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1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION

2 COMMISSION

3 In the Matter of the Request)
of Sprint Nextel Corporation)
4 for an Order Declining to) Docket No. UT-051291
Assert Jurisdiction over or,) Volume III
5 in the Alternative,) Pages 47 - 73
Application of Sprint Nextel)
6 Corporation for Approval of)
the Transfer of Control of)
7 United Telephone Company of)
the Northwest and Sprint Long)
8 Distance, Inc., from Sprint)
Nextel Corporation to LTD)
9 Holding Company.)

10

11 A settlement conference in the above matter
12 was held on March 6, 2006, at 2:05 p.m., at 1300 South
13 Evergreen Park Drive Southwest, Olympia, Washington,
14 before Administrative Law Judge DENNIS MOSS, Chairman
15 MARK SIDRAN, Commissioners PHILIP JONES and PATRICK
16 OSHIE.

17

The parties were present as follows:

18

19 SPRINT NEXTEL CORPORATION, by WILLIAM (TRE)
E. HENDRICKS, Attorney at Law, 902 Wasco Street, Hood
River, Oregon 97031; telephone, (541) 387-9439.

20

21 SPRINT NEXTEL CORPORATION, by GREGORY J.
KOPTA, Attorney at Law, Davis, Wright, Tremaine, LLC,
1501 Fourth Avenue, Suite 2600, Seattle, Washington
22 98101-1688; telephone, (206) 628-7692.

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24 Kathryn T. Wilson, CCR

25 Court Reporter

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WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION, by GREGORY J. TRAUTMAN, Assistant Attorney
General, 1400 South Evergreen Park Drive Southwest,
Post Office Box 40128, Olympia, Washington 98504-0128;
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PUBLIC COUNSEL, by SIMON J. FFITCH and JUDY
KREBS, Assistant Attorneys General, 900 Fourth Avenue,
Suite 2000, Seattle, Washington 98164-1012; telephone,
(206) 389-2055.

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INDEX OF EXHIBITS

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EXHIBIT:

MARKED:

OFFERED:

ADMITTED:

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67-HC

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

2 JUDGE MOSS: Good afternoon. I'm Dennis
3 Moss. I'm an administrative law judge with the
4 Washington Utilities and Transportation Commission. We
5 are convened this afternoon in the matter of the
6 request of Sprint Nextel Corporation for an order
7 approving the transfer of control of United Telephone
8 Company of the Northwest and Sprint Long Distance,
9 Inc., from Sprint Nextel Corporation to LTD Holding
10 Company in Docket No. UT-051291.

11 The parties filed a settlement agreement last
12 week, and the purpose of our hearing today is to
13 consider that as a proposed resolution of the issues in
14 this proceeding. The parties have also submitted as
15 part of their filing a stipulated record, which is
16 Exhibit A. Is that to the Settlement or to the
17 narrative?

18 MR. TRAUTMAN: To the narrative.

19 JUDGE MOSS: So once we take appearances, we
20 will officially receive the record on that basis, and I
21 understand we will actually have one change to one of
22 the exhibits, and we will take care of that.

23 So let's begin with the appearances, and we
24 will start with the Company; Mr. Hendricks?

25 MR. HENDRICKS: William Hendricks on behalf

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1 of Sprint.

2 MR. KOPTA: Gregory J. Kopta of the law firm
3 of Davis, Wright, Tremaine.

4 MS. KREBS: Judy Krebs, assistant attorney
5 general for Public Counsel.

6 MR. TRAUTMAN: Greg Trautman, assistant
7 attorney general for Commission staff.

8 MR. FFITCH: Also, Simon ffitch for Public
9 Counsel.

10 JUDGE MOSS: And are there any other
11 appearances today? Hearing none, I do understand there
12 are a number of people monitoring on the conference
13 bridge line, including several of the witnesses who
14 prefiled testimony in the case, so we will keep the
15 bridge line on. I will just leave it in its current
16 status which allows two-way communication, but if there
17 is any interference from telephones or what have you, I
18 will mute the callers. Keep that in mind those of you
19 who are listening in.

