11 15- or \$20,000, you are way past any economic
12 justifications for the service, so you've already, in
13 effect, got a significant weighting of those other
14 factors in some sense included.

15 But I agree that particularly approaching
16 this on a sort of case-by-case waiver approach as the
17 rule contemplates at present, you do have to do this
18 weighing and balancing that I think you aptly
19 described.

20 Q. I would also like to ask about what it means
21 to have other values. Let's say by your analysis
22 spending more than \$20,000 in this case is not economic
23 from that universal point of view, but supposing we do
24 have a value of universal service that at least
25 operates in some instances to do things that you would

0262

1 say are uneconomic. Am I right there; that in general,
2 we have a policy of getting phone lines to places that
3 you would say are not economic; is that correct?

4 A. I would like to think the analysis is not
5 just me talking, but certainly. There are a great many
6 cross-subsidies in telecommunications. If you study
7 the economics of telecommunications, you will learn a
8 great deal about cross-subsidies. They are everywhere,
9 and I don't advocate against them all. I think that
10 there are reasons to expand the network that go beyond
11 the sheer cost and benefit of it.

12 I also think if you think carefully about
13 many of the justifications that are offered, you find
14 that there is less there than meets the eye; for
15 example, the externality value one. I'll give you an
16 opposing way to think about it that I hope is clear
17 that I always find helpful.

18 The externality argument is basically that
19 any one of us might pay more for our phone service. It
20 might be more valuable for the ability to reach one
21 more random person. There is one more random person
22 out there, so the argument is, Well, there are hundreds
23 of thousands of millions of people on the phone
24 network. They are all willing to pay more to reach the
25 random person. Doesn't that make it worth while?

1 Of course, in that sense it has to be
2 reciprocal. It also has to be worth it to the new
3 subscriber to be willing to pay a comparable amount to
4 reach all those people. Since new subscribers
5 generally aren't willing to pay 100- or 200,000 or some
6 enormous number for phone service, we immediately
7 scratch our heads and say, That externality value must
8 not be enormous, and in fact, I reported in my
9 testimony about the late Dr. Pearl's estimate of
10 ballpark five dollars a customer in terms of the
11 externality value to everyone else, having someone else
12 on the network. So I degree that there is a balancing
13 and there is a mix and there is an affirmative policy.

14 It's helpful to try to parse those things as
15 best you can and sort of run them down and see where
16 there is something more or something less. There are
17 some policies justified with universal service that I
18 think are marvelous and very important. There are some
19 things that are justified with universal service that I
20 think are superfluous or even harmful.

21 Q. I guess my question is why can't these values
22 be equated or incorporated into an economic analysis --
23 I'll try to think of something outside of this context,
24 but if we say you are not allowed to sell a kidney or
25 we have a value about not having a market for body

0264

1 parts maybe. I know we kind of do. In other words,
2 why can't we say, We do attach a value to that.
3 Therefore, to some degree, maybe not to the n'th
4 degree, to the mountain top, but to some degree, we are
5 valuing that, so put that into your mix, Mr. Economist.

6 A. It's funny. I remember something from the
7 first week of graduate school where a professor said,
8 "You are going to be six-dimensional people in a
9 two-dimensional world, and it's going to be frustrating
10 sometimes."

11 There are limits to economics, and economists
12 can factor in values for these things if somebody tells
13 you what they are or if you have a way of figuring them
14 out, and there are some economic analyses that are
15 quite clever that figure things out that you wouldn't
16 think someone could estimate. A political value that
17 says, Within some reasonable bounds, we like to make it
18 affordable for people to have phone service, even if it
19 cost more than it should, it's very hard to translate
20 that into dollars and cents except to form kind of an
21 experiment.

22 I imagine myself talking to ratepayers. Gee,
23 we've got someone who has chosen to live in a remote
24 place and really likes it there and finds a lot of
25 value, and some things cost more and some things cost

0265

1 less. They would like to be on the phone network. How
2 much are you willing to chip in, or should we all be
3 willing to chip in to make that happen? Should it be
4 twice the cost, three times, ten times? In this case,
5 by comparison to what the basic rate would support, we
6 are approaching 100 times. Is that going too far?

7 Really, I intended to account for that by
8 allowing a significant factor above what is
9 economically justifiable by saying, We can go to 15- or
10 \$20,000. You are already way past the economics, and
11 that ought to account for a fair amount of that
12 concern, but that is your decision to balance.

13 Q. Also, how do you deal with the problem of
14 dealing with one individual case versus the prospect of
15 more? That is, if you have a single case, even it is
16 five million dollars, it may be affordable to the group
17 and not very much per person, but then, of course, if
18 we approve that, that's a signal that anybody else out
19 there who falls within those parameters is also
20 entitled to phone service at a very high rate. So do
21 we need to think of it that way? This is a precedent?
22 Or is it back to your economics where any single case
23 can be evaluated as justified or not justified sort of
24 on its own terms?

25 A. I think whatever the Commission does in this

0266

1 case will send a signal. If you were to approve these
2 applications, I think people would expect that similar
3 applications would be approved as well and for similar
4 amounts and less. It's always hard to predict exactly
5 how people will respond when we don't have experience.
6 I do understand that the rate of line extension
7 applications that Verizon is dealing with is up by a
8 factor of five or ten from before under the new rule,
9 and again, the Commission presumably meant to incur
10 some of that. That was your purpose.

11 There will be people who are now located in
12 rural places who don't have service who will apply and
13 will seek it if you were to approve this. There will
14 be other people -- change the value of rural land
15 because now you can locate further out. I don't know
16 how by much. So there will be stimulus of this by a
17 decision to approve it, particularly on the basis of
18 whatever it is a \$500 copayment, which in the scheme of
19 things really is not that much.

20 Q. There are other grant programs I can think of
21 that will have a pot of money, say, more rural economic
22 development, or we have a fund in our state and there
23 is a pot of money and of course, there are more
24 applications or more requests for that money than the
25 pot can afford.

1 So then periodically, there is a set of
2 priorities, and let's say it's ten million dollars in
3 this pot. A board of some kind will rank the projects,
4 and it's not necessarily from least expensive to most,
5 but balancing of costs and benefits, etcetera, and then
6 there is a ranking and go down the ranks until you get
7 to the end of your pot.

8 That's not the nature of this rule. This
9 rule gives everyone the opportunity to really
10 first-come-first-served, unless the company comes in
11 and says, This really should be below the threshold or
12 above, whichever way you want to put it. Do you have
13 any advice for how we should think about some form of
14 upper limit of our rule, either in terms of waiver and
15 how we would do waivers of the rule or even some
16 reconstruction of a rule?

17 A. I guess there are a lot of ways you can think
18 about it, and I will start with the example you offered
19 of a limited program.

20 The difficulty you have there is a rationing
21 one. You have something of value and more people
22 demand it than can be provided. Of course, in economic
23 terms, and we do this every day, we ration by what you
24 are willing to pay, and we presume that what you are
25 willing to pay has some relationship to how important

0268

1 it is to you. So if I want that vase but you want it
2 more, you will pay more and so on. Administratively,
3 you can ration by criteria, you can decide -- Oregon
4 does this in health care where they've got priority
5 procedures and they have discussion every so often
6 about what we will cover and what we won't.

7 Another way you can kind of combine these
8 elements, I think the notion of some sort of copay is
9 pretty attractive to where maybe beyond a certain
10 point, a customer has to start chipping in on a
11 proportional basis, and that helps you sort out
12 customers for whom this is really important, and where
13 we can go to the ratepayers and say, All right, we have
14 kind of a check on this. If somebody wants to relocate
15 to a really remote place and wants to have a phone in,
16 at least we know that it's worth something to them in
17 some proportion to what it's going to cost you to
18 provide it.

19 Q. But the way the rule reads right now, there
20 is an upper limit on what the customer has to pay.
21 There is no upper limit on what the company has to pay,
22 save a waiver, which seems to me then poses the
23 question of whether it would be appropriate to grant a
24 waiver conditioned on, at some point, this
25 contribution, another contribution of the customer.

0269

1 Would that be appropriate?

2 A. I think it could be. I think we would have
3 to talk about, obviously, numbers and values. Values
4 come in here, but that would be one approach you could
5 take.

6 I think you could also think about
7 technology. In this case, we were actually fairly
8 close to a technological answer for, I think, all the
9 customers, but there is some equipment that doesn't
10 seem to be available yet.

11 Q. But that wouldn't suggest there couldn't be a
12 bright line upper limit. It would have to depend on
13 what the circumstances of the case were in terms of
14 technology availability or other customers and all
15 those other factors.

16 A. Yes. If you wanted to take sort of a copay
17 approach, what you could do -- I'll make up some
18 numbers. Suppose you said, Think about the Nespelem
19 co-op. They have a certain allowance which was, I
20 think, \$1,500. I think that came out yesterday. The
21 average cost of the waivers Verizon has now, I think I
22 heard Ms. Ruosch say, was \$10,000. Suppose we said,
23 Okay, everybody gets a \$10,000 allowance. Any
24 extension that costs \$10,000 or less Verizon will pay
25 for and get full recovery from the ratepayers.

0270

1 Maybe above that level, a customer pays a
2 quarter of the cost, so the ratepayers are still
3 picking up a big subsidy of it, but when you go back to
4 the ratepayers and imagine that discussion, say, We
5 just hit you for \$100,000 for this customer. My gosh,
6 why did you do that? They were willing to pay a
7 substantial portion of it, so we were pretty sure it
8 was worth it to them.

9 Q. The other approach would be if it really is
10 too much in this case or in another case, it's really
11 too much waiver granted, end of story. If that's the
12 case, I wonder, Well, then, what happens when
13 circumstances change? Is it appropriate to say, At
14 this point in time, given this amount and waiver
15 granted, should a number of people move in the
16 territory who want to, or should circumstances change?
17 There is nothing that precludes the request for service
18 from being made again, and perhaps the company would
19 ask for a waiver again and maybe it wouldn't.

20 A. You are in control of your process, so I
21 think you can provide for what's required for
22 reallocation. In this case, I was mentioning a
23 technology. As I understood the discussions with the
24 RCC folks, and I participated in one discussion with
25 them, there is a wireless signal up above the rim of

0271

1 these low-lying areas where the customers live. I'm
2 not sure if you could call it a canyon or what the
3 right description is for it. There is an adequate
4 signal there for wireless service. The problem is
5 getting an antenna up there and wiring it back down to
6 the homes, and I guess as far as we could tell and RCC
7 could tell, there aren't phone cell units now that
8 quite do that. Even though from a technical
9 standpoint, there isn't any reason why it couldn't be
10 done.

11 So you could say waiver granted, but if
12 circumstances change, if technology improves, you could
13 come back, or other circumstances such as you
14 described -- maybe there is a lot of development in the
15 area. Maybe there is a lot of customers now, whatever
16 it is -- I think you could certainly go that way, and
17 being in control of your process, you could provide for
18 what those terms are.

19 Q. I think that leads to my last area of
20 inquiry. We have an historical land line incumbent,
21 and that's who is in front of us, but we also have
22 wireless companies who have registered in this state
23 and are there to do business, and aside from the
24 technological alternatives that a customer might have,
25 how are we to weigh the relative obligations of the

0272

1 different companies, different types of companies, to
2 serve or not serve in a given situation?

3 A. I think we spent the greater part of a year
4 going back and forth about that in this case. To some
5 extent, it's a legal matter. There are provisions the
6 FCC enforces, that you enforce. There is the
7 designation of an eligible telecommunications carrier.
8 I think in this case, it's admirable that Verizon and RCC
9 worked together as they did to find improved solutions.

10 I guess your leverage over a company is
11 always going to be somewhat proportional to the amount
12 of support you are going to come up with to pay the
13 cost of what you would like them to do. So it seems to
14 me, at least in this case, that we had a cooperative
15 relationship between a couple of companies that both
16 recognize that they needed to be involved, and some
17 progress was made. I don't know to what extent that
18 will be a model, but at least it seemed to be positive
19 here.

20 CHAIRWOMAN SHOWALTER: No further questions.

21 Thank you.

22

23

24 CROSS-EXAMINATION

25 BY COMMISSIONER HEMSTAD:

0273

1 Q. Dr. Danner, first I'm looking at Exhibit
2 30-T. It's in your direct testimony, Page 4. This is
3 really picking up on your discussion about trade-off's,
4 and you list some of the reasons why people live in
5 rural areas: peace and quiet, natural beauty, freedom
6 from urban stress. You didn't mention the economic
7 activity. Was that a deliberate choice not to do that?

8 A. No. I was just thinking of sort of personal
9 trade-off's that one might make. I wasn't thinking
10 about a particular occupation or income level or
11 anything of that sort.

12 Q. With regard to economic activity, I think you
13 challenge Mr. Shirley's testimony by saying that he
14 references that, or Professor Duft references that in
15 the sense of the farm economy. You say that should not
16 be able to be considered under our rule?

17 A. My understanding of the rule, Commissioner,
18 was it did apply to residential use and that business
19 lines or phones for business purposes weren't
20 contemplated to be included. That's how I read the
21 rule.

22 Q. But that wouldn't be true of the typical
23 farm, would it?

24 A. When I read Professor Duft's testimony and
25 Mr. Shirley's testimony, it seemed to focus some with

0274

1 Mr. Shirley and entirely with Professor Duft on the
2 economics of the cattle operation, and apparently a
3 fairly successful and admirable one, but still, he
4 seemed to be speaking about business purposes, and I
5 thought the Commission had made a decision that
6 business purposes weren't what you had in mind.

7 Q. Take a couple of hypotheticals of, say, a new
8 remote location for timber operation, and it brings
9 with it a work force, and 50 or 100 homes are built in
10 that area otherwise served. It would be a similar
11 situation, say, with a new line operation in a remote
12 location, not extreme examples in Washington. The
13 residences are there because of the economic activity.

14 I suppose the mining operation and under the
15 rule is the line extension can't go to the commercial
16 buildings, but a line extension issue is relevant to
17 the residential housing that is there because of the
18 economic activity, so in that sense, isn't it true of
19 almost any residences, unless they are completely
20 subsistence operations, they are located where they are
21 because of some kind of economic activity?

22 A. I'm sure that's true. At the same time --
23 well, to use your mine example, the distinction that I
24 would see flowing from the way your rule was written
25 would be that workers who are locating there to work at

0275

1 the mine who had homes, the rule would cover extensions
2 to their homes. If the mine said, Well, we would like
3 to have line extension to help us coordinate our
4 shipments of oar or manage our operations better, that
5 seems to me to be a classic definition of a business
6 service.

7 Q. Right, and I think we are in agreement there,
8 but my point only is that the line extension issue
9 unavoidably deals with economic activity. It's not
10 directly or indirectly.

11 A. It's certainly in the sense of where people
12 would locate; I would agree.

13 Q. I'm looking at Page 9 of that same testimony,
14 Exhibit --

15 (Pause in the proceedings.)

16 Q. You had some discussion with the Chair about
17 this. I was interested in Dr. Pearl's calculations,
18 and these are my limitations, not yours in your
19 testimony, I hasten to suggest here, but I didn't quite
20 understand the point or which way the benefit is
21 running when you say at Line 12 that Dr. Pearl
22 calculated a rough estimate that a subsidy between \$2
23 and \$7 per month to any given subscriber would account
24 for the externality value. That's the \$2 to \$7 for the
25 new subscriber? Is that the point of this, or is it \$2

0276

1 to \$7 for any subscriber in the total universe of the
2 system?

3 A. Let me try to make that clear, if I can. The
4 concept is that you might have somebody who was sort of
5 indifferent about getting a phone. I described my
6 former colleague at the California Commission as sort
7 of an odd fellow that didn't want one. Your concern is
8 that having that subscriber on the network adds value
9 to everyone else because there is someone they can
10 call. Bigger networks are more valuable. We can get
11 more use out of them. So Dr. Pearl went further and
12 said, Is there a rough way to get an estimate of what
13 that might be worth, and the dollar figure he's
14 purporting here -- let's assume I'm the prospective new
15 customer. It's a dollar value for how much having me
16 around is worth to everybody else collectively.

17 Q. But that wouldn't be for each of the universe
18 of subscribers anywhere near \$2 to \$7 just to have that
19 person on the line, would it?

20 A. It's not \$2 to \$7 per month per customer.
21 It's for everybody all together.

22 Q. I see.

23 A. So suppose my phone service was priced at
24 \$20, and I'm kind of a curmudgeon and it doesn't seem
25 worth \$20 to me, so I don't subscribe, and then someone

0277

1 comes along and says, We are worried about universal
2 service and everybody being able to reach everybody, so
3 why don't we give you it for \$15. Would you take it
4 then? I say, \$15, I'll do that.

5 According to Dr. Pearl's analysis, that's a
6 good thing, because by subscribing, I'm bringing \$2 to
7 \$7 a month of extra value to everybody else, so if they
8 had to, it's worth it to them to kick me a few bucks to
9 have me on the network. That's the analysis, and it's
10 that collective sense.

11 Q. I understand now. Is the circumstance such
12 that if you look at the network and concept of the
13 universal service, is it sort of a bell curve? Back
14 there at the very beginning when Alexander Graham Bell
15 made his famous call, he only called one person, and
16 other than his prestige, there wasn't much value to it.
17 Most people said, Well, it's an interesting technology
18 but it's useless.

19 At some point as more and more people came
20 on, it became much more valuable to add more, but your
21 testimony is, We are now at 94, 95 percent, and let the
22 remaining five percent... Sort of just shrug with
23 regard to those because the incremental value they add
24 is small?

25 A. I'm not sure if I will go as far as to shrug

0278

1 at it, but that was the point that Professor Warwick
2 was making in the excerpt I cited in the testimony that
3 most likely, the externality value does decline as we
4 tend to reach virtually everybody.

5 The suggestion I offered in my testimony is I
6 think we are past the point where you have to scratch
7 your head and wonder whether the person you want to
8 contact has a phone. I don't think I ever encounter
9 that, and I think few people do, and that's kind of the
10 essence of that externality question.

11 Q. So I guess if not somewhat ironic, the
12 unfortunate consequences of that if you are a late
13 arriver, your incremental addition isn't looked upon as
14 of any great value.

15 A. Possibly so. Another possibility is that a
16 late arriver may not value the service as highly as
17 some of the early adopters. Some of the counting
18 issues involved in universal service involve second
19 homes and so on.

20 I think also studies that I reviewed that
21 look at people that don't have phones and wonder why
22 focus not on rural or remoteness issues. They focus
23 primarily on the ability to control bills is the major
24 impediment for people who might have phones but don't;
25 that long-distance charges get too high and they have

0279

1 problems. Bills get uncontrollable.

2 Q. On a different topic, I understand you are an
3 economist and you are looking at the quantitative
4 trade-off's. That's a fair way to describe it, but
5 then you say there are some other factors, and you
6 describe what those other nonquantitative factors might
7 be, or is that something that as an economist you would
8 decline to do?

9 A. Strictly speaking, my degrees are in public
10 policy.

11 Q. I think you are speaking as an economist here
12 largely.

13 A. Fair enough. Some other factors: I think
14 the principle factor is a general concern about
15 universal service and rural living that you feel, and I
16 think a lot of people would agree, that there is some
17 benefit in making it easier for people to be connected
18 than the cost would otherwise justify. I think that
19 most people put a limit on that though as well, and ask
20 what sort of reasonable expectations are for someone
21 that wants to live remotely in terms of that.

22 There is some value in 911 service. We
23 talked about that a little in this case. Those are the
24 principle things that come to mind.

25 Q. In your conversation with the Chair, the

0280

1 issue is presented the possibility of, again, some
2 factor of proportional payment. How would you factor
3 wealth into that kind of equation?

4 A. I guess I would have two suggestions for
5 that. The first is that in the sense of an economic
6 analysis, there really isn't a way to do it. Some
7 people have more money. They can pay more for things.
8 Perhaps they got their money from adding more value, or
9 maybe they inherited it, or who knows. Efforts in
10 economics to try to assign different weights to
11 people's spending based on their income usually don't
12 come to very much. It's not very easy to do.

13 Another consideration which I think is more
14 straightforward, which fits with what other commissions
15 have done, is to define income thresholds and say
16 people who are poor or of limited means pay less on
17 some basis that you find reasonable.

18 Q. I assume without knowing that the people on
19 the Timm Ranch are not subsistence livers. On the
20 other hand, there are real issues of rural poor in
21 pockets here in this country, so there is a tremendous
22 disparity. It's much easier for a relatively wealthy
23 person to pay some contributory portion than it is for
24 someone else; that is, say, a pocket of subsistence
25 livers.

0281

1 A. Fair enough. I would agree. I think that
2 the principle of having everyone pay something though
3 is important because people tend not to necessarily
4 attach much value to things they get for free or for
5 almost nothing. I'm not suggesting that you want to
6 make someone hurt, but at the same time, thinking back
7 to the body of ratepayers, you would like to say it was
8 of some importance to this person to have a very
9 expensive remote phone line, and we know that because
10 they were willing to make some contribution to it.

11 Q. This commission typically doesn't get into
12 the business of asking questions of the wealth level of
13 customers. There are other mechanisms that come into
14 play, such as welfare considerations, and we simply
15 respond to that, but we don't ask what is your income
16 of one potential customer as against another.

17 A. I think that's wise. The California
18 Commission has kind of gone the other route, and they
19 have some problems as a result, I think.

