

1                                   **SUPPLEMENTAL TESTIMONY OF CHARLES W. KING**  
2

3                   **INTRODUCTION**  
4

5           **Q.     PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

6  
7           A.     My name is Charles W. King. I am President of the economic consulting firm of  
8                   Snavelly King Majoros O'Connor & Lee, Inc. ("Snavelly King"). My business  
9                   address is 1220 L Street, N.W., Suite 410, Washington, D.C. 20005.  
10

11           **Q.     FOR WHOM ARE YOU APPEARING IN THIS PROCEEDING?**

12  
13           A.     I am appearing on behalf of the customer interests of the Department of Defense  
14                   and all other Federal Executive Agencies ("DOD/FEA").  
15

16           **Q.     ARE YOU THE SAME CHARLES W. KING WHO SUBMITTED**  
17                   **RESPONSE TESTIMONY IN THIS PROCEEDING ON MARCH 18, 2003?**  
18

19           A.     Yes, I am.  
20

21           **Q.     DID YOUR RESPONSE TESTIMONY CONTAIN A DESCRIPTION OF**  
22                   **YOUR BACKGROUND AND EXPERIENCE?**

1 A. Yes, it did.

2

3 **Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR**  
4 **DIRECT SUPERVISION?**

5 A. Yes, it was.

6

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8

9 A. In this testimony, I will explain my support of the Settlement Agreement  
10 (“Agreement”) between DOD/FEA and:

- 11 • Qwest Corporation (“QC”), on behalf of its affiliates, Qwest Dex, Inc.  
12 (“Dex”) and Qwest Services Corporation (“QSC”), and its ultimate  
13 parent, Qwest Communications International Inc. (“QCI”) (collectively,  
14 Qwest”);
- 15 • Dex Holdings LLC (“Dex Holdings”);
- 16 • the Public Counsel Section of the Attorney General of Washington  
17 (“Public Counsel”);
- 18 • WeBTEC; and
- 19 • AARP.

20 This Agreement was filed with the Commission on May 16, 2003.<sup>1</sup>

---

<sup>1</sup> Stipulation and Settlement Agreement

1 **Q. PLEASE SUMMARIZE YOUR TESTIMONY?**

2

3 A. I support the Agreement because I believe it provides adequate compensation to  
4 local ratepayers for the sale of Dex by QCI. I believe, therefore, that the  
5 Agreement is in the public interest and should be approved by the Commission.

6

7 **THE AGREEMENT IS IN THE PUBLIC INTEREST**

8

9 **Q. UNDER WHAT CONDITIONS CAN A SETTLEMENT AGREEMENT BE**  
10 **IN THE PUBLIC INTEREST?**

11 A. Settlement agreements can be in the public interest when they represent an  
12 appropriate balancing of benefits and risks for both the company and ratepayers.  
13 Such agreements generally represent a compromise on the part of the parties  
14 involved. Each party balances the benefits it receives from the agreement against  
15 the risk that these benefits will be less if a settlement is not reached and litigation  
16 is pursued.

17

18 **Q. WHY DO YOU SUPPORT THE AGREEMENT IN THIS PROCEEDING?**

19 A. I believe the proposed Agreement provides adequate compensation to local  
20 ratepayers for the sale of Dex. From a ratepayer's perspective, I believe the  
21 Agreement provides an appropriate balancing of litigation risk versus settlement  
22 benefits and resolves the uncertainties surrounding Yellow Pages imputation, a

1 long-standing controversy in the state of Washington. In addition, for the  
2 company, it allows Qwest to use most of the gain from the sale of Dex to address  
3 its significant debt obligations on a timely basis, improving its financial situation.  
4 These benefits of the Agreement are similar to those resulting from the  
5 recommendations contained in my Response Testimony, Exhibit CWK-1, in this  
6 proceeding.

7

8 **Q. WHAT HAS LED YOU TO THIS BELIEF?**

9

10 A. My belief is based on my review of Exhibit CWK-6C to this testimony. That  
11 Exhibit lists the ratepayer benefits of the various proposals of the parties and  
12 calculations I have made, as follows:

13 Line 1: My calculation on behalf of DOD/FEA of the pre-tax gain from  
14 the sale of Dex available for Washington ratepayers.

15 Line 2: Michael L. Brosch's calculation on behalf of the Public Counsel  
16 of the Washington share of the pre-tax gain from the sale of Dex.

17 Line 3: My calculation of the present value of the Agreement to  
18 Washington ratepayers.

19 Line 4: Qwest's 4/17/03 calculation of the pre-tax gain from the sale of  
20 Dex available for Washington ratepayers.

21 Line 5: Qwest's 1/17/03 calculation of the pre-tax gain from the sale of  
22 Dex available for Washington ratepayers.

1 The data on Exhibit CWK-6C is shown graphically on Exhibit CWK-7C.

2

3 **Q. WHAT DO YOU CONCLUDE FROM YOUR REVIEW OF EXHIBITS**  
4 **CWK-6C and CWK-7C?**

5 A. I conclude that the Agreement represents a reasonable compromise among the  
6 parties to this proceeding. The ratepayer benefit of the Agreement (Line 3) is  
7 significant--more than twice that of Qwest's original (1/17/03) position (Line 5).  
8 The Agreement value is nearly half-way between DOD/FEA's calculation (Line  
9 1) and Qwest's revised (4/17/03) position (Line 4). The Agreement value is  
10 nearer to the Public Counsel's position (Line 2), than Qwest's revised position.  
11 Considering the inevitable risks associated with litigation, I had no problem  
12 recommending the acceptance of this compromise by DOD/FEA.

13

14 **Q. ARE THERE BENEFITS OTHER THAN THOSE DISCUSSED ABOVE**  
15 **TO RATEPAYERS?**

16

17 A. Yes. Qwest's commitment with respect to the Customer Service Guarantee  
18 Program, the Washington Telecommunications Assistance Program ("WTAP"),  
19 Tribal Lifeline, Lifeline, and Link-up process are all positive developments.  
20 Qwest's willingness to attempt to enter into a Memorandum of  
21 Understanding/agreement with respect to contract rate stability for WeBTEC and  
22 DOD/FEA is also encouraging.

1

2 **Q. ARE YOU SATISFIED WITH THE AGREEMENT'S TREATMENT OF**  
3 **GOVERNMENT LISTINGS?**

4

5 A. Yes. As I explained in my Response Testimony, Government Listings  
6 (commonly called "blue pages") are an important benefit to the public because  
7 they identify the telephone numbers and addresses of the federal, state and local  
8 agencies that provide public services to the general population.<sup>2</sup> Dex Holdings'  
9 representation<sup>3</sup> that its present intent is to continue to publish the Government  
10 Listings directory section as it currently does satisfies my concerns with respect to  
11 this issue.

12

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14

15 A. Yes, it does.

---

<sup>2</sup> King Response Testimony, Exhibit CWK-1, at 7-8.

<sup>3</sup> See Exhibit CWK-9 -- Response of Dex Holdings to DOD/FEA's Data Request DoD/FEA:Dex Holdings, LLC I-2.