20 With the appearances taken, as I understand
21 it, we have, according to the exhibit list, 65 exhibits
22 that consist of the prefiled testimony and exhibits
23 with some exceptions, and there are some deletions,
24 indeed, that are noted in Exhibit A with respect to
25 Exhibit 9, 18, and 56 as noted there.

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1 For simplicity, the official exhibit list in
2 this proceeding will bear the same numbers as in the
3 parties' exhibits, so that means we are going to tack
4 onto the end several items. One of those will be the
5 Stipulation itself, and before we get to that,
6 Ms. Krebs, I understand there are a couple of minor
7 changes to the Stipulation that we should note for the
8 record.

9 MS. KREBS: Yes, Your Honor. There were two
10 changes that we would like to address. First, there
11 should be an additional exhibit, Exhibit 66, which
12 would be the --

13 JUDGE MOSS: We'll get to that in a minute.

14 MS. KREBS: On Page 6 of the Settlement
15 Agreement in Sections B and C, if you look first at the
16 line on B, the first line, it should read, "For any
17 year in which the commission in 6(a)(1) or 6(a)(2) are
18 triggered," and so remove the "and" and replace it with
19 an "or," and the same for Paragraph C, the first line,
20 "For any fiscal quarter with the conditions in 6(a)(1)
21 or 6(a)(2) are triggered," and the parties have agreed
22 to this change in the Agreement, and we will file a
23 replacement page replacing this one.

24 JUDGE MOSS: All right. I'm going to mark
25 the Settlement Agreement as Exhibit 67-HC. I'm

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1 reserving 67 as an exhibit that will consist of written
2 comments filed by members of the public. So Ms. Krebs,
3 do you have that for us today?

4 MS. KREBS: No. We have not yet received
5 them from Staff. The person who is handling them is
6 out today, so we will be providing them in the format
7 we normally do.

8 JUDGE MOSS: Will there been any objection
9 from any of the parties concerning the introduction of
10 these public comments?

11 MR. HENDRICKS: No objection.

12 MR. TRAUTMAN: No, Your Honor.

13 JUDGE MOSS: The final exhibit number I have
14 in mind is 68, and that will be the narrative that the
15 parties submitted in support of the Settlement
16 Agreement. Are there any other exhibits that are
17 coming in today that I should know about? With that
18 then our record will consist of the 68 exhibits that
19 I've identified, and I will produce an official Exhibit
20 list in the next day or so and distribute that to the
21 parties by electronic means.

22 With that, I think we are ready to hear from
23 our witnesses, and for any who are not familiar with
24 the plan for today, I have had discussions off the
25 record with Mr. Saunders and with counsel, and I

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1 understand that the parties' preference is that
2 Mr. Saunders will make a statement concerning the
3 Settlement Agreement. Our other witnesses may wish to
4 say something briefly concerning why it would be in the
5 public interest if the Commission did approve and adopt
6 the Settlement Agreement, and then the floor will be
7 opened to questions.

8 So the first order of business will be to
9 swear or affirm the witnesses, and I'll ask that you
10 rise and raise your right hands, please.

11 (Witnesses sworn.)

12 JUDGE MOSS: Mr. Saunders, you had expressed
13 a preference for making your statement at a podium, but
14 I see no podium. Are you comfortable where you are?

15 MR. SAUNDERS: I'll be quite comfortable.

16 JUDGE MOSS: With that, you may proceed.

17 MR. SAUNDERS: I'm Wilford Saunders. I'm the
18 assistant director for telecommunications here at the
19 Washington Utilities and Transportation Commission.
20 I'm appearing today on behalf of Commission staff. If
21 I'm inaudible, would you care to make a change?

22 (Pause in the proceedings.)

23 MR. SAUNDERS: I'm appearing on behalf of
24 Commission staff to present the Settlement Agreement
25 mentioned by Your Honor.