20 COMMISSIONER HEMSTAD: That's all I have.

21 Thank you.

22

23

24 FURTHER CROSS-EXAMINATION

25 BY CHAIRWOMAN SHOWALTER:

0282

1 Q. Just as a follow-up to that example, one
2 problem would be if the Commission had an income
3 threshold for line extensions that the lower-income
4 customers could take advantage of it and then
5 immediately have created the value in their property
6 that a higher income person might want to take
7 advantage of and buy. Wouldn't that be very similar to
8 the increased value that rural telecom companies have
9 because of the universal service contribution, and so
10 let's say if a Qwest, which does not get federal
11 universal service, sells a rural exchange to somebody,
12 then they get that value. In other words, the problem
13 of one person doing something, creating the value that
14 induces the other person who otherwise would not have
15 been eligible.

16 A. It's a fair point. Once you put the phone
17 line in that piece of rural property, it's probably
18 worth more, and I don't think there is an easy or
19 straightforward answer, necessarily, to what to do with
20 it, but it is something to bear in mind, and perhaps a
21 person who puts it in qualifies for an even larger
22 subsidy and sells it at a significant profit. That's a
23 possibility.

24 JUDGE MACE: Any further questions from
25 commissioners? I have one question.

0283

1 CROSS-EXAMINATION

2 BY JUDGE MACE:

3 Q. I would like you to refer to Exhibit 32-T.
4 That's your May 15th testimony. I'm referring to Pages
5 17 through 20. There, you discuss the Commission's
6 findings in Docket UT-980311 on whether Verizon has
7 recovered the reinforcement costs of extensions
8 proposed here. Can you point to a specific order or
9 section of an order that supports your view?

10 You do refer to the order 980311-A,
11 generally, but you aren't very specific other than that
12 general reference, and I would like to know if you
13 could be more specific?

14 A. Well, I believe that I'm not sure that the
15 analysis I suggest is contained in an order. I think I
16 did look at that order that I referred to, so I can go
17 back and confer with Verizon and try to find if there
18 is a place where it's more explicit, but I don't have
19 anything more to tell you than what I have there at
20 this point.

21 JUDGE MACE: Thank you. We'll break for
22 lunch at this point. We will resume at 1:30.

23 (Lunch recess taken at 12:01 p.m.)

24

25

0284

1

AFTERNOON SESSION

2

(1:38 p.m.)

3

JUDGE MACE: Before we begin with redirect, I

4

wanted to do just a few housekeeping things. You

5

should have had distributed over the lunch hour an

6

exhibit marked 53. This is a substitute for what has

7

been marked as 53-C. It's a Theresa Jensen exhibit.

8

We also had distributed a proposed Exhibit 590. This

9

would be an exhibit for Mr. Shirley. It consisted of a

10

Nespelem Co-op web page, which we have referred to

11

during the course of testimony today.

12

We also have revised Exhibit 4. This is the

13

one that shows the area that is not filed or not served

14

on the eastern boundary of the Qwest-Omak exchange.

15

Everyone has those exhibits, I presume. I also want to

16

indicate I have requested counsel for Verizon to

17

provide the information that was discussed in the very

18

last question that I asked about the references to

19

Commission orders in support of the testimony at 32-T,

20

Pages 17 to 20. I'm enumerating that Bench Request

21

Response 800.

22

COMMISSIONER OSHIE: I'll need a copy of

23

Exhibit 590, please.

24

JUDGE MACE: (Complies.) Let's begin

25

redirect.

0285

1 MR. OWENS: Your Honor, I did speak briefly
2 with Ms. Endejan, and I had a question prompted by
3 counsel for RCC's cross of Mr. Danner, and she's agreed
4 that I may ask that with your permission, or one or two
5 questions.

6 JUDGE MACE: Go ahead.

7

8

9 CROSS-EXAMINATION

10 BY MR. OWENS:

11 Q. Mr. Danner, Mr. Harlow asked you about
12 Exhibit 32-T, Page 3, and whether you had concluded
13 that the costs of doing so, meaning building additional
14 cell sites to serve the Timm Ranch and Taylor
15 locations, were excessive, and you said yes, they were.

16 So I guess one of my questions is, does that
17 change your conclusion in this testimony that the
18 Commission should ask why it is, as you refer to on
19 Page 6 of that same exhibit, that the public should be
20 obligated to spend an enormous sum of money to extend
21 service to people who already have it?

22 JUDGE MACE: Where are you referring to on
23 Page 6?

24 MR. OWENS: Beginning at Line 5, Your Honor.
25 Exhibit 33-T, I'm sorry.

0286

1 THE WITNESS: This is the July 5?

2 MR. OWENS: July 5, yes. Maybe I could
3 restate the question.

4 JUDGE MACE: That would be helpful.

5 Q. (By Mr. Owens) In light of your testimony
6 and response to Mr. Harlow that you had determined that
7 the costs of having RCC build additional cell sites to
8 serve the Timm Ranch and Taylor locations were
9 excessive, as you used that as a qualifier on Page 3,
10 does that change your conclusion about whether the
11 Commission should examine the question, which you say
12 is fundamental at Page 6, beginning at Line 5, of why
13 the public should be obligated to spend an enormous sum
14 of money to extend service to people who already have
15 it?

16 A. That question is still outstanding, yes.

17 Q. Would that question apply to a company such
18 as Qwest if the Commission were to, as the staff
19 suggests it might redraw Qwest's boundary to put the
20 Timm Ranch within the Omak exchange?

21 A. It would apply with equal weight to Qwest, I
22 would think.

23 Q. When you talk about service to people who
24 already have it, would you include in that Mr. Nelson's
25 cross-river radio link to the Coulee Dam exchange?

0287

1 A. Yes, I did include that in that formulation.

2 Q. Is that what you would normally consider
3 farmer line facilities?

4 A. I'm not sure in terms of the definition.

5 Q. Is a wireline phone necessarily a good
6 substitute for existing wireless if the people who
7 would use that phone are engaged in a primarily
8 outdoors occupation, such as running a ranch?

9 A. I'm not sure. I guess in some instances
10 having a wireless phone would be of more value because
11 you could take it with you around the ranch if you had
12 reception.

13 Q. And did Dr. Duft, to your recollection,
14 testify that all of the ranch occupants are part-time
15 employees and that they have other off-ranch
16 occupations?

17 A. I'm not sure. I remember that discussion
18 with respect to at least some. I don't know if it was
19 all.

20 Q. Being on a ranch would involve the
21 possibility of needing to make 911 calls from locations
22 away from the wireline phone at the residence; is that
23 correct?

24 A. I expect it could.

25 MR. OWENS: Thank you very much. That's all.

0288

1 JUDGE MACE: Ms. Endejan?

2 MS. ENDEJAN: Thank you Your Honor.

3

4

5 REDIRECT EXAMINATION

6 BY MS. ENDEJAN:

7 Q. Just a few questions, Dr. Danner. You were
8 asked some questions this morning by Mr. Trautman
9 relating to your May 15th testimony, which is Exhibit
10 32-T. Do you have that in front of you?

11 A. Yes, I do.

12 Q. I believe he asked you some questions about
13 Dr. Duft's testimony and your reaction to it starting
14 with the question at Line 11 on Page 21. Do you have
15 that in front of you?

16 A. Yes.

17 Q. I guess just to cut to the chase, what was
18 your point about Dr. Duft's testimony that you were
19 trying to convey in response to that question?

20 A. Aside from the issue of whether it's a
21 business purpose or residential, Professor Duft's
22 characterization of the ranch seems to describe a
23 business that isn't lacking anything fundamental to its
24 success. It has developed as it has without the line
25 extension.

0289

1 Q. Chairwoman Showalter asked you a question
2 about the economics and the two considerations, one of
3 which is a concern of the flow of the money and the
4 impact on the company. Are you aware of any particular
5 concern Verizon has at this point in time about its
6 cash flow or flow of money?

7 A. I understand that Verizon's earnings in
8 Washington are quite low. They are something like
9 one-and-a-half percent in the most recent report to the
10 Commission. That's not enough to sustain the business,
11 and I imagine that does give the company greater
12 concern about unrecovered funds at this time.

13 Q. Commissioner Hemstad asked you about the role
14 that the line extension tariff might play in terms of
15 promoting new businesses in rural areas, such as, I
16 believe, mining and forestry were the examples he used.
17 Could you explain your understanding of how the line
18 extension tariff would relate to those sorts of
19 business enterprises in rural areas?

20 A. Yes. I did have a chance to consult briefly
21 with Ms. Ruosch during lunch just to make sure. I
22 guess the experience is that usually the business
23 operation locates first when these kind of operations
24 are established. They typically pay some extension
25 charges to reach themselves with business service.

0290

1 Typically, residential customers who may move
2 into the area thereafter do not encounter these kind of
3 line extension charges. For example, if they move into
4 a development, the company extends service if the
5 developer meets its obligation to provide conduits and
6 so on.

7 Q. You were also asked some questions, I
8 believe, by Commissioner Hemstad about factors that you
9 would consider in making the Commission's public policy
10 decision at issue in this case, besides sheer
11 quantitative criteria, and my notes reflect that one of
12 the factors you listed was what would be the reasonable
13 expectations of the applicants. Can you explain what
14 you meant by that?

15 A. People who move to the country or rural
16 places encounter circumstances that are different.
17 They may not be able to expect the same level of
18 services for the same costs or availability that you
19 would find in urban areas.

20 By example, there was some publicity recently
21 regarding Chelan County adopting as a municipal
22 ordinance or resolution or something what it called the
23 Code of the West, which specified nine pages of detail;
24 things people who move from urban areas ought to know
25 about living. Some of them are quite amusing.

0291

1 There was one specifically about telephones.
2 It said, telephone communications can be a problem,
3 especially in the mountain areas of Chelan County. If
4 you have a private line, it may be difficult to obtain
5 another line for fax or modem uses. Even cellular
6 phones will not work in all areas. It's rather
7 specific about some things I hadn't even thought about,
8 but it's sort of an official statement of what
9 expectations people should have, and I thought it was
10 noteworthy on that basis.

11 JUDGE MACE: I believe this has been marked
12 as a proposed exhibit, has it not?

13 MS. ENDEJAN: It's been marked as an exhibit
14 to Mr. Shirley's testimony.

15 JUDGE MACE: Was it marked as a
16 cross-exhibit?

17 MS. ENDEJAN: Yes.

18 Q. (By Ms. Endejan) Then one final question,
19 Dr. Danner. Commissioner Hemstad asked about the role
20 of relative wealth in the analysis that the Commission
21 might be engaging in to address our petition, and in
22 looking at the criteria that the Commission must look
23 at in the final section of the new line extension rule,
24 does wealth play any role in connection with the
25 criteria they are supposed to look at?

1 A. I think there is a specific place that it
2 might fit and just would note for the record, it looks
3 to me as if it's Section 7(b)(i)(i)(e), which refers to
4 the effect on the individuals and communities involved,
5 and I expect under that criterion, a wealthier person
6 or person of greater means, there might be less effect
7 on them of having to pay some costs or undertake other
8 measures we have discussed versus a low income or poor
9 person.

10 MS. ENDEJAN: Thank you, Dr. Danner. I have
11 nothing further.

12 JUDGE MACE: Mr. Trautman?

13 MR. TRAUTMAN: Nothing further.

14 CHAIRWOMAN SHOWALTER: I have one follow-up
15 just to this last question and answer.

16

17

18 FURTHER CROSS-EXAMINATION

19 BY CHAIRWOMAN SHOWALTER:

20 Q. I'm trying to think in my mind, does line
21 extension apply primarily to a person or a residence, a
22 place? One's phone service and bills go to a person,
23 but a line extension is something physical that goes to
24 a piece of property. Does that affect how we think of
25 line extensions vis-a-vis the income levels of the

0293

1 individual who live there versus the places that the
2 line extensions go?

3 A. I think, Madam Chairwoman, you identified
4 some criteria earlier that would relate to the
5 location. Factors such as anticipated development,
6 growth in the area, potential for additional
7 subscribers. I guess the rule is written in terms of
8 providing service to a subscriber, and I agree.
9 Subscribers take service at particular places, but I
10 can't think offhand of any matter in which that would
11 further illuminate your analysis. I'm not sure what to
12 make of it.

13 CHAIRWOMAN SHOWALTER: Thanks.

14 JUDGE MACE: Mr. Owens?

15 MR. OWENS: No questions.

16 JUDGE MACE: Mr. Harlow?

17 MR. HARLOW: None.

18 JUDGE MACE: With respect to the direct
19 exhibits?

20 MS. ENDEJAN: I would like to move into
21 evidence Exhibits 30-T, 31-T, 32-T, 33-T, 34-T, and
22 35-T.

23 JUDGE MACE: Any objection to the admission
24 of those exhibits?

25 MR. TRAUTMAN: No, Your Honor.

0294

1 JUDGE MACE: I will admit those exhibits.

2 Thank you, Dr. Danner. You are excused.

3 MS. ENDEJAN: Verizon has no other witnesses.

4 JUDGE MACE: The next witness according to

5 our discussion today should be an RCC witness,

6 Mr. Gruis.

7 MR. HARLOW: Yes, Your Honor. We are ready

8 to present him.

9 JUDGE MACE: And he is substituting for

10 Mr. Huskey; is that correct?

11 MR. HARLOW: That is correct, Your Honor.

12 (Witness sworn.)

13

14

15 DIRECT EXAMINATION

16 BY MR. HARLOW:

17 Q. Good afternoon, Mr. Gruis. Please state your
18 name for the record.

19 A. My name is Kyle Gruis.

20 Q. Mr. Gruis, do you have in front of you today
21 what has been marked as Exhibits 91-T, 92, 93, 94, and
22 95-T?

23 A. Yes.

24 Q. Was Exhibit 91-T prepared under your
25 direction and supervision?

0295

1 A. Yes.

2 Q. If I were to ask you the questions contained
3 in 91-T, would your answers be the same as contained in
4 that exhibit?

5 A. Yes.

6 MR. HARLOW: We offer Exhibits 91-T through
7 95-T.

8 JUDGE MACE: Is there any objection to those
9 proposed exhibits?

10 MR. TRAUTMAN: No, Your Honor.

11 JUDGE MACE: I will admit those exhibits.

12 MR. HARLOW: Mr. Gruis is available for
13 cross.

14 JUDGE MACE: Mr. Trautman?

15

16

17 CROSS-EXAMINATION

18 BY MR. TRAUTMAN:

19 Q. Thank you. Good afternoon. I'm Greg
20 Trautman, assistant attorney general for the Commission
21 staff. I just have a few questions. First of all, how
22 many visits to the Taylor location were made by RCC
23 staff or contractors?

24 A. I'm just going to look that up so I get it
25 right. We had network technicians and engineers visit

0296

1 them. At the Taylor location?

2 Q. Yes.

3 A. There were four visits to the Taylor location
4 by one of our network technicians and one by an RF,
5 radio frequency engineer.

6 Q. How much did those visits cost?

7 A. Approximately \$300 per trip.

8 Q. How many visits were made to the Timm Ranch
9 location?

10 A. There were three visits made by a network
11 technician, and again, one by an RF engineer.

12 Q. Did RCC make changes to the Dyer Hill cell
13 tower site in an effort to improve the signal to the
14 Taylor location?

15 A. Yes.

16 Q. How much did that cost?

17 A. The total cost was \$5,912 minus RCC's
18 technician time. It was contractor and materials.

19 JUDGE MACE: Mr. Trautman, I'm noting that
20 this information is already in exhibits that are marked
21 for cross for this witness. I see that at Exhibit 304,
22 for example.

23 MR. TRAUTMAN: I see that one.

24 JUDGE MACE: Some of the other information is
25 already in these exhibits.

0297

1 MR. TRAUTMAN: Yes, I see that.

2 Q. (By Mr. Trautman) Are there circumstances
3 where a signal may be present for a day or two, let's
4 say, and then not be present for a day or two?

5 A. Assuming the cell sites in question are in
6 service the whole time, signals will be largely present
7 all the time. You will notice sometimes that you will
8 see variations in signal levels due to outside factors,
9 such as fading, atmospheric conditions, etcetera.

10 Q. This is in Mr. Huskey's testimony on Page 2.

11 JUDGE MACE: That's Exhibit 91-T?

12 Q. Yes, thank you. At the bottom of the page,
13 you state that the industry goal for cellular service
14 availability is to provide good quality, reliable
15 wireless telephone communications at 90 percent of the
16 locations 90 percent of the time; is that correct?

17 A. Yes.

18 Q. Would it be correct to say that if one had a
19 strong signal at a particular location, the standard
20 would then be met if the customer had a signal nine
21 days out of ten?

22 A. No. That's not how it's designed.

23 Q. How would it be designed?

24 A. It's more in terms of the geographical
25 coverage of each particular site. When they are

0298

1 engineered, they are meant to have signal where it is
2 all the time.

3 Q. So when it says 90 percent of the locations
4 90 percent of the time, then what is required to be
5 provided 90 percent of the time, a strong signal?

6 A. Yes.

7 Q. I believe you stated that none of the
8 residences other than the Taylor and Nichols' homes
9 that are on Hayes Road could receive a signal; is that
10 correct?

11 A. Yes, an adequate signal.

12 Q. When was the last time that RCC communicated
13 with the Taylors?

14 A. I'm not certain of that answer.

15 Q. Do you have no approximation?

16 A. I'm not real sure, no.

17 Q. Do you know when the last time that RCC spoke
18 to the Nelsons?

19 A. No, I'm not aware of the date.

20 Q. To your knowledge, did Verizon make any tests
21 of RCC's signal?

22 A. Not to my knowledge, no.

23 MR. TRAUTMAN: That's all I have. Thank you.

24 JUDGE MACE: Ms. Endejan?

25

0299

1 CROSS-EXAMINATION

2 BY MS. ENDEJAN:

3 Q. Mr. Gruis, I represent Verizon, and I just
4 have a couple of questions for you. We have marked,
5 and I don't know if you have in front of you what has
6 been marked as Exhibit 301, 302 and 303, which are your
7 data request responses. Do you have those?

8 A. Yes.

9 MR. HARLOW: We provided all the
10 cross-exhibits to the witness in the package for both
11 Qwest and Verizon's cross.

12 Q. I'm assuming that even though the respondent
13 to the data requests was Mr. Huskey, you are adopting
14 the responses in lieu of Mr. Huskey.

15 A. Yes. The ones that he responded to, I am
16 adopting.

17 Q. Just let me ask you one clarification of what
18 is the Exhibit No. 301, which is Verizon Data
19 Request 3, and we asked if RCC was able to connect 911
20 calls to a nearby PSAP from each location. Do you see
21 that?

22 A. Yes.

23 Q. I believe your data request response
24 indicates that RCC was able to complete 911 calls
25 placed from the Taylor and Timm Ranch locations.

0300

1 A. Yes, we were.

2 Q. And were they connected to the, I guess,
3 appropriate PSAP's that you are supposed to route
4 emergency calls to in that area?

5 A. Yes.

6 Q. Just briefly, how does that get determined,
7 because I know you will be asked why was the Nelson
8 phone connected to the Ferry County's PSAP as opposed
9 to the Okanogan County PSAP?

10 A. We submit a list of our site locations to the
11 state and determinations are made which PSAP each cell
12 site should be connected to for 911 calls. Often
13 times, our cell sites ignore the county lines and PSAP
14 boundaries. They are not part of our engineering, so
15 the determination has to be made to send it to one PSAP
16 and all calls from each cell site are directed there.

17 MS. ENDEJAN: I have nothing further. I
18 would move for the admission of 301, 302 and 303.

19 JUDGE MACE: Any objection to the admissions
20 of those proposed exhibits?

21 MR. HARLOW: Just 301 to 303?

22 MS. ENDEJAN: Those were the only ones that
23 were Verizon data requests.

24 MR. HARLOW: No objection.

25 MR. TRAUTMAN: Actually, I think only 301

0301

1 was. I actually neglected to move for the admission
2 of, actually, 301 through 307. I believe Staff
3 submitted all of those, even though one was a Verizon
4 request.

5 JUDGE MACE: Which exhibit do you move into
6 evidence?

7 MS. ENDEJAN: 301.

8 JUDGE MACE: Any objection to the admission
9 of that exhibit?

10 MR. HARLOW: No.

11 MR. TRAUTMAN: And then 302 to 307.

12 JUDGE MACE: Any objection?

13 MR. HARLOW: No, Your Honor.

14 JUDGE MACE: I'll admit them.

15 MR. OWENS: What about 308 to 310? Are you
16 not offering those? I note that 310 is a duplicate of
17 301.

18 MR. TRAUTMAN: I don't believe that was part
19 of our submission, no.

20 MR. OWENS: I was speaking to counsel for
21 Verizon.

22 CHAIRWOMAN SHOWALTER: Why don't we ask for
23 anyone that wants to move for admission, please go
24 ahead.

25 MS. ENDEJAN: Exhibit 309 is a Verizon

0302

1 exhibit. 310 is a duplicate of 301, so it's not
2 necessary to --

3 JUDGE MACE: You are not going to offer that?

4 MS. ENDEJAN: No.

5 JUDGE MACE: Is there any objection to the
6 admission of Exhibit 301 to 309? I'll admit those
7 exhibits. Thank you. Mr. Owens, do you have any
8 cross?

9 MR. OWENS: A few questions, Your Honor,
10 thank you.

11

12

13 CROSS-EXAMINATION

14 BY MR. OWENS:

15 Q. Good afternoon, Mr. Gruis.

16 A. Good afternoon.

17 Q. I'm Douglas Owens representing Qwest. The
18 testimony that Exhibit 91-T, Page 2, at the bottom of
19 the page where staff counsel referred to it talks about
20 the industry goal to provide good quality reliable
21 wireless telephone communications 90 percent of the
22 locations 90 percent of the time. How do you define a
23 location for purposes of determining whether you've met
24 that goal?

