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     BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
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                          COMMISSION
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    In the Matter of the
    Request of Sprint Nextel
    Corporation for an Order
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    Declining to Assert
    Jurisdiction Over or, in the ) Docket No. UT-051291
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    Alternative, Application of ) Volume I
    Sprint Nextel Corporation for ) Pages 1 - 22
    Approval of the Transfer of
    Control of United Telephone
    Company of the Northwest and )
    Sprint Long Distance, Inc.,
    From Sprint Nextel Corporation)
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    to LTD Holding Company.
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    _____
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              A prehearing conference in the above matter
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    was held on October 7, 2005, at 1:32 p.m., at 1300
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    South Evergreen Park Drive Southwest, Olympia,
15
    Washington, before Administrative Law Judge DENNIS
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    MOSS.
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              The parties were present as follows:
19
              SPRINT NEXTEL, by GREGORY J. KOPTA, Attorney
    at Law, Davis, Wright, Tremaine, 1501 Fourth Avenue,
20
     Suite 2600, Seattle, Washington 98101-1688; telephone,
     (206) 628-7692.
21
              SPRINT NEXTEL, by WILLIAM E. HENDRICKS III,
22
    Attorney at Law, 902 Wasco Street, Hood River, Oregon
    97031; telephone, (541) 387-9439.
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24
    Kathryn T. Wilson, CCR
25
    Court Reporter
0002
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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;
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     telephone, (360) 664-1187.
               PUBLIC COUNSEL, by ROBERT W. CROMWELL (via
     bridge) Assistant Attorney General, 900 Fourth Avenue,
     Suite 2000, Seattle, Washington 98164-1012; telephone,
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     (206) 464-6595.
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                      PROCEEDINGS
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               JUDGE MOSS: Good afternoon, everyone.
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     name is Dennis Moss. I'm an administrative law judge
     for the Washington Utilities and Transportation
     Commission. We are here this afternoon in Docket No.
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    UT-051291, concerning the Application of Sprint Nextel
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     Corporation. I'm not going to recite the rather long
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     caption. The court reporter has that and it will
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     appear on the transcript.
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              The essence of the Application is for
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     approval of the transfer of control of United Telephone
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     Company of the Northwest and Sprint Long Distance,
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     Inc., from Sprint Nextel Corporation to LTD Holding
     Company. There is an alternative plea for declaration
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     to assert jurisdiction.
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              Let's take appearances, and we will start
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     with Sprint Nextel or Sprint or Nextel.
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               MR. HENDRICKS: Trey Hendricks on behalf of
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     Sprint Nextel Corporation, and my address is 902 Wasco
     Street, Hood River, Oregon, 97031. My telephone number
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     is (541) 387-9439. My fax number is (541) 387-9753,
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22
     and my e-mail address is
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     tre.e.hendricks.iii@sprint.com.
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               MR. KOPTA: Gregory J. Kopta of the law firm
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     Davis, Wright, Tremaine, LLP, also for the applicants.
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     My address is 2600 Century Square, 1501 Fourth Avenue,
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     Seattle, Washington, 98101-1688. Telephone is (206)
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     628-7692; fax, (206) 628-7699; e-mail,
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     gregkopta@dwt.com.
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               JUDGE MOSS: Since we have you in the room,
    Mr. Trautman, why don't we get Staff's appearance next,
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    and then we will turn to those on the conference bridge
     line.
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               MR. TRAUTMAN: Gregory J. Trautman, assistant
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     attorney general, representing Commission staff. My
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     address is 1400 South Evergreen Park Drive Southwest,
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     Post Office Box 40128, Olympia, Washington, 98504. My
     telephone number is area code (360) 664-1187. My fax
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14
     number is (360) 586-5522, and my e-mail address is
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     gtrautma@wutc.wa.gov.
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               JUDGE MOSS:
                           Thank you. Mr. Cromwell?
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               MR. CROMWELL: Robert W. Cromwell, Junior,
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     assistant attorney general, appearing on behalf of the
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     Public Counsel section of the attorney general's
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     office. My address is 900 Fourth Avenue, Suite 2000.
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     Seattle, Washington, 98164-1012. My direct line is
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     area code (206) 464-6595. My fax is (206) 389-2079.
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    My e-mail address is robertcl@atg.wa.gov.
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               JUDGE MOSS: Are you still with us,
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    Mr. Cromwell? I think somebody must have joined us on
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     the bridge line. So far as I know, the Commission has
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     not received any written petitions to intervene, but
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     let me ask if there is anybody else on the bridge line
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     who wishes to enter an appearance and petition for such
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     status. Apparently there is not.
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               So let us turn to the business at hand for
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     our prehearing conference. Have the parties commenced
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     discovery in this case?
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               MR. KOPTA: Not yet, Your Honor, but I'm
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     assuming we would want to invoke the discovery rule.
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               JUDGE MOSS: Staff would want to have
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     discovery in the case?
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               MR. TRAUTMAN: Yes.
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               JUDGE MOSS: Then that will be the rules by
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     which you govern yourselves subject to any agreements
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     that are mutually acceptable.
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               I have a proposed protective order that's
    been handed out to me by Mr. Hendricks. Have the
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     parties all looked at this and had an opportunity to
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     discuss it, Mr. Hendricks?
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               MR. HENDRICKS: We have had discussions about
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     the protective order. It's been a little while since
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     we've talked about it, so I guess I might ask if Public
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     Counsel and Staff are still agreeable to what we
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     discussed earlier.
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               MR. TRAUTMAN: Is the protective order in the
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     same form as the protective agreement that we've
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     executed for the interim period?
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               MR. HENDRICKS: Yes.
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               MR. TRAUTMAN: Then Staff would have no
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     objection to the order.
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               MR. KOPTA: Just for clarification purposes,
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     this is essentially the same order that the Commission
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     issued in the Verizon/MCI merger docket, and we can
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    provide you with an electronic copy for the ease of the
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     Bench.
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               JUDGE MOSS:
                            Thank you. Mr. Cromwell, are
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     you in agreement with the protective order as crafted?
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MR. CROMWELL: Yes. Assuming what Mr. Hendricks has set up what we've already agreed to, I have no concerns about that.