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1 I believe I'll be able to be fairly brief
2 today. The Settlement Agreement and the narrative that
3 accompanies and explains it speak pretty well for
4 themselves. My purpose is mainly to confirm we are all
5 here together with a full settlement on behalf of all
6 three parties, to recap briefly, the background and
7 history of the case, introduce the principle issues and
8 solutions, and then to join the other witnesses in
9 responding to any questions you may have.

10 To begin with, the background and the history
11 of the case, an order of United Telephone Company of
12 the Northwest, it is that the independent local
13 incumbent, local exchange carrier for two groups of
14 exchanges in Washington state. In the package of
15 information regarding the case, you may refer to
16 Exhibit 51 for an exchange map. There are two
17 principle areas; the Poulsbo, Port Angeles area in the
18 northwestern part of the state, and a larger
19 territorial area along the Columbia River from
20 Stevenson to Willard and from Sunnyside to Mattawa.

21 United Telephone has been in existence in
22 Washington for many years and they have a good record
23 of service and responsibility before this Commission.
24 United has been operating under the Sprint banner for
25 some ten years now as part of the local telephone

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1 division. After merging with Nextel, Sprint made the
2 decision to spin off its local telephone division as an
3 independent entity, and we began this case referring to
4 the future parent company that we now know as Embarq as
5 LTD. So if you see references in the materials to LTD,
6 they are talking about the new parent company proposed
7 as Embarq.

8 This case came to us in August, 2005, roughly
9 the same time as it came to other states considering
10 similar proceedings, and most of these states are also
11 now considering settlement or final dispositions of the
12 cases in their respective jurisdictions.

13 The Company's request during the first
14 prehearing conference back in October was that we try
15 to move this matter to decision and final order by the
16 end of March, 2006; partially due to the settlement
17 proposal, but in fact due to the efforts of everyone
18 who has participated in the negotiations and the study
19 of this case, if you endorse the Settlement, we stand a
20 very good chance of making that original deadline or
21 commitment.

22 I'll now introduce briefly the principle
23 issues and solutions addressed in the case. We tried
24 to keep this case on a short clock maintaining a
25 thorough exploration of the issues and involving all

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1 the parties with ample opportunity to comment, file any
2 necessary motions, and participate in the process.

3 We have achieved a comprehensive settlement
4 that is in the public interest. It satisfies the
5 private interests of the Company and its shareholder,
6 the interests of its customers as represented by Public
7 Counsel, and the public interest of the State of
8 Washington as a whole.

9 Staff was prepared to go to hearing. In
10 fact, all the parties were prepared to go to hearing,
11 but we have been spared that obligation, we hope, if
12 you approve, by arriving at settlement involving
13 commitments that would achieve the same end as the
14 conditions we would have argued for in hearing on the
15 basis of our litigation case.

16 The Settlement balances a number of
17 mechanisms to address the issues brought up by Public
18 Counsel and by Staff regarding the spin-off
19 transaction. To enumerate them very quickly, the first
20 and key issue from Staff's perspective regards
21 implementation of corporate finance conditions,
22 commitments, reporting commitments and restrictions on
23 payment of dividends that we feel are well-tailored to
24 protect the Washington local exchange carrier, United,
25 should its new parent find itself in financial

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1 distress. These negotiations were detailed, careful,
2 and addressed Staff and Public Counsel's concerns about
3 likely bond ratings and debt to equity ratio in the new
4 parent.

5 The Settlement recognizes the gain on sale of
6 United's directory publishing interests in 2003. It
7 preserves the value established for future proceeding
8 and provides a one-time customer credit. The
9 Settlement further protects consumers from the cost of
10 transition to the new corporate entity. It inaugurates
11 a service program with automatic customer credit for
12 missed appointments, allows ample customer notice and a
13 fee waiver for those who want to change their
14 long-distance service during the transition period. It
15 continues the Commissions affiliated interests review
16 of commercial and transition agreements signed with
17 United, and lastly, it provides for reporting on the
18 Company's deployment of broadband services in
19 Washington.