25 A. The margins of the cell site, in other words,

0303

1 the outside boundaries of the cell site's coverage
2 area, are where the last 10 percent lies. When we are
3 down to the area of coverage in terms of signal level
4 that is nearing the border line of good quality
5 service, often times, fading occurred occurs. It's a
6 natural phenomenon of the frequencies we use, and you
7 can have a good quality call one time and a poorer
8 quality call the next, just due to factors that are
9 going on, such as fading. There are a couple of kinds
10 of fading and atmospheric conditions. All
11 interferences in the network changes coverage pattern.

12 MR. OWENS: I don't think I got an answer to
13 my question. I asked how is a location defined for
14 purposes of determining whether that test has been met,
15 and I believe the witness described the contours of
16 signal strength at distances from the cell site, but I
17 don't think I got a definition of a location. May I
18 reask the question?

19 JUDGE MACE: Yes, please.

20 Q. (By Mr. Owens) How do you define a location
21 for the purpose of determining whether that test has
22 been met; can you answer that?

23 A. There are no defined tests to measure this
24 criteria, per se. We use modeling, computer modeling
25 largely to define cell site's coverage area and drive

0304

1 testing to augment that which will show if we obtained
2 the goal of the cell site's coverage.

3 Q. When you say "drive testing," would the
4 commission correctly understand that without too much
5 levity, as exemplified by the TV commercials, "Can you
6 hear me now," with the person stopping at a particular
7 place on the face of the earth and making a cell phone
8 call? Is that what you mean by drive testing?

9 A. Roughly. We have computer equipment in our
10 testing vehicles that we drive around and monitor our
11 signal levels and audio quality which then can be put
12 into our computers at work and mapped or otherwise
13 displayed.

14 Q. So you gather data from a sample of locations
15 on the surface of the earth as to particular signals
16 strength at those locations and put that in a model to
17 determine whether you've met this test; is that
18 correct?

19 A. Not into a model, into our mapping software
20 so we can visually look at what we've got for coverage.

21 Q. So then it would be a fair understanding that
22 you don't gather data from 90 percent of the physical
23 locations within your service area to determine whether
24 you've met this test; is that correct?

25 A. Yes.

0305

1 Q. Exhibit 302, which Staff asked you about,
2 indicates that you made no adjustments to the site
3 serving the Timm Ranch locations.

4 JUDGE MACE: Can you wait for a moment while
5 we get to 302? Go ahead.

6 Q. And would it also be correct that you did not
7 install any repeater between the cell site that would
8 serve the Timm Ranch and the Timm Ranch to test whether
9 or not such a repeater would produce an acceptable
10 signal for basic service to all the locations on the
11 Timm Ranch?

12 MR. HARLOW: Objection. Please, can you
13 define what you mean by a repeater?

14 MR. OWENS: All right.

15 Q. (By Mr. Owens) Is there a piece of equipment
16 used in cellular telephony known as a repeater?

17 A. Yes.

18 Q. Would you describe what it is, please?

19 A. There are a couple of different versions of
20 equipment called repeaters. One of them is a
21 bidirectional amplifier which captures signal from a
22 donor site, amplifies it and rebroadcasts it.

23 Another is a channelized repeater which
24 operates differently in that it has its own channels
25 which are changed in frequency and rebroadcast.

0306

1 Q. For purposes of this discussion, let's call
2 one the bidirectional repeater and the other the
3 channelized repeater. Is that a fair distinction?

4 A. Sure.

5 Q. Those have different costs; is that correct?

6 A. Yes.

7 Q. Is the cost of either of them greater than or
8 equal to the cost of a new cell tower site?

9 A. Cost of the electronics for that are
10 somewhat cheaper than the electronics for a normal cell
11 site; although, you still have all the other ancillary
12 equipment you need. Not terribly significantly
13 cheaper, no.

14 Q. Is it correct then with the understanding
15 that I'm referring to either a bidirectional repeater
16 or channelized repeater that you did not, in addition
17 to making no adjustments to the cell tower site that
18 would serve the Timm Ranch, place a repeater to
19 determine whether placing that repeater would allow a
20 strong enough signal for acceptable basic cellular
21 service to be reached to all the locations at which
22 residences are on the Timm Ranch?

23 A. That's correct.

24 Q. It's true, isn't it, that there is another
25 kind of device called a phone cell device.

0307

1 A. Yes, that's true.

2 Q. And it's also true -- I believe Dr. Danner
3 discussed that in his testimony -- the function of that
4 device is to take a cellular signal and emulate the
5 performance of the wireline network in that when one
6 removes the receiver from the hook, one hears a dial
7 tone, among other things; is that correct?

8 A. Yes.

9 Q. And that device is designed for use as a
10 fixed station as opposed to a mobile station; is that
11 correct?

12 A. That's correct.

13 Q. And one of the tests that RCC did was to
14 determine whether placing such a device at the various
15 residence locations would allow the reception of a
16 sufficient signal for basic wireless service at those
17 locations on the Timm Ranch; is that correct?

18 MR. HARLOW: I just want to clarify, because
19 we are getting into the term "basic service," and there
20 is a defined term in Washington law, and I just want to
21 make it clear he's not being asked to specifically give
22 an opinion of Washington law but more from an
23 engineering perspective.

24 MR. OWENS: That's fine, Your Honor.

25 JUDGE MACE: Do you have the question in

0308

1 mind?

2 THE WITNESS: Yes. We installed two of these
3 devices at two of these locations.

4 JUDGE MACE: You are talking about the phone
5 cell devices?

6 THE WITNESS: Yes, ma'am.

7 Q. (By Mr. Owens) But you only installed them
8 at one location on the Timm Ranch, or did you install
9 them at two locations on the Timm Ranch?

10 A. We installed them at two locations at the
11 Taylor location.

12 Q. Did you install them at any location on the
13 Timm Ranch?

14 A. Bear with me one second. I'm sorry. We
15 installed one at the Ike Nelson location at the Timm
16 Ranch and one at the Kay Taylor location at the Taylor.

17 Q. It's true, isn't it, that one of the features
18 of this phone cell device is that it allows some
19 amplification of the signal, both the received and the
20 transmitted signal, that involves the cellular service;
21 is that correct?

22 A. No. That would be a function of any external
23 antenna system.

24 Q. Is an external antenna system normally
25 connected to the phone cell device?

0309

1 A. We look at options that are available, and
2 that's one option that's available.

3 Q. Is there a particular manufacturer and model
4 number of this equipment, that you are aware of?

5 A. I'm not familiar with what that is.

6 Q. At Page 9 of Exhibit 91-T, your testimony
7 says that the phone cell system would probably work at
8 the Ike Nelson and Bob Timm residences but not the
9 other residences at the Timm Ranch, and that's at line
10 13 and 14; is that correct?

11 A. Yes.

12 Q. Is the phone cell system a device that takes
13 outside power and performs its radio transmission and
14 conversion activities using that?

15 A. What do you mean by "outside power,"
16 commercial power?

17 Q. Yes, as opposed to some internal battery
18 system.

19 A. Yes. It's an AC-powered device.

20 Q. That is, the phone the cell device produces
21 an output which is compatible with normal telephony in
22 terms of the frequency and amplitude of the signal that
23 is put on the copper wires that you would use in your
24 house; is that correct?

25 A. I haven't read the technical specifications.

0310

1 That's my understanding though, yes.

2 Q. It's my understanding that RCC did not test
3 as an alternative connecting several phone cell units
4 at the location on the Timm Ranch or locations where a
5 signal could be received and connecting those by wire
6 with the residences, where for radio reasons, signals
7 couldn't be received; is that correct?

8 A. That's correct.

9 MR. OWENS: I have no further questions, and
10 we didn't mark any exhibits for Mr. Gruis, so I don't
11 have anymore questions and nothing to offer.

12 JUDGE MACE: Do the commissioners have any
13 questions of this witness?

14 CHAIRWOMAN SHOWALTER: I do.

15

16

17 CROSS-EXAMINATION

18 BY CHAIRWOMAN SHOWALTER:

19 Q. I also had questions about what the word
20 "location" means, and it is on your testimony at 91-T,
21 Page 2. Is a location something that is an area
22 surrounding a given cell tower, or does the company
23 have a geographic area it's serving with many cell
24 towers and that whole area is the area you are testing?

25 A. I guess it depends upon the application.

0311

1 Where we have multiple cell sites that could cover one
2 piece of geography, then I would consider it more of a
3 network of sites covering that larger geographical
4 area. However, in this instance where we are talking
5 about, you are lucky if one cell site can cover, so we
6 would likely consider that one on a single-site basis;
7 though we do design it as a network.

8 When we look at it, it's kind of hard to test
9 every square inch of a cell site's coverage area
10 because there aren't roads everywhere, and it's hard to
11 access each point on the ground that a cell site is
12 designed to cover. So when we look at it with a
13 computer modeling before the site is built, we look for
14 the optimal location. That's the kind of things we are
15 thinking about when they look at the computer model.
16 We see this whole area west of the site wouldn't be
17 covered because there is a big ridge in the way. You
18 would clearly not have 90 percent of that circle
19 covered, so we would look for an alternate location
20 where we could achieve as much of the coverage goal as
21 possible with one single cell site.

22 Q. But if you had a single tower on a mountain
23 top in the middle of a big flat plain, then would you
24 define the total location as a circle surrounding that
25 cell tower of several miles?

0312

1 A. Probably in that instance if we used antennas
2 that radiated omnidirectionally, it would look much
3 like a circle, yes.

4 Q. But if you had a single cell tower in the
5 mountains, would the location of that area be some kind
6 irregular area anticipated to be served by the cell
7 tower?

8 A. I'm not sure I'm following you.

9 Q. Why I'm confused, and maybe others are too,
10 it says 90 percent of the locations within the service
11 area would get a good signal 90 percent of the time,
12 and disregarding cell towers, if you just have a big
13 geographic area, it's pretty easy to understand that 90
14 percent of that whole area would get a good signal at
15 least 90 percent of the time, but I didn't understand
16 that that's really how your accounting or your
17 calculation works.

18 It sounded to me as if you make a judgment
19 about what a cell tower should serve, and that's sort
20 of the 100 percent, and then you hope to have it do
21 that 90 percent of the time?

22 A. I think you are on the right track, and if
23 you went back to your hypothetical example, in a
24 perfect world, the pattern of a cell site's coverage
25 would be a big circle, and if it's this big, if it's a

0313

1 10-mile radius, maybe nine miles of that radius would
2 be served very well all of the time, and that last one
3 mile of the radius would be that area where its
4 marginal.

5 We design cellular networks with a fade
6 margin because we know you don't have the same exact
7 signal. If I sat right here with my cell phone, it
8 would change signal levels just because that's the way
9 the frequency acts. So on the margin of the sites is
10 where that not 100 percent availability factor comes
11 in.

12 Q. But in the case of the one in the mountains
13 where there are lots and lots of mountains, then I take
14 it that the expected 100 percent area of that cell
15 tower is not as big as the first example.

16 A. Maybe not as big, maybe not as regularly
17 shaped.

18 Q. But whatever it was, you would hope that 90
19 percent of that lesser area would be served well 90
20 percent of the time.

21 A. That's right.

22 CHAIRWOMAN SHOWALTER: Thank you.

23 JUDGE MACE: Any other questions?

24

25

0314

1

2

CROSS-EXAMINATION

3

BY COMMISSIONER OSHIE:

4

5

6

7

8

Q. Mr. Gruis, can you go into some detail about the factors that would come into play in your cost estimate for cell tower placement that varied, I believe, from your testimony of between 150- and \$500,000?

9

10

11

12

13

14

A. Certainly. First, we need to define an objective for what we want covered with each cell site. From there, we design a search ring and send out some sort of site acquisition team to look for locations. That's the first cost we have is for the actual searching for the site.

15

16

17

18

19

20

21

22

23

24

We will find some candidates and do some testing, possibly drive testing, possibly computer modeling, and come up with a location where the goals would be met, which would enter into the site acquisition and the land acquisition phase. There are costs associated with permitting the site, leasing or purchasing the site from a willing landowner; a series of zoning rules, which vary depending on which location you pick, and that would result in the site of the location being acquired.

25

The next phase is construction, in which we

0315

1 would have to somehow either pay for commercial power
2 to be installed or install some sort of alternate power
3 system, such as generators and batteries or solar rays,
4 which we have done in some cases in the mountainous
5 side. The other costs are coming up with some sort of
6 tower or structure to put our antenna rays on and the
7 construction of those; building a road or some sort of
8 access into the site so our technicians can access the
9 site; supplying a building and foundation to house the
10 electronics, and then the actual electronics themselves
11 - battery backup systems, power systems, antenna cable
12 systems, and the actual antennas themselves.

13 Q. Would you characterize the cost estimates in
14 your testimony as being general in nature, or were they
15 specific to serving either the Timm Ranch or the Taylor
16 residences?

17 A. They were very general. We haven't done any
18 of the up-front work to understand the actual costs or
19 estimates based on other projects we've done.

20 Q. So the estimate would be the high and low end
21 of what it could be.

22 A. Yes, that's correct.

23 COMMISSIONER OSHIE: Thank you.

24 JUDGE MACE: Anything further? Mr. Harlow.

25

0316

1

2

REDIRECT EXAMINATION

3

BY MR. HARLOW:

4

Q. Thank you, Your Honor. Thank you, Mr. Gruis.

5

With respect to the questions asked by Mr. Owens about

6

a repeater, and maybe you touched on this in your last

7

answer, but you mentioned the ancillary costs besides

8

the repeater and electronics itself. Do you recall

9

that?

10

A. Yes.

11

Q. Would those costs be many or if not all of

12

the costs you just mentioned about site acquisition,

13

power, building, antenna structures, and so on and so

14

forth?

15

MR. OWENS: I object. That's pretty leading

16

on redirect.

17

JUDGE MACE: Mr. Harlow?

18

MR. HARLOW: I'll rephrase it.

19

Q. (By Mr. Harlow) What would be the other

20

ancillary costs that you would incur in a repeater in

21

addition to the repeater electronics itself?

22

A. Everything I mentioned in the cost structure

23

of a cell site is present, including the cost of the

24

electronics. It's merely that we are replacing one

25

cellular-based station with one cellular repeater.

0317

1 Q. Later on in cross by Mr. Owens, you were
2 asked a hypothetical about, as I understand it, placing
3 multiple phone cells at Mr. Nelson's house and running
4 wires to the other houses. Do you recall that?

5 A. Yes, I do.

6 Q. Do you know how far those houses are,
7 potentially, from Mr. Nelson's house?

8 A. I do not.

9 Q. Do you know what the designed range of the
10 wired side, if you will, of the phone cell units is?

11 A. No, I don't know.

12 MR. HARLOW: That's all the redirect I have,
13 Your Honor.

14 MR. TRAUTMAN: No further questions.

15 MS. ENDEJAN: No further questions.

16 MR. OWENS: Nothing, Your Honor.

17 JUDGE MACE: I believe all of the witness's
18 exhibits have been admitted. Thank you. You are
19 excused. I believe the next witness would be
20 Ms. Kohler.

21 (Witness sworn.)

22

23

24 DIRECT EXAMINATION

25 BY MR. HARLOW:

0318

1 Q. Can you please state your name for the
2 record?

3 A. It's Elizabeth Kohler.

4 Q. Ms. Kohler, do you have in front of you what
5 have been marked as Exhibits 101-T and 102-T?

6 A. I do.

7 Q. Were Exhibits 101-T and 102-T prepared under
8 your direction and supervision?

9 A. They were.

10 Q. Do you have any corrections or updates to
11 your prefiled testimony?

12 A. I do have a new title.

13 Q. Would you please indicate where we would make
14 that change in Exhibit 101-T?

15 A. It would be Line 5, Page 1.

16 Q. What is your current title, your new title?

17 A. It's vice president of legal services.

18 Q. With that update, if I were to ask you the
19 questions contained in Exhibits 101-T and 102-T, would
20 your answers be the same as contained in those
21 exhibits?

22 A. It would. I was also asked my title in
23 102-T, Page 1, and that would be Line 4.

24 Q. Thank you. So that would be the other
25 update?

0319

1 A. Yes.

2 MR. HARLOW: Your Honor, we offer Exhibits
3 101-T and 102-T.

4 JUDGE MACE: Is there any objection to the
5 admission of those exhibits?

6 MR. TRAUTMAN: No, Your Honor.

7 JUDGE MACE: I'll admit them.

8 MR. HARLOW: Ms. Kohler is available for
9 cross.

10 JUDGE MACE: Mr. Trautman?

11 MR. TRAUTMAN: Thank you.

12

13

14 CROSS-EXAMINATION

15 BY MR. TRAUTMAN:

16 Q. Good afternoon, Ms. Kohler.

17 A. Good afternoon.

18 Q. First, does RCC include in its rates an
19 amount sufficient to build and maintain a network?

20 A. Our rate structure supports our current
21 network, yes.

22 Q. Mr. Gruis testified, and I believe the data
23 responses also indicate that for these particular
24 locations, RCC had to make four to five visits to each
25 customer's home; is that correct?

0320

1 A. That's correct.

2 Q. And they also, I believe, had to make a cell
3 site adjustment at about \$5,900; is that correct?

4 A. I believe that is correct, yes.

5 Q. Does RCC's rates include an amount necessary
6 to recover these amounts?

7 A. The answer is --

8 MR. OWENS: I'm going to object to this
9 friendly cross. I don't believe the Staff's position
10 is adverse to this witness's testimony, and this
11 appears to be friendly cross.

12 MR. TRAUTMAN: It's pertinent information for
13 the record, Your Honor.

14 CHAIRWOMAN SHOWALTER: That's not the
15 question.

16 MR. TRAUTMAN: I don't know that it's
17 friendly cross. I don't know what her answer will be.

18 JUDGE MACE: I'll allow the questions at this
19 point and see where this leads. Do you have the
20 question in mind?

21 THE WITNESS: I believe I do. The answer is
22 yes.

23 Q. (By Mr. Trautman) Is it correct that none of
24 the named applicants in this case have requested RCC's
25 service on a paying regular basis?

0321

1 A. That is correct.

2 MR. TRAUTMAN: Thank you. That's all I have.

3 JUDGE MACE: Ms. Endejan?

4

5

6 CROSS-EXAMINATION

7 BY MS. ENDEJAN:

8 Q. Thank you, Ms. Kohler. I just have one
9 question, and if you will turn to what is the RCC
10 response to Verizon's Data Request No. 4, which has
11 been marked as Exhibit 412 in this case.

12 A. I don't believe I have a copy of that in
13 front of me.

14 Q. It's very short, and I just wanted to get
15 into the record that document, which has one question,
16 which is, is RCC willing to provide service to
17 applicants at the Timm Ranch location and the Taylor
18 location at its customary rates?

19 A. Yes. My answer said using existing
20 facilities; that is true.

21 MS. ENDEJAN: Thank you. That's all I have,
22 and I would offer into evidence Exhibit 412.

23 JUDGE MACE: Any objection to the admission
24 of 412?

25 MR. HARLOW: No, Your Honor.

0322

1 JUDGE MACE: I will admit it. Mr. Owens?

2

3

4

CROSS-EXAMINATION

5 BY MR. OWENS:

6 Q. I'm Douglas Owens representing Qwest. In
7 answer to a question by Staff, you said that you agreed
8 that none of the named applicants in this case had
9 requested service from RCC, and you answered yes, and
10 by that, did you understand that counsel was asking you
11 whether those applicants had contacted RCC directly and
12 requested service directly from RCC?

13 A. That is true, yes.

14 Q. Directing your attention to what has been
15 marked as Exhibit 401, please, is that a copy of the
16 petition that RCC filed with this commission seeking
17 designation as an eligible telecommunications carrier
18 for certain areas within the State of Washington?

19 A. It appears to be, yes.

20 Q. Is it correct that you signed that on Page
21 14?

22 A. I authorized my signature, correct.

23 Q. Directing your attention to Page 6 of that
24 same exhibit, you recite at Paragraph 11 that the FCC's
25 rules provide that carriers designated as ETC's shall

0323

1 throughout their service area, No. 1, offer the
2 services that are supported by federal universal
3 service support mechanisms either using their own
4 facilities or a combination of their own facilities and
5 resale of another carriers' services and to advertise
6 the availability of such services and charges
7 therefore; correct?

8 A. Correct.

9 Q. In Paragraph 12, you stated that RCC is a
10 full-service wireless carrier which now offers all of
11 these services as described in detail below throughout
12 its service area; correct?

13 A. That's correct.

14 Q. It's also true, isn't it, that at the open
15 public meeting on June 14th, 2002, at which the
16 Commission considered this application, you stated,
17 quote, "We are excited about that prospect because we
18 know we have dead spots. We know that there are more
19 people out there that we want to serve and we fully
20 intend to serve. That's reflected in our petition."
21 Do you recall saying that?

22 A. Yes, I do.

23 Q. Now, is the Timm Ranch a dead spot for RCC
24 Minnesota?

25 A. I'm not qualified to answer that from an

0324

1 engineering standpoint.

2 Q. As you use the term "dead spots" in your
3 statement to this commission, would you consider the
4 Timm Ranch, based on what you know about it sitting on
5 the witness stand today, to be a dead spot?

6 A. I know that there is poor coverage there,
7 yes.

8 Q. So yes, it's a dead spot.

9 MR. HARLOW: Objection, asked and answered.

10 MR. OWENS: I didn't get a clear yes or no.
11 I got an answer, We know there are areas of poor
12 coverage, yes, but my question was is it a dead spot,
13 and I think I'm entitled to a yes or no and an
14 explanation if there is one.