JUDGE MOSS: I think we can be confident of that, so we will see to it that the Commission enters this. I would like to receive the electronic copy, and I will review the order and make sure that its terms are satisfactory to the Commission in terms of what we typically have, and then I will see to its execution by the appropriate persons, whether that be me or the commissioners.

In the meantime, the parties can govern

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themselves in accordance with these terms since they are all in agreement, and then we don't have any third parties participating so the confidentiality issues are not as significant as they might otherwise be. Before we turn to the schedule, is there anything else the parties wanted to raise?

MR. TRAUTMAN: Your Honor, I don't know at what point we should address this, but as I was looking at the notice of prehearing conference, it states generally that the ultimate issues include whether the proposed Application complies with the above referenced statutes, those being statutes from Title 80 and Title 34, and as otherwise in the public interest, and that is the standard that the Commission will use to look at the filing.

The prehearing conference also states that one of the purposes to consider formulating the issues in the proceeding, and Staff wanted to identify, just wanted to make sure that the prehearing conference order articulates that there are two particular issues Staff wishes to address, among others, in determining the public interest of the transaction.

One would be the possible imputation of Yellow Pages revenues and/or the effect on rates in light of the fact that the Yellow Pages has been sold

and the gain on sale has been attributable to Sprint, but now that the Company is going to be a stand-alone company, it will no longer have the tie-in to Sprint. So we may need to look at that and the ramifications and/or rate impact of that as a possible condition on the transfer or as part of the public interest investigation.

Second would be investigating a possible rate rebalancing. It would likely be a revenue-neutral rate rebalancing of access charges or retail rates, again in light of the fact that it will now be a stand-alone company without the benefit of having the tie-in to the parent, and Staff is concerned with the large cross-subsidies that are currently in place in Sprint and also some of the high access charges, and it needs to examine whether that's sustainable in light of the fact that there is a proposal for a stand-alone company. Those would be two issues that the Staff

19 would like to include and intends to examine in 20 determining whether the transfer is in the public 21 interest.

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JUDGE MOSS: Those issues, I suspect, are in the bounds of propriety, assuming the Commission asserts jurisdiction in the matter, and we can certainly mention those in the prehearing order.

As is typically the case, we don't try to identify all the issues that might come into a case in the prehearing order because the nature of our work is such that issues often come up during the course of the proceeding, so we don't view that as a limiting factor nor one that necessitated the proceeding of those issues if during the discovery process, for example, you discover that there was no basis upon which the Staff would advocate.