20 That briefly sums up the principle issues
21 from Staff's perspective and the basic background to
22 the work that brought us here today. I and my fellow
23 witnesses are here and available to answer your
24 questions. We endorse and support the Settlement
25 Agreement and urge you to do likewise. We commend it

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1 to your attention and look forward to your questions.

2 Thank you.

3 JUDGE MOSS: Thank you, and I will ask you to
4 continue sharing that microphone since my skills
5 apparently extended to only half of the mikes, and I
6 want each of the other witnesses to please introduce
7 yourself for the record, and if you have a brief
8 statement, you may make that now.

9 MS. JUDY: Good afternoon, Chairman Sidran,
10 Commissioner Oshie, and Commissioner Jones. I'm Nancy
11 Judy. I'm the state executive for Oregon, Washington
12 operations. I'm representing Sprint Nextel and United
13 Telephone Company of the Northwest, and I'm here to
14 speak to the public interest benefits of adopting the
15 Settlement to separate United from Sprint Long Distance
16 Incorporated from Sprint Corporation.

17 As the Company has documented, the
18 transaction will benefit Washington customers by
19 allowing United to better focus on the needs of our
20 local customers. Sprint currently serves five times as
21 many wireless customers as it does wire line.
22 Conversely, United is a wire-line provider operating in
23 rural markets.

24 The spin-off will allow United to
25 differentiate itself as the hometown provider that

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1 caters to the needs of its local customers. United
2 will gain the flexibility to offer products to its
3 local customers without concerns for weather such
4 effort will be harmful to other divisions of the
5 Company. For example, United is considering offering
6 wireless plans with fewer minutes that would be
7 designed to complement wire-line service as opposed to
8 replace it. Such plans might also be designed to
9 target customers who want extended area service.

10 Additionally, United should be able to
11 develop new products more rapidly than in the past --
12 between the different parts of the business. Through
13 these efforts, United will be better able to compete
14 with other providers, and customers will have more
15 products to choose from.

16 Aside from the benefit, the transaction poses
17 no threat or harm to Washington customers. The
18 transaction will occur at a holding company level.
19 United of the Northwest will retain all of its current
20 assets. From the customers' perspective, little will
21 change. We will have a new name and logo, but the
22 people who currently serve Washington customers will
23 continue to do so.

24 United will retain its current toll-free
25 numbers for customer service and will remain located in

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1 its current locations. On day one after the
2 separation, the Company will offer the full range of
3 products and services at the same prices and subject to
4 the same rules and regulations in applicable tariffs.
5 Therefore, the change should be transparent to
6 customers. While the Company strongly believes there
7 will be no harm as a result of the transaction, Staff
8 and Public Counsel have expressed concerns that we have
9 addressed through the conditions of the Stipulation.

10 The Settlement resulted from extensive
11 good-faith bargaining efforts among the parties. The
12 terms reflect compromises primarily with respect to the
13 finance conditions and the gain on the sale of Sprint's
14 directory business. Sprint agreed to these conditions
15 in the spirit of good-faith bargaining to help move
16 this transaction ahead and to minimize the risk of
17 protractive litigation.

18 If approved, Sprint will be able to move
19 forward expeditiously as we have regulatory approvals
20 for nearly all other states in which we operate.
21 United's acknowledgment that it will continue to
22 provide with the existing service quality rules
23 combined with the new service guarantee program should
24 assure Public Counsel and the Commission that United
25 will continue to provide reliable and high-quality

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1 service after the Company is separated from Sprint.

2 The Company has already begun working with
3 Staff and Public Counsel on customer notification
4 letters. United does not expect to be assigning party
5 with Sprint Nextel for any contracts, so we do not
6 expect that the affiliated interest conditions will be
7 triggered. This condition was added to acknowledge
8 Staff's concerns about any such arrangements in the
9 event that United would become a signing party.

10 Additionally, though not specifically stated
11 in the Stipulation, United will amend or file new
12 affiliated-interest contracts it enters with its new
13 affiliates in the new organization in compliance with
14 the affiliated interest rules and statutes. Likewise,
15 United will continue to abide by the requirement to
16 report affiliated-interest transactions.