15 CHAIRWOMAN SHOWALTER: I'm going to interject
16 here. The witness has said she's not an engineer, and
17 the question -- is this term "dead" a technical term,
18 or is this a lay way of asking that question?

19 MR. OWENS: I'm sorry, Madam Chairwoman. I
20 thought I asked her as she used it in her statement to
21 you on June 14th, is it a dead spot based on what she
22 knows now.

23 JUDGE MACE: If you can answer.

24 THE WITNESS: Sure, yes.

25 Q. (By Mr. Owens) But it's also true that RCC

0325

1 Minnesota has no intent to build any facilities to
2 improve service to the Timm Ranch; is that correct?

3 A. No.

4 Q. That's not correct. Directing your attention
5 to Exhibit 410, that asks if the residents in the Timm
6 Ranch location, who have been using service on a trial
7 basis from RCC, decide to request permanent service,
8 RCC would construct a new cell tower, and the answer is
9 you would not.

10 A. Correct.

11 Q. Exhibit 408, if you could look at that, that
12 indicates that as of the date of this response, there
13 were no areas in which RCC has determined to invest to
14 expand its facilities in response to the Commission's
15 designation of RCC as an ETC. Is that correct?

16 A. Yes.

17 Q. Is that still true today?

18 A. To the best of my knowledge.

19 Q. Yet you answered a minute ago that it wasn't
20 true that RCC had no plans to build to improve service
21 to the Timm Ranch. Can you tell us where we can find
22 those plans?

23 A. I believe that it's our company's intent to
24 eventually build a network that provides service
25 throughout our service area.

0326

1 Q. But that intent isn't expressed in any
2 written form; is that correct?

3 A. I don't believe there is a budget prepared
4 that would include that today.

5 Q. Or any other written document, a business
6 plan or any kind of statement other than your verbal
7 description; is that correct?

8 A. I believe the company's intent is expressed
9 in its commitments to pursue ETC objectives in writing.
10 I believe those commitments have been made.

11 Q. But there is no specifics as to when, where,
12 and how that intent would ever be translated into
13 actual construction at specific places in the state; is
14 that right?

15 A. No.

16 Q. That's not right?

17 A. No, that's not right.

18 Q. Where could we find those?

19 A. We prepare annual capital budgets.

20 Q. But you said, I think, a minute ago that this
21 intent had not been reflected in the capital budget; is
22 that correct?

23 A. I'm confused now on your line of questioning.

24 MR. HARLOW: Your Honor, I think Mr. Owens is
25 kind of mixing apples and oranges here. In one

0327

1 question he's talking about specific plans for the Timm
2 Ranch, and in another area, he's talking about specific
3 plans within the State of Washington. I think that's
4 where the witness is getting confused.

5 MR. OWENS: I don't think my questions
6 required editorializing. I think my questions were
7 clear. I'll try to reask the question.

8 JUDGE MACE: I think the witness did express
9 that she was confused, so if you could go back over
10 this.

11 CHAIRWOMAN SHOWALTER: I'll just add, I was
12 confused on the same point, so I think your question
13 doesn't make clear -- are you talking about a general
14 plan for our state or a plan to go to the Timm Ranch
15 area would be helpful.

16 Q. (By Mr. Owens) Is there a specific plan to
17 build facilities to improve service at the Timm Ranch?

18 A. No.

19 Q. Is there a specific plan to build facilities
20 at any other location in the State of Washington?

21 A. Yes.

22 Q. Where would that plan be found?

23 A. It would be found in our network operations
24 department.

25 Q. Can you explain why RCC does not provide some

0328

1 identification of that document or that plan in
2 response to the request in Exhibit 408?

3 A. The plans were just finalized for 2003.

4 Q. When did that occur?

5 A. I would have to check with my network
6 operations team for a date.

7 Q. Was it within the last month?

8 A. Yes.

9 Q. Do you know why no supplemental response to
10 this data request was provided to Qwest indicating that
11 development?

12 A. If your question is specific to the question
13 identified in Exhibit 408, at this point in time, we
14 have not incorporated the receipt of ETC funding in our
15 capital plans because we have just started to receive
16 funding. So specific to our designation, there is no
17 business plan allocating capital dollars to expand the
18 facilities.

19 Q. So there hasn't been any change in reference
20 to Exhibit 407 reflecting advancement of construction
21 deadlines stimulated by the designation of RCC
22 Minnesota as an ETC as distinguished from the actual
23 receipt of USF dollars; is that correct?

24 A. That's correct.

25 Q. Exhibit 53 is RCC's response to a data

0329

1 request that asks for the support for the expected
2 subsidies --

3 JUDGE MACE: Excuse me. This is an exhibit
4 marked for Ms. Jensen?

5 MR. OWENS: Yes, that's correct.

6 MR. HARLOW: You will have to provide a
7 witness with the copy of that. It wasn't identified as
8 one of her cross-exhibits.

9 MR. OWENS: May I approach?

10 JUDGE MACE: Yes.

11 Q. (By Mr. Owens) The third page of the
12 document, I believe, consists of a table that sets
13 forth the anticipated --

14 MR. HARLOW: Excuse me, Your Honor, if we
15 could make sure we are all on the same page. Since
16 this was a fax, at the top right of each one, there is
17 a page Mr. Owens is referring to, 413.

18 MR. OWENS: I gave my only copy to the
19 witness.

20 Q. Page 4 of 13, and that sets out RCC's
21 calculation of its estimated 2003 annual support in the
22 State of Washington; correct?

23 A. That's correct.

24 Q. And that's based on some number of RCC
25 customers and so much USF and interstate access support

0330

1 per customer; is that correct?

2 A. That is correct.

3 Q. And that's on a per-monthly basis and then
4 it's multiplied by 12 to get to the total.

5 A. Right.

6 Q. At least as far as the interstate access
7 support, it's correct, isn't it, that RCC can collect
8 for customers who are in exchanges served by ILEC's who
9 are eligible for that support but not for ILEC's such
10 as Qwest, which were not eligible; is that correct?

11 A. That's correct.

12 Q. So you must have some means of
13 differentiating RCC customers who are in service areas
14 of companies who are eligible for support from those
15 who are in areas of companies which are not eligible
16 for support; correct?

17 A. Correct.

18 Q. And is the basis of that the customer's
19 billing address?

20 A. That's correct.

21 Q. These customers are both mobile and fixed
22 wireless customers, or are all they all mobile
23 customers?

24 MR. HARLOW: Objection, no foundation.

25 JUDGE MACE: Mr. Owens?

0331

1 Q. Are there both mobile and fixed wireless
2 customers that RCC serves?

3 A. These customers are customers using our CMRS
4 service, commercial mobile radio service. They may use
5 their service in a fixed application with the right
6 premises equipment. I have no way to determine that.

7 Q. Do you know how many of the RCC customers for
8 whom interstate access support would be computed as a
9 component of the recovery on this exhibit, Page 4,
10 would be attributable to customers whose billing
11 addresses are in the Verizon Bridgeport exchange?

12 A. Yes.

13 Q. Is that a confidential number?

14 A. The actual number today that we report to
15 USAC is not a confidential number.

16 Q. Can you state what that number is?

17 A. What the number is?

18 Q. Yes.

19 A. I would have to look at their Web Site or
20 talk to my financial folks.

21 MR. OWENS: Could we have that supplied as a
22 late-filed exhibit, Your Honor?

23 MR. HARLOW: Record requisition, you mean?

24 MR. OWENS: If that would suit the purpose.

25 MR. HARLOW: Would you repeat it slowly?

0332

1 MR. OWENS: Certainly. The number of
2 customers of RCC would generate interstate access
3 monthly universal service support shown on Page 4 of
4 Exhibit 53 with billing addresses in the Verizon
5 Bridgeport exchange.

6 THE WITNESS: Can I clarify the record now
7 that you've repeated the question? The line count we
8 submit to USAC are based on geographic areas identified
9 by the ILEC. So our USAC information or publicly
10 available information will reflect the number of
11 customers in the Verizon service areas identified, and
12 there are two in the State of Washington in our service
13 area.

14 The breakdown at the wire center level, the
15 Bridgeport exchange, may not be publicly available on
16 the USAC Web Site, but I believe that's something we
17 can calculate internally.

18 Q. I'm sorry; you confused me. There are two
19 what? You said there were two --

20 A. Verizon has two territories that they report
21 for ISA support.

22 JUDGE MACE: And ISA support is....

23 THE WITNESS: Interstate Access Support.

24 MR. HARLOW: So with that, Mr. Owens, would
25 it be acceptable, if necessary, to produce that as a

0333

1 confidential response?

2 MR. OWENS: That would be fine.

3 JUDGE MACE: It will be Records Requisition
4 1-C, please.

5 MR. HARLOW: Do you understand the question
6 now?

7 THE WITNESS: I do, yes.

8 MR. HARLOW: We won't have an objection to
9 that.

10 Q. (By Mr. Owens) Directing your attention to
11 what's been marked as Exhibit 409 and the factors that
12 you identify there as those which you use in making
13 infrastructure investment determinations. The first of
14 those is competitive pressures. In the situation of
15 the Timm Ranch, how does that factor relate to your
16 decision not to invest to build facilities to improve
17 service to the Timm Ranch?

18 A. In a general way, we evaluated the cost to
19 deploy the infrastructure necessary to improve coverage
20 in that geographic area and assess the potential for
21 the number of customers that we could obtain or return
22 on that capital investment, and the economics don't
23 justify that capital investment.

24 Q. So as to this particular area then,
25 competitive pressures would not have been a factor that

0334

1 determined your decision; is that right?

2 A. Correct, yes.

3 Q. The next factor you identify as one that you
4 would consider is the number of roaming minutes that
5 RCC can anticipate, and would it be correct that you
6 would normally anticipate gaining roaming minutes by
7 building facilities that were close to a major highway?

8 A. One factor we looked at when we looked at
9 roaming revenue, yes.

10 Q. Then the last one you say is the number of
11 new subscribers that RCC would gain, and that's the one
12 you referred to a minute ago.

13 A. Yes.

14 MR. OWENS: Your Honor, that's all I have,
15 and we would offer -- I'm sorry.

16 (Discussion off the record.)

17 Q. (By Mr. Owens) Let's return for a minute to
18 Exhibit 53, if you would, and this is on Page 7. On
19 the sixth line down on the left side, it says, "Verizon
20 Northwest Washington," and then the second column from
21 the right, there is a number. It looks like 19,243,
22 and that appears to be under a heading on the next page
23 that says, "RCC's customer within LEC," so then would
24 the Commission correctly understand that's the count of
25 RCC's customers in the totality of Verizon's service

0335

1 area in Washington?

2 A. I believe that's correct.

3 Q. So the numbering in the Bridgeport exchange
4 would be some subset of that.

5 A. Correct.

6 MR. OWENS: That's all. We would offer 407
7 through 411.

8 MR. HARLOW: No objection, Your Honor.

9 JUDGE MACE: I'll admit those exhibits.
10 Commissioners?

11 MR. HARLOW: Did we dispose of Exhibits 401
12 to 406?

13 JUDGE MACE: We'll deal with that after the
14 commissioners' questions.

15

16

17 CROSS-EXAMINATION

18 BY CHAIRWOMAN SHOWALTER:

19 Q. You say in your testimony that you are
20 scheduled to get universal service funds January of
21 this month. That's now. Have you actually gotten a
22 check yet?

23 A. I did. A copy of it's framed on my wall. We
24 got our first check.

25 Q. I believe I heard you say you have committed,

0336

1 as you must, to spend that money building out your
2 network in this state; is that correct?

3 A. That's correct.

4 Q. Your testimony says you have 44,000
5 customers. Is that roughly still an accurate figure?

6 A. Yes.

7 Q. Is this a correct characterization of your
8 testimony, that you are going to continue to build out
9 your network but that the Timm or Taylor locations are
10 too low in the priority of your business plan to be the
11 subject of a build-out, at least if you go according to
12 your plan?

13 A. That's true as we look at 2003. We look at
14 our capital expenditure each year as we approach the
15 close of the previous calendar year.

16 Q. Is a way to put this that it's because you
17 see that if you spend your money in other ways, you
18 basically get more bang for the buck either in terms of
19 revenues or customers or network effect?

20 A. That's true. We also do anticipate in our
21 model of how we rang our capital expenditures that we
22 will include the subsidy levels that are available
23 throughout the rural communities in Washington because
24 now that that's part of our equation, we can justify
25 capital expenditures in those rural communities that we

0337

1 otherwise couldn't with our current economic business
2 model.

3 CHAIRWOMAN SHOWALTER: Thank you.

4 JUDGE MACE: Any other questions? Redirect?

5 MR. HARLOW: Thank you, Your Honor,
6 Ms. Kohler.

7

8

9 REDIRECT EXAMINATION

10 BY MR. HARLOW:

11 Q. Mr. Owens cross-examined you regarding
12 Exhibit 401 and your statements at the Commission open
13 meeting in June of last year. Do you recall that?

14 A. I do.

15 Q. Specifically, he focused in on your usage of
16 the term or RCC's usage of the term "throughout." Do
17 you recall that?

18 A. I do.

19 Q. What does RCC mean by "throughout" as used in
20 its application before this commission and before the
21 commissioners?

22 A. We believe that throughout our service area
23 is to provide service in our FCC licensed area.

24 Q. Does it mean service at every tree and rock
25 and cabin and ranch within an area?

0338

1 A. No, it doesn't.

2 Q. Why is that? Let me be more specific. Is
3 there some reason under federal law in terms of
4 obligations as you understand them of an ETC that you
5 don't define throughout every single tree and rock and
6 ranch?

7 A. In the petition for our eligible
8 telecommunications carrier status, the FCC has a
9 requirement that you make a commitment to serve
10 throughout your service area. We make that commitment.
11 We hope access to the funds will accelerate the
12 deployment of infrastructure to provide this ideal
13 ubiquitous network.

14 I think the reality is you can never expect
15 100 percent coverage in every square inch of your
16 service area, nor is that economically desirable
17 because people will not use their phone in every inch
18 of your network.

19 Q. To your knowledge, has the FCC supported your
20 interpretation of the term "throughout" in any of its
21 orders?

22 A. Repeatedly, yes.

23 Q. Can you give us any examples off the top of
24 your head?

25 A. I don't have the citations. I can provide

0339

1 them.

2 JUDGE MACE: You can put that in your brief.

3 Q. Ms. Kohler, if you could turn back to Exhibit
4 53, which Mr. Owens was cross-examining you on, and in
5 particular, you may turn to Page 9 of 13. Do you have
6 that page in front of you?

7 A. I do.

8 Q. Do you recall Mr. Owens asked you if another
9 page in this exhibit showed the anticipated support RCC
10 would receive for the State of Washington, and he had a
11 follow-up question, and that's getting you to agree
12 that was based on the number of RCC customers and
13 support amount per customer? Do you recall that
14 question and answer series?

15 A. I do.

16 Q. Does this page show the support amount on a
17 per-customer basis that RCC can expect to receive in
18 locations in the State of Washington?

19 A. This page reflects the amount of interstate
20 access support currently available to the carriers that
21 are identified in the third column, and there is a
22 factor that's applied. There is an interstate access
23 support level for residential single line and then a
24 final column, a slightly reduced subsidy level for
25 multi-line business, and our subsidies are based on the

0340

1 incumbent carrier subsidy level and calculated on a per
2 loop or in a wireless environment. That's a per
3 customer line.

4 Q. Do you know if in this case with regard to
5 the Timm Ranch, specifically, which carrier's support
6 level you would refer to?

7 A. I'm really not sure which of the Verizon
8 markets that Bridgeport exchange falls into. They are
9 relatively close in the amount of interstate access
10 support, but I don't know which one.

11 Q. To the nearest dollar, can you tell us if the
12 Commission were to follow Qwest's apparent
13 recommendation that RCC be ordered to serve those five
14 residents, can you tell how much additional support RCC
15 would receive to cover the cost of providing service to
16 those residents?

17 A. On a per customer basis, it would be either
18 \$8.56, if you round up, or \$8.72, depending on which of
19 the Verizon study areas that the Bridgeport exchange
20 fell.

21 Q. Is that a per-month figure or per-year
22 figure?

23 A. That is a per-month figure.

24 MR. HARLOW: Thank you, Ms. Kohler. That's
25 all I have.

0341

1 JUDGE MACE: Mr. Trautman?

2 MR. TRAUTMAN: Nothing further.

3 JUDGE MACE: Ms. Endejan?

4 MS. ENDEJAN: Nothing further.

5 JUDGE MACE: Mr. Owens?

6 MR. OWENS: Just in response to that last
7 series of questions, Your Honor.

8

9

10 FURTHER CROSS-EXAMINATION

11 BY MR. OWENS:

12 Q. There is nothing that requires that RCC spend
13 support dollars it receives in one area in Washington
14 to make investments in that same geographic area, is
15 there?

16 A. As I understand the rule, the support must be
17 spent in the subsidized areas of the state. We did
18 seek ETC designation and receive the designation
19 throughout our service area, so to answer your
20 question, our support is going to be targeted to the
21 rural service areas that we cover in the State of
22 Washington.

23 Q. Let me rephrase it then. For example, if you
24 are an ETC in the Kettle Falls wire center of
25 CenturyTel and you receive universal service support

0342

1 attributable to lines you serve there, there is nothing
2 that prevents you from spending those dollars for other
3 supported services in another exchange in which you are
4 also an ETC; is that correct?

5 A. That's my understanding, correct.

6 MR. OWENS: That's all.

7 JUDGE MACE: With respect to exhibits,
8 Mr. Owens, Qwest had marked 401 through 406?

9 MR. OWENS: Yes. I overlooked to offer those
10 as well, Your Honor.

11 JUDGE MACE: Is any objection to the
12 admission of those exhibits.

13 MR. HARLOW: None.

14 JUDGE MACE: They are admitted. We are
15 adjourned for a 15-minute break.

16 (Recess.)

17 JUDGE MACE: Let's be on the record. We are
18 now going to go ahead with the Qwest witnesses, and the
19 first Qwest witness will be Ms. Jensen; is that right?

20 MR. OWENS: Qwest calls Theresa Jensen.

21 (Witness sworn.)

22

23

24 DIRECT EXAMINATION

25 BY MR. OWENS:

0343

1 Q. Good afternoon, Ms. Jensen.

2 A. Good afternoon.

3 Q. Please state your name and address for the
4 record.

5 A. Theresa Jensen, 1600 Seventh Avenue, Seattle,
6 Washington, 98191, and that's Room 3206.

7 Q. Thank you. Are you the same Theresa Jensen
8 who has caused to be prefiled in this case testimony
9 dated July 5th, 2002, that's been marked as Exhibit
10 50-T and testimony that was redated December 27th,
11 2002, that's been marked as Exhibit 51-T and an exhibit
12 purporting to be the staff response to Qwest Data
13 Request 82 that's been marked as Exhibit 52 and an
14 exhibit purporting to be RCC's response to Qwest Data
15 Request 2 that's been marked as Exhibit 53?

16 A. Yes.

17 Q. Are the testimonial exhibits true and correct
18 to the best of your knowledge?

19 A. Yes.

20 Q. If I were to ask you the questions in those
21 exhibits, would your answers be the same?

22 A. Yes, they would.

23 Q. Are the exhibits purporting to be copies of
24 data requests true copies of those requests received by
25 Qwest?

0344

1 A. Yes, they are.

2 Q. Do you have any additions, changes, or
3 corrections to any of your exhibits?

4 A. No, I don't.

5 MR. OWENS: I would offer 50-T, 51-T and 52
6 and 53, and Ms. Jensen is available for
7 cross-examination.

8 JUDGE MACE: Is there any objection to the
9 admission of the proposed exhibits?

10 MR. TRAUTMAN: No, Your Honor.

11 JUDGE MACE: I'll admit them. Mr. Trautman?

12

13

14 CROSS-EXAMINATION

15 BY MR. TRAUTMAN:

16 Q. Good afternoon, Ms. Jensen.

17 A. Good afternoon.

18 Q. I would like to turn first to Exhibit 50-T,
19 which was your July 5th testimony, and if you could
20 turn to Page 8. Starting on Line 6 and going down to
21 Line 11, you state that, "a decision to compel Qwest to
22 serve the Timm Ranch area when other companies have
23 been designated as ETC's in this area and Qwest has not
24 is at odds with the public interest. Such a decision
25 would encourage companies, knowing that they can

0345

1 potentially obtain high-cost support funding without
2 being required to meet the corresponding obligation to
3 serve to apply for ETC designation." Is that correct?

4 A. Yes.

5 Q. In your view, have Verizon and RCC behaved in
6 this manner, in the manner you describe?

7 MR. OWENS: I'm going to object. This
8 question is related to a decision by the Commission,
9 not to a decision by RCC, so the decision to compel
10 Qwest to serve.

11 MR. TRAUTMAN: I can simply ask does
12 Ms. Jensen believe that RCC and Verizon at this point
13 have behaved as described in Lines 8 through 11.

14 THE WITNESS: I think that I'll answer those
15 separately. For Verizon, I believe they understand
16 their obligations when they volunteered to be an ETC as
17 to how they are to spend high-cost support funding, and
18 there has been no decision to date that would perhaps
19 qualify or change their planning strategy with respect
20 to how they might use those funds. So again, it's the
21 decision that I'm concerned about that would infer an
22 ETC does not have an obligation that they voluntarily
23 signed up for that would drive this behavior, and that
24 position hasn't occurred.

25 With respect to RCC, from the testimony we've

0346

1 heard in this proceeding, I am concerned because I
2 think there is an inference by RCC that while they have
3 volunteered to serve throughout the area for which
4 they've received ETC designation that they qualify
5 that, and again, I would say I don't believe there is
6 any decision driving that qualification, but I think
7 they are behaving in a manner that's different than our
8 understanding of the commitment one volunteers to be an
9 ETC as well as our understanding of the Commission's
10 orders approving their request to be designated as an
11 ETC.