17 The last condition concerns recording of
18 broadband deployment. We at United are very proud of
19 our broadband deployment and are more than willing to
20 share such information about our ongoing efforts. For
21 these reasons, Sprint believes the Settlement is in the
22 public interest, and we urge the Commission to accept
23 the Settlement as a full resolution of the issues in
24 this case. Thank you.

25 JUDGE MOSS: Thank you, and if you would pass

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1 that microphone down one more time, please.

2 MS. KIMBALL: Good afternoon Chairman Sidran,
3 Commissioner Jones, Commissioner Oshie, and Judge Moss.
4 I'm Mary Kimball, policy analyst for the public counsel
5 section of the attorney general's office.

6 We too would like to thank the other parties.
7 Sprint and Commission staff worked hard toward
8 establishing a good settlement that addresses Public
9 Counsel's concerns. Public Counsel is very pleased to
10 be before you today as a signatory party to this
11 all-party settlement agreement. We believe this
12 agreement protects ratepayers from many of the
13 potential negative consequences of this transaction.

14 Very importantly for Public Counsel, this
15 agreement accounts for the gain owed to ratepayers
16 arising from the sale of the Company's publishing
17 business in 2003. The Agreement, as Mr. Saunders
18 indicated, establishes the Washington portion of the
19 gain and attributes 9.7 million dollars to ratepayers.
20 That amount will be amortized over ten years according
21 to the timing provision in the Settlement. This annual
22 amortization, once it commences, will replace the
23 existing directory imputation. Additionally, United
24 has agreed to issue \$400,000 in customer bill credits.

25 Another major concern for Public Counsel with

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1 this transaction pertains to the financial terms of the
2 transaction, and particularly to the highly leveraged
3 capital structure of United's new parent, LTD Holding
4 Company. As discussed in the testimony of Public
5 Counsel's witness, Mr. Stephen Hill, this financial
6 structure could result in high capital costs, potential
7 rate increases, reduced investment, and potential
8 service quality degradations.

9 Public Counsel and Commission staff sought to
10 establish measures that would protect United and its
11 ratepayers from any negative consequences resulting
12 from financial trouble at LTD. These are sometimes
13 called ring-fencing mechanisms. The ring-fencing
14 conditions that we agreed upon are set forth in
15 Section 6 of the Agreement, again, as Mr. Saunders
16 discussed.

17 Specifically, United has agreed to hold
18 ratepayers harmless from higher capital costs resulting
19 from the transaction. United has agreed to restrict
20 dividends to its parent in the event of
21 below-investment-grade credit ratings. The Agreement
22 also prohibits any of United assets from being pledged
23 to secure any borrowing undertaken by LTD.

24 Also important to Public Counsel is that the
25 Agreement provides that United will not seek recovery

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1 from ratepayers from any of the separation, rebranding,
2 transition or transaction costs arising from the
3 separation. This includes what are caused
4 "dyssynergies," essentially the loss of efficiencies
5 and higher administrative costs resulting from the
6 transaction. We are also pleased that the Agreement
7 provides customers with the benefit of an enhanced
8 service quality guarantee with automatic customer
9 credits for missed installation and repair commitments.

10 Also as part of the Agreement, United has
11 agreed to provide notice both to local customers and
12 long-distance customers and to consult with Public
13 Counsel and Commission staff on those notices. In
14 fact, as Ms. Judy indicated, we have been having closed
15 discussions about the notices to long-distance
16 customers. United has also agreed to waive the PIC fee
17 for any customer choosing to switch long-distance
18 carriers within a 90-day period after receiving that
19 notice.

20 Finally, as Ms. Judy mentioned, United has
21 agreed to provide Public Counsel and Commission staff
22 with information that will allow us to monitor the
23 Company's broadband deployment. With that, we'll be
24 happy to entertain any questions.

25 JUDGE MOSS: Thank you for your statement.

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1 For clarity of the record, this being an acronym-free
2 zone, PIC is P-I-C, Primary Interchange Carrier charge.
3 With that, I believe we are ready for any questions
4 from the Bench; Mr. Chairman, other Commissioners?

5 COMMISSIONER JONES: One question on the
6 service guarantee section of the Stipulation. Where it
7 says that a tariff will be provided to match the Nevada
8 tariff provision, I would just like to confirm that
9 that is the intent of the provision and there is
10 specifically in the Nevada tariff provision nothing
11 other than what is described in the Stipulation; i.e.,
12 it's an automatic credit, \$15 for residential, \$25 for
13 business.

14 MS. JUDY: That's right. The Nevada tariff
15 actually does talk about a waiver of the monthly
16 charge; whereas we've stipulated we will use the \$15
17 and \$25 as a flat amount, but the rest of the wording
18 should be very similar to what we would propose.

19 COMMISSIONER JONES: My next question
20 concerns not the ring-fencing provision so much as the
21 governance as the establishment of this new holding
22 company. I understand now that it's not called LTD
23 Holding Company any longer. It's called Embarq?

24 MS. JUDY: Correct. That came late in the
25 procedure, so we've stuck with the original.

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1 COMMISSIONER JONES: Could you briefly
2 describe the governing structure of Embarq? Who sits
3 on the board of directors, how many members, who
4 controls the appointment of the members relationship to
5 Sprint Nextel, issues like that?

6 MS. JUDY: I don't know if the board members
7 have been named yet. We do have another witness on the
8 line. Brian, do you know?

9 MR. STAIHR: We do know that three of them
10 have been named. It's my understanding that a total of
11 four of them will come from the Sprint Nextel board --

12 JUDGE MOSS: Let me interrupt you before you
13 continue because you have not been sworn, and we will
14 have to do that. If you would, please, raise your
15 right hand.

16 (Witness sworn.)

17 JUDGE MOSS: Please continue.

18 MR. STAIHR: That was pretty much the sum of
19 where it stands. Three of them have been named. Four
20 of them will come from the Sprint Nextel board. The
21 remaining members will be new members.

22 We can provide the biographical information
23 about the three that have been named to this point in
24 time. Beyond that, we can obviously commit to get you
25 the information as soon as we have it, but it's my

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1 understanding that Sprint Nextel -- I just was reading
2 something that Sprint Nextel hasn't established who the
3 other board members will be. We can get you
4 information as soon as it's established, but as of
5 right now, I don't think it's been established.

6 COMMISSIONER JONES: So the total number of
7 board members is seven?

8 MR. STAIHR: I believe it's eight.

9 JUDGE MOSS: Commissioner Jones, do you want
10 that information for the record?

11 COMMISSIONER JONES: Yes, please.

12 JUDGE MOSS: We'll treat that as Bench
13 Request No. 1, and I'll premark it as Exhibit 69, and I
14 assume there will be no objection to its receipt?
15 Hearing nothing, then we will have that as Exhibit 69.
16 Mr. Staihr, when can you provide that information?

17 MR. STAIHR: I'm not sure. I will find out
18 and get it to Mr. Hendricks. We can find out during
19 the course of this hearing, a rough ballpark date, and
20 we can get it to him and he can get it to you.

21 JUDGE MOSS: Thank you very much.

22 COMMISSIONER JONES: My last question relates
23 to the word "dyssynergy." As the judge mentioned, we
24 are an acronym-free zone. This is the first time I've
25 seen this word expressed. I'm not going to make a big

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1 point of this, but I've never seen use of that word
2 before. Could someone define it for me briefly?

3 MS. JUDY: It's essentially just the opposite
4 of synergy. The synergies are mixed up often times --
5 with a merger, would be less cost. In this case, there
6 will be some incremental costs, about one percent we
7 expect going in, and then we hope over time over the
8 next couple of years, we can offset that with
9 productivity gains.

10 COMMISSIONER JONES: But these are costs
11 other than the ones mentioned in Section 2, such as
12 accounting fees, legal fees, banking fees, new
13 branding, new logo. These are costs outside of those
14 normal expense items.