12 Q. (By Mr. Trautman) Could you turn to Page 14,
13 and I'm looking at Lines 4 through 6, and there, you
14 state that Mr. Shirley's testimony does not clearly
15 support allowing Qwest to recover all of its
16 reinforcement costs; is that correct?

17 A. That's correct.

18 Q. Are you familiar or do you recall staff's
19 recommendation in 1999 in a case involving CenturyTel
20 that CenturyTel be permitted to recover all of its
21 reinforcement invested when it constructed facilities
22 from the Twisp exchange through the Qwest Pateros
23 exchange to serve homes on Libby Creek Road?

24 A. I don't specifically recall -- I'm not sure
25 how you characterize that. Did you call it staff

0347

1 recommendation?

2 Q. Yes.

3 A. But my comments are specific to Mr. Shirley's
4 testimony in this proceeding as well as Exhibit 52 and
5 the response to this specific question.

6 Q. So you don't know whether staff recommended
7 that recovery for reinforcement be allowed in that
8 case.

9 A. I haven't looked at it and I don't recall.

10 Q. Do you recall whether the Commission
11 permitted such recovery?

12 A. No, I don't.

13 Q. If you could turn to Page 15, Lines 17
14 through 21, and you are asked if Verizon agreed to
15 serve applicants for service in the Bridgeport
16 exchange, and your response is, "Yes, they agree to
17 serve all applicants." In your opinion, would this
18 include the Taylor location?

19 A. Actually, I haven't paid a lot of attention
20 to the Taylor location. Which exchange would that be
21 in?

22 Q. That would also be in the Bridgeport
23 exchange.

24 A. If the Taylor location is in the Bridgeport
25 exchange, I would say yes.

0348

1 Q. Likewise for the Timm Ranch location?

2 A. Yes. As long as those individuals applied
3 for service with Verizon.

4 Q. Would that same analysis apply to RCC when
5 they applied for ETC status within the Bridgeport
6 exchange?

7 A. Yes, I believe it would be because they
8 committed to serve all applicants throughout their
9 service area. Now, the qualification again is
10 applicant, if the customer has applied for service with
11 them.

12 Q. Could you turn to Page 18 of the same
13 testimony, and I'm on Lines 15 through 17, and there,
14 you state that a decision in this case that identifies
15 the facts upon which a waiver should be granted or
16 denied should serve as guidance to other
17 telecommunications providers; is that correct?

18 A. That's correct.

19 Q. Is it Qwest's position that the Commission
20 acting with the limited input provided in this case
21 should set limits on all line extensions in this case?

22 A. Could you be specific as to what kinds of
23 limits you are talking about?

24 Q. Let me also ask, you say that this case
25 should serve as guidance for other cases, and I guess

0349

1 to what extent, based on the input, the limited input
2 in this case, should this case provide guidance or set
3 limits or parameters regarding recovery for line
4 extensions in other cases?

5 A. I think all decisions by the Commission
6 provide guidance as they are qualified by the
7 Commission in its decision. I would disagree that the
8 facts are limited in this case. I think that there is
9 a lot of facts in this case that speak to potential
10 applicants, specific applicants, and estimated cost to
11 serve those applicants, but based on the facts in this
12 case and the decision that the Commission ultimately
13 reaches, you can be guaranteed that at a minimum,
14 ILEC's, and potentially carriers that apply for ETC
15 designation, will consider this as a policy decision of
16 this commission in terms of how they handle this
17 request.

18 Q. If the Commission is going to provide
19 guidance to other providers regarding the provision of
20 service extensions, is that type of guidance better
21 provided through rule-makings or an adjudication such
22 as this one?

23 A. I think there is quite a bit of discussion.
24 Guidance is kind of difficult. Let's assume the very
25 specific facts of the question before the Commission,

0350

1 which is whether under the current rule a waiver should
2 be granted based on facts that Verizon has presented.

3 I think that in the rule-making that led up
4 to the adoption of this rule, there was a lot of
5 discussion on what that might look like, and I think
6 all of the parties agreed that you couldn't necessarily
7 predefine it, and in fact, that's why the rule doesn't
8 predefine it, and I think as we understood in our
9 participation in that proceeding, the understanding
10 was, the intent of the language in the rule was that as
11 companies deemed, it was appropriate because recall in
12 the rule itself in Section 7(b)(2), what the Commission
13 did do in its adoption of the rule is determine what
14 types of things, what type of information, the
15 Commission would consider in granting a waiver, and I
16 think that's as far as the Commission felt comfortable
17 proceeding, and based on the discussions in the
18 rule-making, I think that no one could define a precise
19 line upon which a waiver could be granted. So this was
20 perhaps the best solution the Commission could come up
21 with to recognize that there may be circumstances in
22 which a customer is not reasonably entitled to service,
23 and a waiver request is appropriate.

24 Now, with respect to this proceeding, this is
25 the first proceeding I'm aware of where the Commission

0351

1 has been asked to make that decision based on a
2 specific set of facts, and so back to your question, I
3 believe yes, that the Commission now has facts that are
4 unique to this situation but may be analogous to other
5 situations that have occurred in the past or will occur
6 in the future, and their decision will drive business
7 decisions as to whether other companies seek a waiver
8 and potentially seek ETC designation in the State of
9 Washington or choose to serve in the State of
10 Washington if they don't today.

11 Q. I believe you've testified in many places in
12 your testimony that it would be unwise for the
13 Commission to alter the existing exchange boundaries;
14 is that correct?

15 A. Yes, that is correct.

16 Q. Did Verizon approach Qwest in the summer of
17 2001 and ask Qwest to consider serving the Timm Ranch?

18 A. I don't remember the precise date when there
19 was a discussion, and I also can't share with you who
20 commenced the discussion, if it was either Qwest or
21 Verizon. I think Qwest may have approached Verizon
22 after Verizon filed this petition or was aware of
23 Verizon's intent to file this petition to see if they
24 might be interested in a territory exchange.

25 There may have been discussions prior to that

0352

1 as well at the engineering level between Verizon and
2 Qwest that I was not aware of.

3 Q. What is the territory exchange to which you
4 are referring?

5 A. We had some customers in an exchange -- and
6 I'm sorry. I don't remember which exchange it is --
7 that had expressed some general interest in perhaps
8 obtaining service from Qwest, and we were aware, as I
9 mentioned, of this proceeding and that either the fact
10 that they had already filed a waiver or planned to file
11 a waiver that included the Nelson location. At that
12 time, it was limited to Nelson only.

13 Q. Do you recall whether the exchange would have
14 included the Turtle Lake development?

15 A. I don't know that it's a development. I know
16 that the area we talked to them about was in that area.

17 Q. Do you recall sending a fax to Joan Gage of
18 Verizon asking whether GTE would be willing to serve to
19 customers located close to the Turtle Lake development?

20 A. Yes, I do.

21 Q. Do you remember asking them to call Don
22 Hartzog?

23 A. Yes.

24 Q. Who is Don Hartzog?

25 A. He's the local engineer for that area.

0353

1 Q. That area being...

2 A. The area around the Turtle Lake in response
3 to my question.

4 JUDGE MACE: Is he a Qwest employee or a
5 Verizon employee?

6 THE WITNESS: He's a Qwest employee.

7 Q. (By Mr. Trautman) What's the total area he's
8 responsible for?

9 MR. OWENS: I'm going to object to this line
10 of inquiry. Qwest has been made a party to this case
11 over its objection to determine, among other things,
12 the conditions, if any, under which the Commission's
13 power under RCW 80.36.230 should be exercised or
14 alternatively or maybe conjunctively some adjudication
15 of an allocation of costs should be entered into
16 concerning the extension of service to the Timm Ranch.

17 None of this discussion about hypothetical
18 exchanges that never occurred really has any bearing on
19 that. Ms. Ruosch testified earlier in this proceeding
20 yesterday that Verizon considered such an exchange and
21 ultimately determined not to proceed with it, and it
22 seems to me we are simply burdening the record with
23 irrelevant material that's not going to be pertinent to
24 the Commission's decision on the issues as to which
25 Qwest has been made a party, and it doesn't seem to me

0354

1 it has really bearing on issues pertaining to whether
2 Verizon's waiver should be granted.

3 MR. TRAUTMAN: I think it has a great deal of
4 bearing. The issue Qwest raises is whether the
5 boundary line should be altered and whether one company
6 should be made to serve or provide an extension in
7 another territory, and more generally, companies
8 providing service across territories, and as far as the
9 discussions between Qwest and Verizon regarding Turtle
10 Lake, they are hardly hypothetical discussions. They
11 were real discussions that occurred between the
12 companies.

13 CHAIRWOMAN SHOWALTER: What this proceeding
14 is about is whether Verizon should be granted a waiver,
15 so can you explain how this line of inquiry is relevant
16 to whether Verizon should be granted a waiver?

17 MR. TRAUTMAN: It's also relevant -- the
18 issue Qwest has raised is whether the boundary lines
19 should be adjusted to require Qwest to provide service
20 to an area that's currently in Verizon territory, and
21 part of Qwest's position is, We never do this. This
22 should not be required, and part of this testimony is
23 to show yes, indeed, they have indeed contemplated.

24 CHAIRWOMAN SHOWALTER: Is the question before
25 us whether there is a boundary line adjustment or

0355

1 should be? Do you perceive that to be an active issue
2 in this proceeding?

3 MR. TRAUTMAN: Yes. Ultimately, if Qwest is
4 to be required to provide service. Otherwise, Qwest
5 would not even be participating in the proceeding.
6 That was part of the rationale for the Commission
7 joining Qwest.

8 MR. OWENS: Can I make one last statement?
9 (Discussion off the record.)

10 JUDGE MACE: At this point, we are going to
11 sustain the objection to this line of questioning. You
12 have established, I think, on the record that there has
13 been some negotiation about a possible exchange of
14 customer's service territory between Verizon and Qwest,
15 and at this point, we want you to go on to another
16 topic.

17 MR. TRAUTMAN: Can I ask a point of
18 clarification then, because I want to be clear what the
19 Commission deems to be at issue in this case, because
20 it was staff's understanding that one of the issues was
21 Qwest should be required to serve the Timm Ranch.

22 JUDGE MACE: I think one of the issues raised
23 in your motion to join Qwest was whether Qwest should
24 be a party to this proceeding for a number of different
25 purposes, and one of those purposes was to provide some

0356

1 perspective to the Commission in terms of its
2 evaluation of Verizon's request for a waiver.

3 MR. TRAUTMAN: So is that the only issue
4 regarding Qwest that is deemed before the Commission?
5 I ask that because there was substantial testimony by
6 Qwest as to their cost of service and testimony about
7 the propriety of requiring them to serve and possibly
8 the propriety of altering the exchange boundary.

9 MR. OWENS: We were ordered to provide our
10 cost of service in the Third Supplemental Order, so we
11 complied.

12 JUDGE MACE: I think that we regard this case
13 as what's been noticed, which is our request by Verizon
14 for a waiver to extend service to the Timm Ranch and
15 Taylor location, and the main purpose of the proceeding
16 is to come to that determination.

17 THE WITNESS: Your Honor, if I may,
18 Mr. Trautman made a statement in this discussion about
19 Qwest's testimony that was not accurate. Do you need
20 to correct that on the record?

21 JUDGE MACE: I think what you need to do is
22 check with your counsel, and perhaps he can help you
23 clarify it during redirect.

24 THE WITNESS: Thank you.

25 Q. (By Mr. Trautman) Could you turn to Exhibit

0357

1 51-T, and on Page 2, you state that WAC 480-125-40,
2 which was the accessory form rule --

3 JUDGE MACE: Where are you, counsel?

4 MR. TRAUTMAN: I'm on Lines 17 through 19.

5 Q. -- and you state that that particular rule
6 has been invalidated by a court; is that correct?

7 A. That's correct.

8 Q. Does Qwest have a tariff in place that
9 recovers an amount for universal service as identified
10 in Docket 980311-A?

11 A. Qwest has a tariff in place as a result of a
12 Commission order that directed it to take an existing
13 rate element and divide it into two components, one of
14 those components being labeled as directed by the
15 Commission rule as a universal service rate component.
16 That rate was a rate set by the Commission in a rate
17 case proceeding for Qwest, so Qwest's tariff simply
18 complies with the Commission directive.

19 Q. So there is a tariff in place currently.

20 A. There is a tariff that was filed in
21 compliance with the Commission order, yes.

22 Q. If you could turn to Page 4 of the same
23 testimony, Exhibit 51-T, the bottom of the page,
24 starting on Line 16 and continuing to Page 5, Line 5,
25 you state that Qwest has completed extensions under WAC

0358

1 480-120-071, but has not sought recovery because among
2 other reasons, Qwest would have to make manual
3 accounting entries. Is that true?

4 A. That's true. In Qwest's discussions with the
5 Commission staff, we found there are a number of
6 unwritten requirements associated with WAC 480-120-070
7 we were not aware of.

8 Q. And I believe you state that there are also
9 issues concerning generally accepted accounting
10 principles; is that correct?

11 A. Yes. The Commission staff is asking us to
12 make record of this transaction should we choose to
13 exercise the method allowed under WAC 480-120-071 that
14 are not in accordance with proper accounting.

15 Q. What particular accounting concerns do you
16 have in mind?

17 A. I can give you some examples of some
18 specifics because we've had some preliminary
19 discussions with Staff. Qwest has been advised that if
20 we choose to recover these costs through a terminating
21 switched access rate component that we have to take the
22 revenues that we collect as a result of this rate
23 element associated with line extensions and to remove
24 those from the revenues that we actually collect and
25 record on our accounting records.

0359

1 We've also been advised that the costs
2 associated with the capital and expenses for deploying
3 the line extension has to be removed from our records,
4 and in addition, any tax implications associated with
5 either the revenues or expenses need to be removed. So
6 I refer to these on Line 21 as off-book adjustments. In
7 other words, under GAP accounting rules in SEC
8 requirements, we would record those as both revenues
9 and expenses incurred within the year that they
10 occurred on our books, and for state regulatory
11 purposes, we've been asked to remove them from
12 intrastate results.

13 Q. Does Verizon compete with Qwest inside of
14 Qwest's Seattle exchange?

15 A. Yes, they do.

16 Q. Do they do this through service to the
17 University of Washington?

18 A. That I don't know as fact. I have heard
19 that, yes.

20 Q. If the policy of the Commission were that
21 companies must serve within their exchange boundary but
22 that companies may fulfill that obligation by having
23 another company cross the boundary to provide service,
24 do you see any problem with one company serving in
25 another exchange?

0360

1 A. Would you repeat your question?

2 Q. Do you see any problem with a company
3 fulfilling its obligation to serve by having another
4 company cross the boundary to provide service?

5 A. If I understand your question correctly, I
6 think the Commission does not prescribe how a company
7 fulfills its obligation to provide service within its
8 exchange, and that a company within its own exchange is
9 free to provision services as long as it meets the
10 Commission service quality rule or technical parameters
11 however it sees fit, and if that means, for instance,
12 Verizon were to go to a competitive local exchange
13 company and utilize their facilities to serve a
14 customer, they would be free to do so.

15 Q. Doesn't Section 5 of the line extension rule,
16 which is captioned "extension of service to neighboring
17 exchange facilities," doesn't that contemplate
18 companies agreeing to provide service in another
19 exchange, in a neighboring exchange?

20 MR. OWENS: Your Honor, the rule speaks for
21 itself.

22 JUDGE MACE: It does. I will allow this very
23 short answer, a yes or a no, if you can.

24 THE WITNESS: I'm not sure that it does,
25 because I'm looking specifically at 5(b), which refers

0361

1 to newly constructed facilities being the property of
2 the extending company but the exchange boundary will
3 remain unchanged.

4 I think the intent here, and this is a quick
5 reading of it, is that one company could pay another
6 company to extend facilities on its behalf, and the
7 company might choose to do so, but in all cases, a
8 company that -- in this case, the company -- would
9 choose to build on behalf of another company, they
10 wouldn't do so at their own expense. They would build
11 the other company.

12 Q. You've referred to exchanging cash between
13 companies for an obligation. Would Subsection 5
14 prevent companies from saying having one company say,
15 We will provide service in this part of your exchange
16 in return for you providing service in this part of our
17 exchange?

18 A. I don't think the companies need the
19 Commission's permission to do that. They do need to
20 file exchange boundary maps if they choose to change
21 their boundaries, and that is a form of Commission
22 approval, but I don't see that as under Subsection 5,
23 no, or as the intent of Section 5.

24 MR. TRAUTMAN: Thank you. That's all I have.
25 I would move for the admission of Exhibit No. 54.

0362

1 JUDGE MACE: Any objection to the admission
2 of proposed 54?

3 MR. OWENS: No.

4 JUDGE MACE: I'll admit it. I see the only
5 other potential cross-examiner here is Mr. Harlow.

6

7

8 CROSS-EXAMINATION

9 BY MR. HARLOW:

10 Q. Thank you. Good afternoon, Ms. Jensen.

11 A. Good afternoon.

12 Q. In relation to Qwest's determination of the
13 potential costs to serve the Timm Ranch location, did
14 Qwest examine any alternative technologies to wireline?

15 A. That would be a question better directed to
16 Mr. Hubbard.

17 Q. Do you have any duties with respect to Qwest
18 Wireless?

19 A. Yes, I do.

20 Q. What are those duties?

21 A. I'm, in essence, their interface before this
22 commission.

23 Q. Do you consider the wireless business to be a
24 competitive business?

25 A. Yes, I do.

0363

1 Q. Do you agree that the wireless business is
2 more competitive currently in the State of Washington
3 than wireline?

4 A. I'm struggling with the question. If you
5 could qualify it, it would be easier to answer.

6 Q. Let me narrow it a bit. At least for
7 residential customers, would you agree that wireless is
8 more competitive than wireline?

9 A. No, I wouldn't.

10 Q. And on what basis would you disagree with
11 that?

12 A. I think that residential customers currently
13 choose between wireless and wireline service, and some
14 choose one over the other or in lieu of the other, and
15 some choose both, and I also believe that wireless
16 service is a major competitor of wireline service from
17 what the wireline companies would traditionally call
18 the long-distance business.

19 Q. I understand, indeed, there is some data here
20 about 1.2 percent of the population has only wireless
21 service, but if you assume that hypothetically the
22 Commission might consider those to be separate markets,
23 based on that, would you agree that wireless is more
24 competitive than wireline?

25 MR. OWENS: I'm going to object to this.

0364

1 This is beyond this witness's direct testimony. There
2 is no foundation defining the relevant market as the
3 witness has been asked to accept the Commission would
4 find hypothetically, and RCC has not introduced any
5 evidence defining the relevant market in that way so
6 that the hypothetical could be tied up to actual
7 evidence.

8 JUDGE MACE: Mr. Harlow?

9 MR. HARLOW: The witness testifies
10 extensively in Exhibit 51-T regarding the capabilities
11 of the wireline carrier, Qwest, to recover the costs of
12 serving the Timm Ranch compared to the capabilities of
13 a wireless carrier, RCC, to recover the costs of
14 improving service to that area.

15 Indeed, the witness specifically testifies
16 that RCC can simply pass these additional costs onto
17 their ratepayers, so it goes directly to the question
18 of whether or not the wireless customers of RCC have
19 more competitive options than the wireless customers of
20 Qwest would to pass on the costs of serving the Timm
21 Ranch area.

22 MR. OWENS: If he wants to ask that question,
23 that's fine, but that isn't the question he asked. He
24 asked the witness to assume as a condition of the
25 hypothetical that the Commission would find wireless

0365

1 and wireline are two separate markets, and that is, I
2 believe, implicitly contrary to what she's been
3 testifying to. She been testifying they substitute for
4 one another.

5 CHAIRWOMAN SHOWALTER: It sounded as if you
6 have a question that would not be objected to. Are you
7 ready to ask that question?

8 MR. HARLOW: That's the conclusion which the
9 witness reaches, and the cross is intended to undermine
10 and challenge that conclusion.

11 JUDGE MACE: I would like you to ask the
12 question that would rephrase what you are trying to get
13 at.

14 Q. (By Mr. Harlow) Ms. Jensen, did you hear
15 earlier testimony -- I think it was Ms. Ruosch -- that
16 the Timm and Taylor locations have six to seven
17 wireless options for service; do you recall that?

18 A. I believe so, yes.

19 Q. Let's say the Seattle area where a large
20 number of Qwest customers are taking their service, you
21 have wireless carriers such as AT&T and Verizon and
22 Qwest, Sprint, just to name a few; is that correct?

23 A. That's correct.

24 Q. So if a consumer wants to acquire wireless
25 services, they have a great number of choices; is that

0366

1 correct?

2 A. They have several choices, yes.

3 Q. To your knowledge, do any of those wireless
4 carriers in the Seattle area have a dominant market
5 share, say, over 50 percent?

6 A. I don't know.

7 Q. So not to your knowledge?

8 A. I don't know. My responsibilities for
9 wireless are limited to what action they might require
10 with this commission, which is very little.

11 Q. Am I correct that Qwest collects and
12 maintains data, some of it perhaps projections, but
13 they maintain data or market penetration of other
14 wireline carriers in the areas where Qwest provides
15 residential wireline services?

16 A. Could you be more specific about what data
17 you are referencing?

18 Q. Are you aware of any internal Qwest data that
19 would reflect that there is any area in Washington
20 where competitive providers that have captured, say,
21 five percent market share of the wireline residential
22 telephone service?