15 MS. JUDY: Correct.

16 MS. KIMBALL: If I just might add a little
17 bit, my understanding is that it's essentially taking
18 out the administrative functions from what was the
19 Sprint United Management Company and bringing some of
20 those functions within this new spun-off company, so
21 like human resources and legal and communications,
22 investor relations, those kinds of functions.

23 COMMISSIONER JONES: Thank you, Judge.
24 That's all I have.

25 JUDGE MOSS: Commissioner Oshie, do you have

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1 questions?

2 COMMISSIONER OSHIE: I just have a couple of
3 questions about the gain on sale from the directory
4 publishing so I understand better how that's going to
5 be, if it ever does be attributed to or act as a
6 balance against the amount owed by ratepayers or the
7 amount allocated to ratepayers. So let's start from
8 the beginning that the amount the parties have agreed
9 to that's attributed to directory publishing, that as
10 of January 1, 2008, will act as a substitute for the
11 amount already built into rates?

12 MS. JUDY: That's correct.

13 COMMISSIONER OSHIE: Will there be interest
14 earned on the total amount that has been agreed to by
15 the parties over the amortization period?

16 MS. JUDY: The amortization included a
17 discount factor, if that's what you mean, so the time
18 value of money is recognized.

19 COMMISSIONER OSHIE: It included the discount
20 factor. Can you explain that a little bit? It's been
21 discounted over the period of ten years based on what,
22 CPI?

23 MS. JUDY: No. What we've used is...

24 MS. KIMBALL: The Agreement itself did not
25 include a specific discount rate. There were different

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1 discount rates in the prefiled testimony of the various
2 witnesses who discussed directory publishing issues,
3 but I guess its fair to say there are a lot of
4 different moving parts in terms of attributing the gain
5 to ratepayers and how it amortized what the discount
6 rate is, so we agreed on the annual amount that's in
7 the Settlement Agreement of 1.451 million, but the
8 Agreement itself doesn't specify a specific discount
9 rate, if that helps.

10 COMMISSIONER OSHIE: The discount rate was
11 factored in as of January 1, 2008, or the present value
12 of the money, meaning March 6th, 2006, or from the date
13 of the Commission order?

14 MS. JUDY: I think I know what you are
15 saying. To recognize two years out before we begin the
16 amortization, this was a simple amortization using a
17 discount rate for a ten-year period, and then we
18 decided that we would begin it either when new rates
19 went into effect or 2008, whichever is earlier.
20 Frankly, I expect that we will be in for new rates
21 before 2008.

22 COMMISSIONER OSHIE: No further questions.
23 Thank you.

24 CHAIRMAN SIDRAN: First I want to commend the
25 parties for reaching a settlement. While, of course,

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1 we have to review this independently, we are always
2 comforted by all-party settlements, and we realize that
3 some hard bargaining took place here, so thank you for
4 presenting us with a multiparty settlement.

5 I just have a couple of questions. I guess
6 this is for Ms. Judy. Is there an impact on the number
7 of employees at United?

8 MS. JUDY: No, not as a result of the
9 separation.

10 CHAIRMAN SIDRAN: The second question relates
11 to Item No. 2 of the Settlement Agreement that talks
12 about recovery of separation of branding in transition
13 costs and talks about the exclusion of certain items,
14 including what I think of as "antisynergies" instead of
15 "dyssynergies," and that has to do with whether there
16 is any impact on senior executive compensation at
17 United. Do you know if this transaction will have any
18 impact on the compensation of senior executives at the
19 Company?

20 MS. JUDY: I've been told that the
21 compensation program will not change going into this.
22 It could change, I suppose, later on.

23 CHAIRMAN SIDRAN: Do you have any information
24 about how it might change?

25 MS. JUDY: No.

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1 CHAIRMAN SIDRAN: Thank you. That's all I
2 have.

3 JUDGE MOSS: Is there anything further from
4 the Bench? Anything further from the parties? Seeing
5 no indication that there is, I thank the witnesses very
6 much for being here today and providing us with their
7 testimony. We appreciate your participation today.
8 With that, our record is closed.

9 (Settlement conference adjourned at 2:40 p.m.)

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