23 A. Qwest is unable to quantify market share for
24 other carriers, so no, we do not have data that would
25 quantify what market share they've captured.

0367

1 Q. Has Qwest done market studies that you've
2 seen where the market share is estimated?

3 A. No. I haven't seen studies specific to the
4 question you are asking.

5 Q. Are you familiar with any carriers that are
6 actively competing for residential telephone business?

7 A. Yes, I am.

8 Q. Who do you have in mind?

9 A. I would say that there are several. I don't
10 have them all by name, but there are resellers as well
11 as competitive providers, broadband providers, and
12 there also is wireless service that is fully displaced
13 landline service.

14 Q. Is one of the major wired competitors, is
15 that AT&T Broadband?

16 A. They are one of them, yes.

17 Q. Are you aware they sold their business to
18 Comcast recently?

19 A. I'm aware in parts of the country they have.
20 I don't know if they've sold the full business.

21 Q. Are you familiar with the Comcast
22 announcements regarding their intentions to put, if you
23 will, put their telephone business on the back burner
24 while they rebuild their video base?

25 A. No, I'm not. Maybe a good example is I'm an

0368

1 AT&T Broadband customer, and I've received no notice
2 that Comcast is taking that business over.

3 Q. Are you a Qwest policy witness in this
4 docket?

5 A. Yes, I am.

6 Q. So your understanding of this case is brought
7 under 47 USC, Section 214, or under Washington
8 Administrative Code 480-120-071 or other rules or
9 statutes?

10 A. My understanding is this petition was
11 initiated as a result of WAC 480-120-071.

12 Q. I just want to clarify your recommendation or
13 Qwest's recommendations. Is Qwest seeking an order in
14 this proceeding directing that RCC be directed to serve
15 the Timm Ranch?

16 A. Qwest is not making a recommendation with
17 respect to a carrier being obligated to serve the Timm
18 Ranch. Qwest is simply stating that it opposes a
19 recommendation that Qwest be forced to change its
20 boundary to serve a customer that is located in another
21 incumbent local exchange serving area where two
22 carriers, RCC and Verizon, have both volunteered to
23 serve all applicants within that serving area.

24 Q. On what basis do you claim that RCC has
25 volunteered to serve -- I'll use your exact words --

0369

1 all applicants?

2 A. RCC's own language.

3 Q. What language is that?

4 A. It's cited in my testimony, if you will give
5 me a minute. It's docket --

6 Q. Is this 51-T or 50-T?

7 A. I don't know yet. I believe it's 50-T. It's
8 a discussion in Exhibit 50-T, and I'm not just quickly
9 glancing through this finding the docket number, but it
10 starts on Page 14 -- starts on Page 15, Line 1, and I
11 believe counsel can -- I'm sorry. It's on Page 16,
12 Line 4, Docket No. UT-023033, and there is a cite there
13 where they made that statement.

14 Q. Are you referring to the written application
15 of RCC?

16 A. Yes, I am.

17 Q. To your understanding, that was made Exhibit
18 401 to this proceeding?

19 A. I'm not aware of that. I don't have that
20 exhibit before me.

21 MR. HARLOW: Do you have an extra copy of
22 that, Mr. Owens?

23 MR. OWENS: (Complies.)

24 Q. (By Mr. Harlow) So does your cite on Page 16
25 refer to Exhibit 401?

0370

1 A. I believe so, yes.

2 Q. And where in Exhibit 401 would you contend
3 that RCC agreed to serve, again using your words, all
4 applicants?

5 A. At Page 6, Paragraph 12, where RCC says it
6 now offers all of these services throughout its service
7 area and therefore satisfies the requirement of Section
8 214(e)(1) of the act, and one of the requirements of
9 Section 214(e)(1), I believe, is that they serve all
10 applicants.

11 MR. HARLOW: May I approach the witness, Your
12 Honor?

13 JUDGE MACE: Yes.

14 Q. (By Mr. Harlow) I've handed you a copy of a
15 portion of the 47 US Code, Section 214(e)(1). Can you
16 locate for me in there where you would contend that
17 Section 214(e)(1) requires RCC to serve all applicants?

18 A. I believe without studying this in detail,
19 but I did at the time I wrote my testimony, that the
20 obligation is where a carrier is designated as an ETC
21 will be eligible to receive universal service support
22 in accordance with Section 254 and shall throughout the
23 service area for what the designation is received offer
24 the services that are supported by federal universal
25 service support mechanisms and advertise the

0371

1 availability of such services and charges therefore.

2 There is language elsewhere in the act that
3 specifically also addresses the fact or qualifies this
4 obligation to applicants.

5 Q. Do you have a cite for that?

6 THE WITNESS: Mr. Owens, if I could have my
7 copy of the act, please.

8 MR. OWENS: (Complies.)

9 THE WITNESS: Actually, rather than take this
10 time, we could handle this one of two ways: I could
11 supply it through a Bench request, or I also believe
12 that Ms. Morton could answer this question.

13 MR. HARLOW: I don't want to take up a lot of
14 time.

15 JUDGE MACE: It seems to me also you can cite
16 it in your brief.

17 MR. HARLOW: I would suggest we work it out
18 informally and try to get the cite at the end of the
19 day today, and then if there is need for further cross
20 of the witness I assume she will be here tomorrow as
21 well regarding that citation. Let's move on from that
22 for now.

23 Q. (By Mr. Harlow) I take it from your citation
24 to Exhibit 401, which refers to throughout their
25 service area and your citation to Section 214(e)(1),

0372

1 which also uses the terminology," throughout the
2 service area," that your testimony about the agreement
3 to serve every applicant is based on your
4 interpretation of that phrase, "throughout the service
5 area"?

6 A. I believe I also cite the FCC order, so it
7 may have been that I actually looked at their order as
8 well in terms of their rules for designations of ETC's,
9 and I'm looking at Exhibit 50-T, Page 16, just below
10 the last question you looked at starting at Page 10,
11 and this is specific to wireless carriers and the FCC
12 conclusion to allow wireless carriers to receive
13 universal service funds, and there is a specific order
14 that is cited there in Footnote 20 that also discusses
15 that the wireless carriers must have the ability to
16 serve all potential customers in a service area. So
17 there is really two sources of law --

18 Q. I'm sorry, what page?

19 A. 50-T, Page 16, Line 13 is where the footnote
20 is referenced. There are two sources of law --
21 actually, three. There is state law. There is FCC
22 law, and then there is the act itself.

23 Q. What state law do you have in mind that would
24 obligate RCC to serve every applicant?

25 A. The Commission's order designating RCC as an

0373

1 ETC for this service area as well as their prior orders
2 with respect to all carriers that applied for ETC
3 designation. Their very initial orders also address
4 this subject.

5 Q. In terms of your testimony in Exhibit 50-T,
6 Lines 4 through 5, Page 16, Cellular One agreed to
7 serve, quote, all applicants. That's not based on a
8 specific commitment by RCC, is it? It's based on your
9 interpretation of their obligations under state and
10 federal law; is that right?

11 A. No. I believe it's a specific commitment by
12 RCC.

13 Q. Can you point to anywhere in RCC's
14 application or statements to this commission that they
15 use the term, quote, all applicants?

16 A. I can't at this very moment, but I will be
17 glad to provide that.

18 Q. Is it located in any of your prefiled
19 materials?

20 A. I know when I wrote this statement, I
21 specifically looked at RCC's materials and their
22 request and found either through specific statement or
23 through agreement to comply with FCC rules or the act
24 itself that they've made this commitment.

25 Q. Based on the evidence you've seen produced in

0374

1 this record, is it your contention that RCC should
2 provide that service to the Timm Ranch through its
3 existing facilities, or would you go so far as to
4 contend that RCC must build an additional cell site to
5 serve the Timm Ranch?

6 A. I don't believe that the Timm Ranch has
7 applied with RCC for service, and I understand their
8 obligations as an ETC to only be applicable if a
9 customer applies for service from RCC.

10 Q. So based on that lack of an application
11 evidenced in this record, you would not recommend that
12 the Commission order RCC to provide service to the Timm
13 Ranch?

14 A. I don't believe that I can make a
15 recommendation one way or another. I think that the
16 Commission could decide that wireless service is
17 sufficient for the customers specifically in the Timm
18 Ranch area. The customers already have existing
19 wireless service with another wireless carrier. I
20 don't believe it would be appropriate for the
21 Commission to define whom the customer would receive
22 wireless service from.

23 However, if the Commission felt that there
24 was some question with respect to the commitments made
25 and the obligations imposed by designating RCC as an

0375

1 eligible ETC or eligible telecommunications carrier to
2 receive USF funding that they may well choose to
3 enforce that order and intent and order RCC to furnish
4 service if the customer requests service from RCC.

5 Q. But you don't consider that question to be
6 before the Commission at this time?

7 A. That's not a question that was raised by
8 Verizon in their petition. Verizon has asked the
9 Commission to consider whether this customer should be
10 entitled to service under 480-120-071.

11 Q. At Pages 2 to 3 of Exhibit 51-T -- do you
12 have that in front of you?

13 A. Yes.

14 Q. -- you discuss potential limitations on
15 Qwest's ability to recover the cost of service to the
16 Timm Ranch if it were ordered to serve the Timm Ranch.

17 A. That's correct.

18 Q. What's the range of what you think Qwest
19 might be able to recover under the line extension rule
20 if the Commission were to order Qwest to serve the Timm
21 Ranch?

22 A. Mr. Hubbard has identified that in his
23 testimony.

24 Q. Do you recall approximately the numbers?

25 A. No, I don't. I think it would be best

0376

1 directed to him, or you could find it in his testimony.

2 Q. It would be in the range of several hundred
3 thousand dollars to something around a million?

4 JUDGE MACE: Mr. Harlow, I think Mr. Hubbard
5 is best to address this, as suggested by Ms. Jensen.

6 Q. If you would turn in that same exhibit to
7 Page 7, Line 23, you say that RCC could recover its
8 cost to expand infrastructure. Do you see that?

9 A. Yes.

10 Q. Are you referring specifically to the cost
11 that RCC might incur to serve the Timm Ranch?

12 A. If you look at Page 6, Line 22 and 23, the
13 question is, Can RCC recoup its cost expanded to
14 structured service, so I think it speaks for itself.

15 Q. I'm pointing out the obvious. And am I
16 assuming your answer there is that they could recover
17 it from two sources, other customers or the customer
18 base in general? Was that one of the sources you have
19 in mind?

20 A. My response is yes, they can recover it from
21 their customer base in general, and I believe
22 Ms. Kohler also confirmed that in her testimony today.

23 Q. Is there any reason theoretically why Qwest
24 wouldn't be able to recover the cost of service from
25 its customer base in general?

0377

1 A. There is absent Qwest filing a rate case to
2 increase its rates.

3 Q. Which I guess Qwest can't do right away but
4 can do after 2004?

5 A. Yes, under the settlement agreement.

6 Q. And you were here when we talked about RCC's
7 customer based being about 40,000 customers in the
8 State of Washington?

9 A. Yes.

10 Q. What's Qwest customer base in the State of
11 Washington on an access-line basis?

12 A. Is your question how many access lines does
13 Qwest serve?

14 Q. Yes.

15 A. Our access equivalent, about 2.3 million.
16 However, I think it's inappropriate for Qwest customers
17 to --

18 Q. You've answered the question already. I
19 gather the other source that you hypothesize that RCC
20 could recover its cost to serve the Timm Ranch would be
21 federal universal service support; is that correct?

22 A. That's correct.

23 Q. And were you here when Ms. Kohler identified
24 the amount of universal service support as about 8.50
25 per customer in Washington?

0378

1 A. Per month, per customer in the Bridgeport
2 exchange, I believe the response was to.

3 Q. So that would multiply out times -- let's
4 round it up to nine dollars for the five Timm Ranch
5 residents, assuming they all signed up for the RCC
6 service, that would amount to \$40 per month; is that
7 correct?

8 A. I don't believe so. What question she was
9 asked was what it is the USF support available for the
10 lines they would serve in the Bridgeport exchange, not
11 that they would receive for serving the Timm Ranch.

12 Q. Do you understand basically how the USF
13 support mechanism works?

14 A. In a general sense, yes. Ms. Morton
15 specifically can address that, but my testimony
16 specifically is that they will receive federal USF
17 funds that they can spend in any manner they choose in
18 accordance with the requirement of an ETC.

19 Q. So you are referring to the aggregate amount?

20 A. Yes, I am.

21 Q. Which has been estimated at about a million
22 dollars?

23 A. For January of 2003, that will be an
24 ever-changing number.

25 Q. But you deferred to Mr. Hubbard about the

0379

1 cost support that Qwest might receive under the line
2 extension rule, but you do understand that whatever
3 cost support Qwest might receive under the line
4 extension rule, that would be incremental revenue that
5 Qwest could receive; isn't that correct?

6 A. Under the line extension rule --

7 Q. Can I get a yes or no?

8 A. I don't think Qwest does receive
9 reimbursement for costs under the line extension rule
10 if it's providing service on a voluntary basis in
11 another local exchange company's serving area. If you
12 could point me to where in the rule that's addressed, I
13 would be glad to look at it.

14 Q. Supposing the applicants applied with Qwest
15 for service.

16 A. In what area?

17 Q. In the Timm Ranch area.

18 A. Qwest doesn't hold itself out to offer
19 service in the Timm Ranch area.

20 Q. I guess we have some confusion as to the
21 scope of this proceeding. Are you willing to assume as
22 a hypothetical that were the Commission to order Qwest
23 to provide service to the Timm Ranch area that Qwest
24 could recover some of the costs of that extension under
25 the line extension rule?

0380

1 A. I think that's a decision for the Commission
2 to make.

3 Q. If the Commission were to make that decision,
4 would it be your understanding of the rule that the
5 additional revenues Qwest could recover under the rule
6 to cover those costs, those would be incremental
7 revenues.

8 A. I'm having a difficult time answering your
9 question because --

10 Q. Let me put it another way. Would Qwest have
11 to go and take the money to serve Timm Ranch on some
12 other capital budget?

13 A. Yes, it would.

14 Q. Same as RCC would, I presume?

15 A. I can't speak for RCC.

16 Q. If you would turn to Exhibit 51-T, Page 9,
17 and at Lines 5 to 6, you reference the provisions of
18 RCW 80.36.090.

19 A. Yes.

20 Q. In particular, service needs must be provided
21 to all those who are reasonably entitled to it?

22 A. Yes.

23 Q. What does "reasonably" mean to you in that
24 context?

25 A. I believe customers that are reasonably

0381

1 entitled to service would have to address a number of
2 considerations, and I think Dr. Danner adequately
3 described the variety and the diversity of those
4 considerations. One would be cost versus benefit.
5 Another would, in essence, be the demographics of the
6 customer or the applicant and perhaps the circumstances
7 surrounding their choice to live in those demographics,
8 the example Chairwoman Showalter used, like an
9 applicant living at the top of a mountain.

10 I think there is a number of facts that need
11 to be considered, and this case is clearly one of those
12 cases where from a policy decision, the Commission will
13 be determining if these applicants are reasonably
14 entitled to service, and then what service is that, or
15 is there need to define it.

16 Q. Focusing on cost from a policy perspective,
17 is there any reason if the costs for RCC to provide
18 service to five particular customers were roughly the
19 same as the cost for Qwest to provide service to those
20 same customers, is there any reason that it might be
21 reasonable -- might not be reasonable for Qwest to
22 provide the service, but it would be reasonable for RCC
23 to provide the service?

24 A. Yes. I think the facts in this specific case
25 are one, that RCC has already volunteered to serve all

0382

1 applicants throughout its service territory, and in
2 return is receiving funds it otherwise wouldn't receive
3 through the federal support mechanisms, and two, RCC's
4 rates are not regulated by this commission and they
5 could set them however they choose.

6 Q. Let's take for example Qwest Wireless. Is
7 Qwest Wireless within a position where this commission
8 has directed it to put a cell site in any particular
9 location?

10 MR. OWENS: Your Honor, I'm going to object,
11 at least, to a foundation question as to whether Qwest
12 Wireless is an ETC and therefore should be considered
13 as a comparable to RCC.

14 MR. HARLOW: I certainly understand that
15 Qwest has built its entire case against RCC on the
16 distinction of ETC, and I can promise our advocacy in
17 final briefs will be very different from Qwest's on
18 that issue, so we take a broader view of it in terms of
19 policy question of whether the Commission ought to be
20 directing wireless carriers or even jurisdiction to
21 tell wireless carriers, in effect, where to site their
22 towers. So I think we are entitled to ask that policy
23 question of this witness without regard to the fact
24 that Qwest has a theory that only ETC's can be directed
25 to do these things.

0383

1 JUDGE MACE: We'll allow the answer to the
2 question.

3 THE WITNESS: Could you restate the question,
4 please?

5 Q. (By Mr. Harlow) Have you ever been involved
6 in a situation where this commission ordered Qwest
7 Wireless, just by way of example, to site a sell tower
8 in any particular location?

9 A. Not to my knowledge.

10 Q. Would you think it would be good public
11 policy for this commission to direct a non ETC wireless
12 company such as Qwest where to place its facilities?

13 A. I don't believe this commission has that
14 authority.

15 Q. Why is that?

16 A. Because this commission does not regulate
17 wireless carrier or non ETC wireless carriers.

18 Q. Is that under RCW Chapter 80.66?

19 A. I don't know the specifics.

20 Q. Yet apparently, the thrust of your
21 recommendation here is that because RCC is an ETC, this
22 commission should make this determination as to how RCC
23 should prioritize its capital expenditures and place
24 its towers?

25 A. I don't find that in my testimony anywhere.

0384

1 Q. Well then, would you agree then that the
2 Commission doesn't have authority for the same reasons
3 you cited as regards to Qwest Wireless, that it also
4 doesn't have authority to tell RCC where to put its
5 cell sites?

6 MR. OWENS: Your Honor, the legal authority
7 of the Commission is a matter of law, and I don't think
8 this witness has testified as to any conclusions of law
9 about the Commission's authority to direct specific
10 cell tower placement. Her testimony is as to the
11 duties of an ETC.

12 MR. HARLOW: He answered my question. I
13 don't believe the Commission has any authority to do
14 that, so my follow-up question regarding RCC is in the
15 same vein.

16 JUDGE MACE: I believe that Ms. Jensen as a
17 policy witness with knowledge of the law in this area,
18 including questions about the Commission's authority or
19 the Commission's orders regarding its authority, so I
20 will allow the answer to the question. Do you have it
21 in mind?

22 THE WITNESS: I believe so. I think the
23 Commission has the authority to order RCC to fulfill
24 its commitments and obligations as a carrier who has
25 volunteered to be an ETC.

0385

1 With respect to whether the Commission could
2 direct them specifically how to provision service in
3 fulfillment of those obligations, I cannot answer the
4 law with respect to that. I don't believe this
5 commission has ever done that, and I generally believe
6 or understand that it's up to the company to determine
7 how to meet its service obligations through whatever
8 technology or engineering design, as long as it's in
9 compliance with Commission rules from a technical
10 standard perspective, are satisfied.

11 Q. Based on that logic then, would you feel that
12 Verizon has the same or greater or lesser obligation
13 than RCC to serve the Timm Ranch, since Verizon, of
14 course, has been designated ETC?

15 A. I think Verizon has both ETC obligations and
16 obligations as it relates to what they have offered in
17 their own tariffs to serve this area, and I cannot
18 speak to what those are because I haven't examined
19 their tariffs, but I can say that yes, they have the
20 same ETC obligations as RCC.

21 Q. Do you have any recommendation or preference
22 as between the two companies as to which should serve
23 Timm Ranch?

24 A. No, I don't, and I'm not saying that either
25 should serve. I think that's the question before this

0386

1 commission.

2 Q. If we could try to move away from the law and
3 get back to policy here, as a matter of policy, do you
4 think it's a good idea for this commission to decide
5 how RCC or any wireless carrier allocates its capital
6 expenditure dollars?

7 A. I don't believe it's a good policy for the
8 Commission to decide for any carrier how to allocate
9 its capital dollars.

10 Q. If you would turn, please, to Page 11 of
11 Exhibit 51-T, and at Line 14, you are referring to RCC
12 receiving federal universal support without bearing any
13 of the burdens inherent in ETC designation. Do you
14 have that testimony in mind?

15 A. Yes.

16 Q. Do you have any reason to believe that RCC
17 will not invest the USF dollars it receives relative to
18 the State of Washington in 2003 in the State of
19 Washington?

20 A. I have some concern with respect to the way
21 RCC responded to Qwest discovery with respect to this
22 question, but I do not question whether they will
23 comply with the law.

24 Q. And indeed if they invest a million dollars
25 as projected, that will be bearing a burden of being an

0387

1 ETC; isn't that correct?

2 A. If they invest it in accordance with the law,
3 which is to serve those customers who don't generate
4 sufficient revenue to cover their costs, then I have no
5 objection. I believe that was your question.

6 Q. The question was, are they bearing a burden
7 if they take that million dollars and invest it in
8 Washington infrastructure?

9 A. If it's solely invested in Washington
10 infrastructure, they are not bearing the burden. If
11 they are investing it in specific infrastructure, as I
12 believe Ms. Kohler testified that they would otherwise
13 not invest in for purposes of serving customers who
14 need to be subsidized, then I believe they are bearing
15 the burden.

16 Q. Are you at all familiar with RCC's licensed
17 service areas in the State of Washington?

18 A. Just generally from their application.

19 Q. Are they generally in rural areas?

20 A. I don't really recall.

21 Q. Are the rural areas generally higher cost
22 areas?

23 A. At certain locations in the rural areas are
24 generally higher cost to serve but not the whole area.

25 Q. If RCC could take its projected million

0388

1 dollars of support for 2003 and invest it in either one
2 or two cell sites for the Timm and Taylor locations to
3 serve eight or ten customers, or it could take that
4 same million dollars and put it, perhaps, in the
5 suburban area of a small community and serve several
6 hundred customers, do you think it would be wise public
7 policy for this commission to order RCC to take that
8 particular million dollars and invest it in the Timm
9 and Taylor locations?

10 A. I'm not sure under the law they could invest
11 it in a suburban area. I don't know that the
12 Commission can necessarily make that decision. I think
13 they have to look at what the law requires RCC to
14 invest those universal service funds in.

15 Q. I don't want to get hung up on suburban. I'm
16 referring to an area that's in less dense than downtown
17 Seattle and more dense than the Timm Ranch, an area
18 where you can get more bang for your buck, if you will,
19 and put up a cell tower that serves hundreds of people
20 rather than fewer than a dozen.

21 As a general matter with a limited capital
22 budget, wouldn't you think it would be good public
23 policy to allow the investment to be made first where
24 you can serve hundreds of new customers?

25 A. I think my testimony with respect to public

0389

1 policy with respect to this matter, I think the
2 question is the same for any carrier. Does it make
3 sense to take that investment, whether it be RCC,
4 Verizon, or even potentially Qwest, if the Commission
5 decides to go to that extreme, does it make sense for
6 the Commission to direct those types of funds to be
7 spent for -- specifically I address the Timm Ranch
8 area. I think that's the question we are here to
9 state. I can only speak to it from a Qwest
10 perspective, and if Qwest were ordered to serve this
11 area, those funds would come out of the same budget
12 that's used to serve Qwest customers in the areas that
13 Qwest has agreed to serve, and I think it would be
14 inappropriate for the Commission to direct those funds
15 to an area that Qwest has not agreed to service and
16 that two other carriers have agreed to serve and to
17 remove it from the budget that's there for Qwest
18 customers, many of which are also in rural areas.

19 MR. HARLOW: Your Honor, that's all the
20 questions I have.

21 JUDGE MACE: Commissioners?

22

23

24 CROSS-EXAMINATION

25 BY CHAIRWOMAN SHOWALTER:

0390

1 Q. Do I understand the gist of your testimony to
2 be that first of all, ETC designation is tantamount to
3 an obligation to serve all applicants in one's ETC
4 territory?

5 A. Yes.

6 Q. Then further that you say that because
7 Verizon and RCC have those designations that at least
8 they should be required to serve the applicants before
9 you would; although you are reserving judgement on even
10 if they would; is that correct?

11 A. That's correct.

12 Q. Can you turn to Exhibit 50-T, Page 23. I'm
13 looking at your testimony, Page 23, Lines 12 through
14 17, where you quote the FCC in an order. Perhaps this
15 is what you were thinking about; I don't know, but it
16 starts out by saying that an ETC LEC, incumbent LEC, is
17 required to make available service to all customers
18 upon request, but then it goes on to say, "but the
19 incumbent LEC may not have facilities to every possible
20 consumer."

21 Doesn't that imply that the word "all" in the
22 first half of the sentence doesn't actually mean all
23 because the facilities may not go everywhere?

24 A. Yes, and I appreciate the qualification,
25 because when I stated "all applicants," there is this

0391

1 question both in state law under the statute and in the
2 FCC decision that addresses where facilities are not
3 available, and then there is a need for determination
4 as to whether that request is reasonable, so I'm not
5 suggesting that the Commission doesn't have the
6 authority to determine a request is unreasonable.

7 Q. All right, because I was going to go on to
8 the next sentence that you quoted, which does seem to
9 limit in the case of a new entrant the obligation to
10 serve new customers upon reasonable request, so aren't
11 we simply back to deciding whether this application or
12 whether the request for service is reasonable?

13 A. That's correct. I think that's one of the
14 questions.

15 Q. Isn't that a question, reasonableness,
16 regardless of ETC status?

17 A. Yes.

18 Q. So that if you have the individual on the
19 mountain top -- I should add, surrounded by federal
20 forest lands -- where it costs 10 million dollars, it
21 would be unreasonable in Qwest territory if it doesn't
22 have ETC status. It would be unreasonable in Verizon's
23 territory if it does; isn't that right?

24 A. If it's unreasonable, yes. There is that
25 determination that needs to be made.

0392

1 Q. As you slide down the scale of costs,
2 possibly the fact that there are universal service
3 funds available may make a difference in how far you
4 slide down the costs in terms of what is reasonable, I
5 suppose. Is that possible?

6 A. That could be one factor, but I think the
7 other factor -- I think there is more than just a
8 single factor.

9 Q. I do too, and I think my question of
10 Dr. Danner made that clear. When we are talking about
11 what is reasonable, there are those two ways of
12 thinking about the question. One is, what can the
13 company afford; how does the company get reimbursed;
14 what are the subsidies it receives, and then there was
15 that other way of Dr. Danner posing the issue, is it
16 economic? Is it reasonable in a more abstract sense?

17 I don't want to equate too much the word
18 "reasonable" with "economic," but I think the point
19 goes to both the words reasonable and economic. There
20 is one way to look at it in the abstract; does this
21 make sense? Is it adding value, whether it's the
22 economic value or some of our other values, versus can
23 this company afford it? What obligation has this
24 company undertaken legally or otherwise? Do you agree
25 with those distinctions?

0393

1 A. I do. I'm troubled by the latter a bit
2 because I think it goes beyond whether a company can
3 afford it. Is it appropriate for the ratepayer versus
4 the applicant to pay the costs associated with the
5 extension.

6 Q. Isn't the question about is it appropriate
7 for the ratepayer fall more into that first category of
8 is it in society's interest to pay a large sum for a
9 particular set of users, the "society" meaning the
10 society of ratepayers, however that is defined.

11 A. As one component, yes. I think the other
12 thing you have to look at is the question that I think
13 has been raised this afternoon is, is it that project
14 or another project that -- I don't think that that's
15 necessarily an economic question as much as a society
16 question or the issue of reasonable.

17 Q. Doesn't that get to the issue of whether it's
18 a company or a society? There are better uses than
19 lower priority uses of the same funds, so regardless of
20 how one receives recovery, except importantly maybe the
21 legal restrictions attached to it, one is still left
22 with the question of a set of requests, all of which
23 cannot be fulfilled with the same pot of money.

24 A. I guess what is troubling me is, and I think
25 the Commission left this question open in its adoption

0394

1 of the rule, is if those are the considerations, is
2 every customer then -- if you don't pass that test, is
3 every customer or applicant then entitled to service
4 regardless of the scenario? Maybe it's not even a
5 question of cost. Maybe it's a question of
6 alternatives.

7 Q. Maybe the reasonableness of a cost might vary
8 depending on reasonableness of the alternatives and the
9 service that one gets for that alternative.

10 A. So the rate, I'm assuming here.

11 Q. Whatever alternatives there are.

12 CHAIRWOMAN SHOWALTER: I have no further
13 questions. Thank you.

14 JUDGE MACE: Redirect?

15 MR. OWENS: Just briefly, Your Honor.

16

17

18 REDIRECT EXAMINATION

19 BY MR. OWENS:

20 Q. Ms. Jensen, early in your cross-examination,
21 there was a colloquy, and you made an observation that
22 one of Mr. Trautman's statements concerning the
23 testimony was incorrect, and you wanted to correct
24 that, and the judge said this would be the opportunity.
25 Would you like to correct that?

0395

1 A. Yes, please. I don't remember his exact
2 statement, but the inference was that Qwest testimony
3 suggested that it never provided service in another
4 carrier's exchange or would never necessarily change
5 its exchange boundary, and that is not Qwest's
6 testimony. Qwest's testimony is specific to a
7 Commission decision compelling Qwest to do something
8 that it would not do as a matter of a business
9 decision.

10 Q. There were several questions by counsel for
11 RCC which implied that Qwest's position was that it
12 believed this Commission should or had the authority to
13 direct RCC's placement of cell towers. Is Qwest
14 advocating that?

15 A. No, Qwest is not.

16 MR. OWENS: Thank you. That's all.

17 JUDGE MACE: Mr. Trautman?

18 MR. TRAUTMAN: Nothing further.

19 JUDGE MACE: Mr. Harlow?

20 MR. HARLOW: Nothing further.

21 JUDGE MACE: Thank you. I believe all the
22 exhibits have been addressed, 50-T through 54. They
23 have all been admitted. Let's be off the record for a
24 moment.

25 (Recess.)

0396

1 MR. OWENS: Qwest calls Robert Hubbard.

2 (Witness sworn.)

3

4 DIRECT EXAMINATION

5 BY MR. OWENS:

6 Q. Good afternoon, Mr. Hubbard.

7 A. Good afternoon.

8 Q. Would you please state your name and address
9 for the record?

10 A. My name is Robert J. Hubbard. Address is 700
11 West Mineral Avenue, Littleton, Colorado, 80120.

12 Q. Thank you, and are you the same Robert J.
13 Hubbard who has caused to be predistributed testimony
14 and exhibits in this case as follows, which have been
15 prenumbered 61-T, your July 5th, 2002 testimony;
16 associated exhibits RJH-2, which has been numbered 62;
17 RJH-3, which has been numbered 63; RJH-4, which has
18 been numbered 64; RJH-5, which has been numbered 65;
19 RJH-6, which has been numbered 66; RJH-7, numbered 67;
20 RJH-8, numbered 68, and then testimony of December
21 20th, 2002, which has been numbered 69-T, and
22 associated exhibits RJH-10, which has been numbered
23 Exhibit 70, and RJH-11, which has been marked 71?

24 A. Yes, I am.

25 Q. And am I correct that there is also another

0397

1 exhibit that you would like to have marked for
2 identification purporting to be a map that's been
3 marked Exhibit 76?

4 A. That is correct.

5 Q. And with regard to what was originally marked
6 as Exhibit 64, have you cause to be distributed a
7 substitute exhibit to that which can be distinguished
8 by the words, "unfiled area" on the right side of the
9 map near the bottom?

10 A. That is correct.

11 Q. And directing your attention to Exhibit 61-T,
12 do you have any changes to make to that testimony?

13 A. Yes, I do.

14 Q. Would you state what they are, please?

15 A. On Exhibit 61-T, Page 6, Line 22, I would
16 like to strike the words, "a portion of," and I would
17 like to insert, "unfiled territory between Qwest-Omak
18 exchange and..." So the sentence would read, "Not only
19 would Qwest be required to place facilities from its
20 Omak exchange in the Bridgeport exchange of the Verizon
21 serving area, but Qwest would also have to place
22 facilities through the unfiled territory between
23 Qwest-Omak exchange and the Nespelem exchange of
24 CenturyTel's serving area as shown by the map which is
25 Exhibits RJH-4."

0398

1 Q. Thank you. As corrected, if I were to ask
2 you the questions in the two testimonial exhibits,
3 would your answers be as set forth therein?

4 A. Yes.

5 Q. Are all the exhibits referred to in the two
6 testimonial exhibits prepared by you or under your
7 direction and supervision and true and correct to the
8 best of your knowledge?

9 A. Yes, they are.

10 MR. OWENS: Your Honor, Qwest offers 61-T
11 through 71, and offers Mr. Hubbard for
12 cross-examination.

13 JUDGE MACE: You offered 76 as well?

14 MR. OWENS: Yes, Judge.

15 JUDGE MACE: Is there any objection to the
16 admission of those proposed exhibits?

17 MR. TRAUTMAN: No, Your Honor.

18 JUDGE MACE: I'll admit those exhibits.
19 Mr. Trautman, you are cross-examining this witness; is
20 that correct?

21 MR. TRAUTMAN: Yes, I am.

22 MR. OWENS: I'm sorry. I had a motion to
23 make that I overlooked. Just before the hearing
24 recommenced, Staff informed Qwest that Mr. Williamson
25 would be changing his testimony to reflect a

0399

1 disagreement with a point of engineering on which there
2 previously had been testimony that the staff agreed
3 with Qwest's engineering testimony, and since Staff
4 follows Qwest in the orders of presentation, Qwest
5 would like the opportunity to briefly have an oral
6 testimonial response by Mr. Hubbard to that point.

7 It has to do with the issue of whether the
8 GoDigital carrier system can operate successfully on
9 the same cable in the same cable sheath with an analog
10 carrier system. Qwest had previously testified that it
11 could not. Staff had previously testified that Staff
12 agreed with that. We were informed that based on some
13 conversation Staff had with the manufacturer, Staff was
14 going to change that testimony when Mr. Williamson
15 takes the stand. This would be five minutes or so of
16 testimony directed to this issue.

17 JUDGE MACE: Is there an objection to that?

18 MR. TRAUTMAN: No. We previously discussed
19 it. In fact, we mentioned the particular phrase that
20 we would be deleting in Mr. Williamson's testimony on
21 that point, and in light of that, no, we do not object.

22 JUDGE MACE: Just go ahead with it then on
23 that basis.

24 Q. (By Mr. Owens) Mr. Hubbard, you are aware of
25 the discussion before the hearing recommenced about

0400

1 Staff now, based on some conversations with the
2 manufacturer of GoDigital, expressing disagreement with
3 your testimony that the GoDigital system cannot
4 successfully operate on the same cable with an analog
5 carrier system such as exists on the existing facility
6 running from the central office at Omak down to the
7 vicinity of or near the Timm Ranch. Do you recall that
8 discussion?

9 A. Yes, I do.

10 Q. Would you state for the record what
11 experience, if any, Qwest has with actually attempting
12 to operate the GoDigital system on the same cable in
13 the same cable sheath with the same type of analog
14 carrier system that is in service in the Omak office?

15 A. Certainly. It is my understanding from
16 information I've been given from the area engineer and
17 the construction forces that install these systems have
18 relayed to him was that in these smaller cables that
19 exist in these exchanges, they have been unable to get
20 a GoDigital system to sync up with the subscriber units
21 in the same sheath that an analog carrier system would
22 reside in.

23 Q. Now, what's the significance of the GoDigital
24 system not being able to sync up with the subscriber
25 units from the standpoint of service as it would be

0401

1 perceived by the end-user of that service?

2 A. The end-user would not have service. The
3 main signal that comes out of the GoDigital system has
4 subscriber units at each customer location, and they
5 are not able to talk back to the main unit in the
6 central office with an analog carrier system causing
7 interference, or whatever it's causing within the
8 sheath, to not allow those two systems to sync up and
9 the customer be able to use the line for voice or
10 anything else.

11 Q. Do you know whether or not this problem would
12 manifest itself if the two systems were put on a
13 significantly larger cable in the neighborhood of a
14 hundred pairs, as you might find closer to a larger
15 city?

16 A. You mention a hundred pair. A hundred-pair
17 cable may not be big enough to not cause interference.
18 Most of the time when cables leave the central offices,
19 they are in 600, 900, even larger pairs. We have
20 engineering guidelines that we place digital carrier
21 pairs in different binder groups from analog carrier
22 pairs, so they can in big cables work in the same
23 cable, but they are in different binder groups within
24 those cables.

25 Q. What is a binder group?

0402

1 A. Depends on the size of the cable, the binder
2 group. It's a binder that usually is around 100 pairs
3 within a larger cable of, say, 900 pairs. We break it
4 all down to 100 payers.

5 Q. When you use the term "binder group," does
6 that mean that somehow these 100 pairs are segregated
7 from other similar groups in the same cable?

8 A. I guess that's one way to look at it, yes.
9 They are wrapped in string or whatever, and they are
10 separated.

11 Q. Does that have some effect on the
12 interference between the two different types of carrier
13 systems if they are in different binder groups?

14 A. Absolutely, because the two pairs are not
15 laying next to each other. They would be separated on
16 either side of the sheath with other cable pairs in
17 between them.

18 MR. OWENS: Thank you, Your Honor, and thank
19 you, counsel. That concludes the brief oral direct on
20 this topic.

21 JUDGE MACE: Mr. Trautman?

22 MR. TRAUTMAN: Thank you.

23

24

25

CROSS-EXAMINATION

0403

1 BY MR. TRAUTMAN:

2 Q. If you could turn to Exhibit 61-T, and Page
3 4, and I guess before I get to a specific reference,
4 did you visit the Omak area to look at the Timm Ranch
5 line extension project in preparing your testimony?

6 A. No, I did not.

7 Q. In preparing your testimony, did you review
8 the cable plant records for the area south of Omak
9 along the route that would be going towards the Timm
10 Ranch?

11 A. I have looked at the records, yes.

12 Q. What did that entail? What records did you
13 review? Did you review the repair records?

14 A. The repair records, no, I did not.

15 Q. On Page 4 of that exhibit, Lines 20 to 23,
16 and I'm on Exhibit 61-T, there is a sentence, you
17 state, "Another reason for reinforcement of the
18 existing copper cables for the installation of the
19 digital systems is that the older air core cables do
20 not have the proper transmission capability to carry
21 the digital signal." Do you see that?

22 A. I see that.

23 Q. What is meant by the "proper transmission
24 capability"?

25 A. The newer air core cables, just because they

0404

1 are newer -- excuse me. Let me start over. The newer
2 jelly-filled cables that we place in the plant, because
3 they are newer, they are filled with a jelly compound
4 to keep the water out. They have a better transmission
5 characteristics than the older air core cables because
6 they've been in the ground quiet awhile, and they
7 sometimes do have water and stuff in them.

8 Q. Let me turn to Exhibit 69-T, the December
9 20th testimony, Page 6. In Lines 11 and 12, you
10 indicate that Qwest would use the GoDigital network
11 GDSL-12 system; is that correct?

12 A. That's correct.

13 Q. How long has Qwest been using the GoDigital
14 carrier system in its network?

15 A. I believe about two years.

16 Q. I believe you've indicated in the response to
17 Exhibit 73, and this was Staff Data Request No. 30 --
18 do you have that?

19 A. Yes. Set 2, No. 30?

20 Q. Correct. You state that the digital signals
21 that would be carried by the new digital system would
22 be incompatible with the existing analog carrier
23 system; is that correct?

24 A. That's correct.

25 Q. I believe you just stated that the GoDigital

0405

1 system cannot be used on the existing air core cables;
2 is that correct? Not in this particular data request
3 response, but would that be your testimony?

4 A. I think if you look at the data request, it
5 speaks for itself at the last line on there. The
6 GoDigital system, the digital signals do not work as
7 well as they do in the jelly-filled cables.

8 Q. Are you aware whether the GoDigital
9 manufacturer believes that the GDSL-12 system will work
10 on cables that have existing air core analog carrier
11 systems?

12 A. I'm aware of what your witness and you and
13 myself discussed on the break was what GoDigital was
14 telling them that they will work. I disagreed with
15 that. Vendors will tell you all kinds of things.

16 Q. So if a vendor were to take that position and
17 you were to disagree, would you discuss it with a
18 vendor?

19 A. I believe we have discussed it with the
20 vendor, according to the area engineers who have told
21 me they have asked the vendor to come out and make some
22 of these systems work, and as far as I know, they have
23 not come out and attempted them to get them to work.

24 MR. TRAUTMAN: Thank you. That's all I have.
25 I would move for admission of Exhibits 72 through 75.

0406

1 JUDGE MACE: Any objection to the admission
2 of those exhibits?

3 MR. OWENS: No, Your Honor.

4 JUDGE MACE: I'll admit them. Ms. Endejan?

5 MS. ENDEJAN: I have no questions.

6 JUDGE MACE: Mr. Harlow?

7 MR. HARLOW: Thank you, Your Honor.

8

9

10 CROSS-EXAMINATION

11 BY MR. HARLOW:

12 Q. Good evening.

13 A. Good evening.

14 Q. So just so I pick the right number here, what
15 is the projected total cost based on the way Qwest
16 would engineer service to the Timm Ranch?

17 A. I can look it up. It was right about a
18 little over 738,000 without knowing where -- and that's
19 just to serve the Ike Nelson location -- that was not
20 the other customers. If you had in the additional
21 other customers that Mr. Nelson says are out there and
22 I guess have applied for service through Verizon, we've
23 kind of taken Verizon's figures, and I believe that was
24 an additional 70-some thousand without looking it up.

25 Q. Of the 738,000, does that break down into

0407

1 categories -- you use the term reinforcement and
2 extension costs?

3 A. In an engineering term, yes. In looking at
4 data questions that have been served, I look at this
5 now as all a line extension because we have no reason
6 to place any additional plan out there if it wasn't for
7 the Timm Ranch, so it's splitting hairs.

8 Q. Have you broken that down in those two
9 categories?

10 A. I believe we have, yes.

11 Q. Can you give me the approximate breakout of
12 that 738,000?

13 A. Maybe we didn't break that down. I have to
14 back up, and I don't believe I did break that down
15 because my figures I'm finding now as exhibits are
16 totals, unless you could direct me.

17 Q. I can't, actually. I couldn't find it
18 myself. Is it your understanding that Staff would
19 recommend the Commission consider allowing Qwest to
20 recover the entire \$738,000 from access charges?

21 A. Do I understand that?

22 Q. Yes.

23 A. Not completely, no.

24 Q. Do you understand that in any regard from
25 reviewing Staff's testimony?

0408

1 A. I understand that there is some sort of a
2 cost mechanism to recover some of the cost. I also
3 understand that this is not our area. To serve, from
4 my standpoint, we've never planned for serving into
5 this area. It's my understanding that Verizon has
6 applied for the waiver that's not to serve the Timm
7 Ranch. That's why we are here. I also understand that
8 RCC is an ETC in that area. It's my understanding this
9 is not in our exchange. I'm not even sure that we
10 should be here, but we are.

11 Q. I won't argue with that.

12 MR. HARLOW: Thank you, Mr. Hubbard. That's
13 all I have.

14 JUDGE MACE: Commissioners?

15

16

17 CROSS-EXAMINATION

18 BY CHAIRWOMAN SHOWALTER:

19 Q. I have one question. You state in your
20 testimony that the staff, I believe, has calculated
21 overhead line expenses, and you would surely do
22 underground, or at least there is a point in your
23 testimony when you said you would go underground, and
24 my question is, why is that necessary in this case to
25 put lines underground as opposed to overhead?

0409

1 A. Certainly. It is Qwest's position right now
2 that we place buried facilities first. We do not, to
3 begin with, have an aerial pole line through there.
4 Although our facilities do exist as buried facilities,
5 there is a less of a maintenance cost with buried
6 facilities. The weather is -- as you know, it can get
7 pretty severe out there. Aerial facilities require a
8 lot more maintenance due to weather conditions. Like I
9 said, we place buried facilities as first.

10 Q. I'm not sure what you mean by first. You
11 mean in all cases, new lines are placed underground?

12 A. We would prefer that, yes.

13 Q. Are you speaking just of that area or other
14 areas, all territory?

15 A. I guess I would speak, our first choice for
16 all territory would be underground. Of course, we have
17 areas that we do have existing aerial cable in and we
18 will continue to place on those existing pole lines.

19 Q. But if you are deciding -- take the issue of
20 it's not being your territorial way. I'm speaking more
21 in the abstract now. If it were much, much more costly
22 to go underground relative to going overhead, wouldn't
23 that be a consideration?

24 A. There is not a pole line that exists to go on
25 to place aerial, so then add the maintenance cost in

0410

1 there, it's much better for our end-user customers that
2 we have lines that are buried rather than aerial.

3 Q. So if you assume that we are not talking
4 about this situation. We are talking about territory
5 that you will serve but there are no poles yet in it.
6 If it's rock underneath, does that make a difference?
7 I suppose it would be hard to put a pole up as well,
8 but isn't there some kind of analysis between the
9 relative cost of underground versus poles, taking into
10 account the greater maintenance that poles might have?

11 A. Of course there is. You've brought in rock
12 now. We do have costs that we plug in that include
13 rock if we are going to bury, which does shoot the cost
14 of up quite high. Maybe in a situation like that, we
15 may look at going aerial and placing poles. We would
16 look at that on an individual-case basis depending on
17 the terrain and what is there.

18 If it's all solid rock, it may be better to
19 dig out some holes for poles than to cut all the rock
20 that's there. It just would be based on an
21 individual-case basis.

22 Q. Then getting to the Timm Ranch, assuming it
23 was already in your territory and we weren't involved
24 in issues of how much it cost in an absolute sense, in
25 a relative sense, what is the relative cost in this

0411

1 instance of going underground versus overhead?

2 A. I did not look at an overhead price, did not
3 consider it because our first choice would always be
4 burying when we can.

5 Q. Did the staff work up cost based on overhead?

6 A. I believe they used some Verizon historical
7 cost of underground and aerial.

8 Q. But you have no estimate of what it would
9 cost Qwest to provide service to the Timm Ranch or the
10 Taylor Ranch overhead versus underground?

11 A. No, I do not.

12 CHAIRWOMAN SHOWALTER: Thank you.

13 JUDGE MACE: Redirect?

14 MR. OWENS: No, Your Honor. Thank you.

15 JUDGE MACE: Thank you very much. You are
16 excused. The next witness is Ms. Morton.

17 (Witness sworn.)

18

19

20 DIRECT EXAMINATION

21 BY MR. OWENS:

22 Q. Good afternoon, Ms. Morton.

23 A. Good afternoon.

24 Q. Please state your name and address for the
25 record.

0412

1 A. My name is Pamela Morton, and my business
2 address is 1801 California, Denver, Colorado, 80202,
3 and that's room 4900.

4 Q. Are you the same Pamela Morton who has caused
5 to be prefiled in this case testimony dated December
6 27th, 2002, which has been marked Exhibit 81-T?

7 A. Yes, I am.

8 Q. Is this your testimony, and if I asked you
9 the questions printed in the testimony, would your
10 answers be the same?

11 A. They would.

12 Q. Do you have any additions, changes, or
13 corrections?

14 A. No, I do not.

15 MR. OWENS: Thank you. Qwest offers Exhibit
16 81-T, and Ms. Morton is available for
17 cross-examination.

18 JUDGE MACE: Any objection to 81-T?

19 MR. TRAUTMAN: No, Your Honor.

20 JUDGE MACE: I'll admit it. Mr. Trautman?

21

22

23 CROSS-EXAMINATION

24 BY MR. TRAUTMAN:

25 Q. Good evening, Ms. Morton. I believe you

0413

1 indicate you are employed by Qwest in Denver.

2 A. Yes, I am.

3 Q. And you are the manager of the policy and law
4 organization?

5 A. Yes.

6 Q. Is that a company-wide organization?

7 A. In my function, I do represent the interests
8 of our various entities in light of universal service
9 policies.

10 Q. Throughout the company, the entire service
11 area?

12 A. Yes.

13 Q. Does Qwest also operate Qwest Wireless?

14 A. Qwest Wireless is a subsidiary of Qwest
15 Corporation International.

16 Q. I would like to turn to your testimony. The
17 exhibit number, Your Honor, was....

18 JUDGE MACE: It was 81-T.

19 Q. 81-T at Page 3, and at the bottom, Line 18,
20 and there, you are asked if an ETC's obligation should
21 be altered if a carrier's technology limits its ability
22 to service that area; is that correct?

23 A. That's correct.

24 Q. You answer no, and I believe you refer to a
25 1997 order of the FCC, the first report and order in CC

0414

1 Docket 9645?

2 A. Yes.

3 Q. Was that issued in May of 1997, to your
4 knowledge?

5 A. I believe that's correct.

6 Q. On the next page, Page 4, you ask whether an
7 exception -- on Line 5, you ask whether an exception to
8 the ETC obligation should be made for a particular
9 location; is that correct?

10 A. Yes.

11 Q. And again, is your answer essentially no,
12 based on an FCC order of August of 2000?

13 A. The answer would be no, upon a reasonable
14 request.

15 Q. I believe you filed your testimony December
16 27th. Were you aware of an FCC order that was issued
17 on November 27th of 2002?

18 A. I'm not sure to which order you are
19 referring. There has been a lot of activity.

20 Q. Are you familiar with an FCC order that said,
21 in effect, that an ETC status can be granted for an
22 area even if there are currently dead spots in the
23 network?

24 A. I don't recall that from a recent order, but
25 I know it has been the FCC's position that in

0415

1 designating a carrier, it may not currently provide
2 service to every single location within the service
3 area, but a finding of ETC designation essentially
4 means that the carrier has the capability to provide
5 the service throughout.

6 Q. Are you aware of that particular order to
7 which I refer?

8 A. What was it in the matter of?

9 Q. It was referred to in Mr. Shirley's testimony
10 of December 27th, 2002. The entire name was, "In the
11 matter of federal state joint board on universal
12 service, RCC Holdings, Inc., petition for designation
13 as an eligible telecommunications carrier throughout
14 its license service area in the State of Alabama."

15 CHAIRWOMAN SHOWALTER: Do you have a date.

16 MR. TRAUTMAN: November 27th, 2002.

17 THE WITNESS: I have not read that order.

18 Q. (By Mr. Trautman) Do you know whether the
19 FCC has issued an order stating that wireline ETC's may
20 exclude some locations from service?

21 A. I believe the same obligations hold true that
22 the wireline carrier has the same obligation to provide
23 service throughout its designated service area. I'm
24 not sure of a point that speaks to the exact language
25 that you used.

0416

1 Q. Were you once the manager of regulatory
2 affairs for U S West in Arizona?

3 A. I was one of the managers there, correct.

4 Q. Can you say approximately how long that
5 wireline companies have had either implicit or explicit
6 support to serve high-cost, low-revenue locations?

7 MR. OWENS: In what state, or just generally?

8 MR. TRAUTMAN: Generally.

9 THE WITNESS: I can't speak to time date
10 certain, but to the best of my knowledge, there have
11 always been discrepancies between residential and
12 business rates, and since I've been in regulatory, in
13 my experience, it has been that rural and urban rates
14 are priced very similarly, even though their cost
15 structures may be quite different.

16 Q. (By Mr. Trautman) So would it be safe to say
17 that such support substantially predates ETC status
18 that was first created by Congress in the 1996 act?

19 A. Such implicit support?

20 Q. Implicit or explicit.

21 A. Yes.

22 Q. In the order to which you refer on Page 3 of
23 your testimony -- I believe that's the first report and
24 order of the May 7th order -- do you recall whether the
25 FCC stated that it permitted ETC designation for

0417

1 wireless carriers in order to be consistent with the
2 principle of competitive and technological neutrality?

3 A. I do remember that those were two important
4 principles, yes.

5 Q. Does competition require two or more options
6 for customers in your view?

7 A. To me, that would be the end goal of
8 competition, but perhaps there are some areas that may
9 not actually support more than one carrier, or there
10 might be such high cost that a carrier would not desire
11 to serve because an incumbent might be priced quite
12 below cost making it very unprofitable to serve.

13 Q. If there is a choice of customers, should the
14 government choose a provider for the customer?

15 MR. OWENS: I don't understand the question.

16 Q. If it's a choice of provider, should the
17 government choose a provider for the customer?

18 A. I think there are a lot of underlying
19 circumstances of that question. Could we narrow the
20 scope of it perhaps?

21 Q. In general, do you believe the customer
22 should make the choice?

23 A. I believe it would be the customer that is in
24 the position to initiate a request for service, yes.

25 Q. ETC status is determined under Section 214(e)

0418

1 of the Telecommunications Act of 1996; is that correct?

2 A. Yes.

3 Q. And that section is in turn linked to the
4 section on universal service, which is section 254?

5 A. That is correct.

6 Q. Is it correct that one purpose of Section 254
7 is to insure that customers in rural, insular, or
8 high-cost areas should have services that are
9 reasonably comparable to services in urban areas at
10 reasonably comparable rates.

11 A. Yes.

12 Q. Now, Qwest has moved to have RCC made a party
13 in this case. Is that correct, to your knowledge?

14 A. I don't know the history on that.

15 Q. Assuming that is correct, is it correct also
16 that Qwest has not provided any testimony that the
17 services and prices for RCC are reasonably comparable
18 to those of either Qwest or Verizon?

19 A. I have no information on their pricing.

20 Q. Do you know whether Qwest filed an
21 application to have its local service deregulated in
22 Idaho?

23 MR. OWENS: I'm going to object. I don't see
24 any relevance to this case, which is directed to
25 whether Qwest boundaries should be redrawn as to

0419

1 whether Qwest asked for local service to be deregulated
2 in Idaho.

3 MR. TRAUTMAN: If I could do a follow-up.

4 JUDGE MACE: Would you respond to the
5 objection, please?

6 MR. TRAUTMAN: The relevance would be in turn
7 if she's familiar with that, if she knows whether Qwest
8 provided testimony concerning the comparability of
9 service and prices between wireless and wireline
10 offerings in support of that application.

11 MR. OWENS: Again, there is no relevance to
12 the issue here, which is does the existence of an ETC
13 in the same area in which Qwest maybe have its exchange
14 redrawn with the objective of requiring it to serve,
15 serve as a basis not to do such a redrawing and order
16 Qwest to serve.

17 JUDGE MACE: Sustain the objection.

18 MR. TRAUTMAN: I have no further questions.

19 JUDGE MACE: Mr. Harlow?

20

21

22 CROSS-EXAMINATION

23 BY MR. HARLOW:

24 Q. Good evening, Ms. Morton.

25 A. Good evening.

0420

1 Q. Do you recall Chairwoman Showalter's cross of
2 Ms. Jensen, and in particular, she read a quote from
3 Ms. Jensen's testimony from an FCC order. I'll just
4 give you some of the buzz words here, but the incumbent
5 LEC may not have facilities to every possible customer;
6 do you recall that? It's on Exhibit 50-T at Page 23.

7 A. Yes, I'm there.

8 Q. Do you recall the Chairwoman's question about
9 that passage?

10 A. I remember the general scope of it, not the
11 specific question.

12 Q. And the footnote cites FCC Order 00248 for
13 that passage; is that correct?

14 A. Yes.

15 Q. And indeed, you've quoted from that order on
16 your page of your testimony Exhibit 81-T; is that
17 correct?

18 A. Yes.

19 Q. Do you recall if your quote beginning on Line
20 11 is from the same paragraph as the quote that we just
21 identified in Ms. Jensen's testimony?

22 A. It does appear to be the same quote.

23 Q. The question to which you are directing this
24 quote is with regard to a particular location. Do you
25 see that on Line 6?

0421

1 A. Yes.

2 Q. And Ms. Jensen and I went round and round a
3 couple of times about her language of the particular
4 applicant. Do you recall that?

5 A. I do remember the discussion.

6 Q. Is there anything in this order, FCC 00248,
7 that you can recall that supports a requirement that an
8 ETC serve either a particular applicant or every
9 applicant or a particular location?

10 A. I believe that there is an obligation to
11 offer the service throughout the entire service area in
12 which the designation was granted. However, this does
13 also refer to it being a reasonable request, so
14 regardless of technology, I would say there is that
15 obligation.

16 Q. Are you aware that Washington State law -- in
17 particular, I have in mind RCW 80.36.090 -- also uses
18 that term "reasonable"?

19 A. I'm not an expert on the state law.

20 Q. I understand. Are you aware that that term
21 is used in that section of the Washington statutes?

22 A. No, I'm not.

23 Q. Is the thrust of your testimony in Exhibit
24 81-T that RCC can recover all its cost if it's somehow
25 forced to serve the Timm Ranch location?

0422

1 A. No, that is not.

2 MR. HARLOW: Do you still have that extra
3 copy of Exhibit 53, Mr. Owens?

4 MR. OWENS: Not an extra, but I will give it
5 to the witness.

6 THE WITNESS: I do have a copy of it.

7 Q. (By Mr. Harlow) If you would turn to Page 9
8 of 13, I take it you are the Qwest witness most
9 familiar with how the federal USF or universal service
10 fund support mechanisms work; is that correct?

11 A. That is correct.

12 Q. And so looking at Exhibit 53, Page 9, and I
13 believe you were here when Ms. Kohler testified that if
14 RCC were to extend service to the five Timm Ranch
15 locations that RCC would receive an additional either
16 \$8.71 a month or \$8.55 cents a month. Do you recall
17 that?

18 A. Yes, I do.

19 Q. Is that what this exhibit appears to reflect?

20 A. Yes, it is, for the residential and
21 single-line business.

22 Q. So would you accept, subject to check, if you
23 round that up to nine dollars, RCC would receive an
24 incremental revenues to support or because of the
25 extension of service to those locations of nine times

0423

1 five or \$45 a month?

2 A. RCC, I believe, would also be receiving
3 additional high-cost support in other exchanges as well
4 that would help offset --

5 Q. But the question is just directed to the
6 incremental revenues that RCC would receive by
7 extending service to five additional subscribers in the
8 Timm Ranch location. Based on that question -- it's a
9 simple mathematical calculation. It's \$45 a month; is
10 that right?

11 A. Assuming you had a flat-rate price system.

12 Q. So I take it Qwest's area of cost recovery as
13 well, in addition to \$45, you could take the dollars
14 you are receiving because of the customers you are
15 serving everywhere else in the state, and you could
16 apply that to the Timm Ranch cost; is that correct?

17 A. No, that's not correct. Actually, the
18 purpose of my testimony was truly to discuss that there
19 already were two eligible telecommunications carriers
20 that have voluntarily held themselves out to provide
21 service in this area.

22 In doing so -- I reviewed the transcript from
23 the open meeting, and there was a commitment that
24 designation of RCC as an ETC would actually improve the
25 infrastructure. So primarily, the purpose of my

0424

1 testimony was that there are two carriers that have
2 already held themselves out to offer service, and it
3 does not make sense, actually, to look to Qwest as an
4 involuntarily carrier at this point in time.

5 Q. Ms. Morton, I didn't ask you for a summary of
6 your entire testimony. I asked you about the cost
7 support available to RCC.

8 MR. OWENS: The question was a somewhat
9 sarcastic question about Qwest's theory of cost
10 recovery, and I believe the witness was responding to
11 that.

12 MR. HARLOW: We tried to get into this with
13 Ms. Jensen, and she deferred to Ms. Morton, and now we
14 are just getting a repetition of the summary of the
15 witness's testimony.

16 JUDGE MACE: Would you repeat your question,
17 please?

18 Q. (By Mr. Harlow) The question is, is Qwest's
19 theory about how RCC as an ETC is able to recover the
20 hypothetical cost of hypothetically serving the Timm
21 Ranch location, I think it's fairly obvious that \$45 a
22 month may not do it, so is Qwest's theory that you
23 would access the support RCC might receive throughout
24 the state and focus it on Timm Ranch? If you don't
25 understand Qwest's cost support theory, then I

0425

1 understand.

2 A. I would like to be responsive to your
3 question. I don't believe Qwest is saying that RCC or
4 any other carrier should make an uneconomic investment
5 and that there are a lot of factors to be considered
6 here, including the lack of federal support to provide
7 service to these high-cost areas and that there isn't a
8 sufficient mechanism, perhaps, and that's what we are
9 being shown here.

10 MR. HARLOW: Thank you. That is all I have.

11 MS. ENDEJAN: Your Honor, I realize I didn't
12 designate, but I have one question that I would like to
13 ask this witness because I was confused by some of her
14 testimony.

15

16

17 CROSS-EXAMINATION

18 BY MS. ENDEJAN:

19 Q. My name is Judy Endejan and I represent
20 Verizon. You were asked some questions by Mr. Trautman
21 about your understanding of the meaning of Section 254
22 because you're in charge for Qwest is to be the sort of
23 universal service guru; is that correct?

24 A. That's correct.

25 Q. Well, guru is a pejorative term, and maybe I

0426

1 misunderstood what you said to him, but do you
2 interpret Section 254 to mean that all customers in
3 rural areas are guaranteed the provision of
4 telecommunications service of their choosing?

5 A. I believe that that's the overall guiding
6 principle behind it, but it's not a guarantee. As
7 we've seen, there are some areas that without
8 sufficient federal support, it would be very difficult
9 to provide service.

10 MS. ENDEJAN: Thank you.

11

12

13 CROSS-EXAMINATION

14 BY CHAIRWOMAN SHOWALTER:

15 Q. If you could turn to Exhibit 81-T, Page 4, do
16 you agree that ETC status does not carry with it the
17 obligation to serve every applicant no matter what the
18 cost?

19 A. Just to make sure I answer that right, I do
20 not believe that regardless of cost that there is a
21 unilateral obligation; that there has to be some type
22 of reasonable measurement to insure the provision of
23 service.

24 Q. So do you agree that the obligation to serve
25 throughout one's ETC territory is not the same as the

0427

1 obligation to serve every applicant?

2 A. I would consider them both the same
3 obligation with the same reasonable exception.

4 Q. That's why it asked it the first way. Do you
5 agree that the obligation to serve throughout is not
6 the same as the obligation to serve every applicant, no
7 matter what the cost?

8 A. No.

9 Q. I'm not sure if your answer is agreeing with
10 the question or not. What I'm trying to get at,
11 because I think both Ms. Jensen's testimony, and to a
12 lesser degree yours, seem to imply that ETC status
13 means every applicant in an area must be served, but is
14 a qualification to that, I think, which is if not it's
15 not reasonable. Would you agree with that?

16 A. Yes, I do.

17 Q. So doesn't that mean that it's not the case
18 that every applicant must be served?

19 A. That's correct.

20 CHAIRWOMAN SHOWALTER: Thank you.

21 COMMISSIONER HEMSTAD: No questions.

22 JUDGE MACE: Mr. Owens, do you have redirect?

23 MR. OWENS: Briefly, Your Honor. Thank you.

24

25

0428

1 REDIRECT EXAMINATION

2 BY MR. OWENS:

3 Q. Ms. Morton, counsel for staff asked you if
4 there were a choice of providers, the government should
5 choose the provider. To your knowledge, has any of the
6 named applicants chosen Qwest as a provider?

7 A. To the best of my knowledge, no.

8 Q. Now, counsel for RCC asked you whether it was
9 Qwest's theory of recovery that RCC should recover
10 costs to serve the Timm Ranch by getting access to
11 support throughout the state. Do you know whether or
12 not the intent of the universal service support program
13 at the federal level is based on any idea about the
14 relationship of the cost to serve a particular
15 subscriber versus the revenues that can be recovered
16 from that particular subscriber?

17 A. I do not believe there is any such revenue
18 test.

19 Q. Chairwoman asked you with regard to the
20 obligation to serve every applicant if that is limited
21 by where it would not be reasonable. Do you know
22 whether or not, as you understand it, that test has any
23 relationship to whether or not facilities exist at that
24 location where the applicant is?

25 A. I think perhaps facilities would be one

0429

1 factor involved in looking at the reasonableness, such
2 as if there was already a carrier providing service but
3 perhaps customers had a different choice of technology.

4 MR. OWENS: Thank you. Nothing further.

5 JUDGE MACE: Mr. Trautman?

6 MR. TRAUTMAN: Nothing further.

7 JUDGE MACE: Mr. Harlow?

8 MR. HARLOW: Nothing Further.

9 JUDGE MACE: Ms. Endejan?

10 MS. ENDEJAN: Nothing further.

11 JUDGE MACE: Thank you. You are excused.

12 Let's be off the record.

13 (Hearing recessed at 6:20 p.m.)

14

15

16

17

18

19

20

21

22

23

24

25