MR. TRAUTMAN: Because they could specifically pertain to rates, we would like that to be in the order.

JUDGE MOSS: I understood that we are not talking about the imputation of revenues, a principle that would be established; is that the idea?

MR. TRAUTMAN: It could be the principle. There could be the principle and the amount. There could also be a rate impact as a condition of the merger.

> MR. HENDRICKS: Your Honor? JUDGE MOSS: Yes, go ahead.

MR. HENDRICKS: Just to briefly respond to what we are talking about on the record today, Sprint believes that these two issues are beyond the scope of the Application and what the Commission needs in order

to make a decision on the Application should it assert jurisdiction.

In addition, with respect to publishing Yellow Pages issue, Sprint continues to believe that that issue is beyond the scope of the Commission's jurisdiction based on the peculiar history of Sprint's Yellow Pages, and so Sprint would further believe that that issue would be beyond the scope of the proceeding for that reason as well.

JUDGE MOSS: Okay. Sounds to me like we might need an early round of briefs. Let me ask Sprint, the alternative request here is an order declining to assert jurisdiction. Is the idea there that Sprint would challenge the Commission's jurisdiction or that Sprint would request that the Commission waive its jurisdiction?

MR. HENDRICKS: I think it would be the latter.

JUDGE MOSS: Mr. Kopta apparently disagrees.

MR. KOPTA: Thank you, Your Honor. been a recurring theme in merger dockets --

JUDGE MOSS: I seem to recall the GTE/Bell Atlantic case.

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               MR. KOPTA: But I think we are dealing with a
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     little bit different situation here. This is not a
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    merger. This is actually the opposite of a merger, and
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     there is some concern still about because this is at
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     the holding company level, and there are no changes to
     the entity that's operating and regulated by this
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     Commission. Whether the Commission should assert
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     jurisdiction, we would respectfully ask the Commission
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     to revisit that particular issue in this particular
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    proceeding.
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               JUDGE MOSS: So you want to make that
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     argument out in this case?
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               MR. KOPTA: Yes, Your Honor.
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               MR. TRAUTMAN: Your Honor?
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               JUDGE MOSS: Go ahead.
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               MR. TRAUTMAN: The issues that are raised I
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     think are legitimate ones. I think they can be dealt
     with in the normal course of briefing, as far as not
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     just the contesting the jurisdiction over the case, but
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     as to the Yellow Pages, we believe there is
     jurisdiction over that as well, but that can be briefed
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     in the ordinary course of the case, and we would again
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     argue that it's not beyond the scope of determining
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    whether it's in the public interest. Those issues can
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    be determined on the merits by the Commission at a
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     later time.
               MR. HENDRICKS: Sprint would agree with that
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     last statement. I think the issues can be addressed on
     the merits of the case later in the proceeding in the
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     normal course of briefing.
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               JUDGE MOSS: To get directly to the point,
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     everybody wants to do one round of briefs?
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               MR. KOPTA: Yes.
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               MR. HENDRICKS: Yes.
               MR. TRAUTMAN: Yes.
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               JUDGE MOSS: Under the circumstances,
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    Mr. Trautman, while I will be happy to mention these
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     issues in the prehearing order, if that is something
     you would like me to do, I will qualify that my mention
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     of them would the fact that they are matters in dispute
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     as to jurisdiction, and of course the fundamental
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     jurisdiction issue as well. I can certainly craft all
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     of that into the prehearing order.
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               Anything else before we get to the schedule?
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     All right. I understand the parties have had an
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     opportunity to have some discussion on the schedule but
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    have not managed to reach results on everything. Do
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     you have anything written out in terms of what you have
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     agreed?
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               MR. KOPTA: At the moment, we don't have
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     something written out that we have agreed. I can
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     provide you a copy of what Sprint circulated to Staff
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    and Public Counsel, and we can talk about that.
               JUDGE MOSS: Are the other dates going to
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3 trigger off the hearing dates in any way? 4 MR. KOPTA: To a certain extent. 5 JUDGE MOSS: That's the unresolved issue 6 then? 7 MR. KOPTA: Yes, it is. 8 JUDGE MOSS: Let's talk about hearing dates 9 Mr. Trautman called to inquire what dates might 10 be available in late February and through March. 11 MR. TRAUTMAN: No, late January through 12 February. 13 JUDGE MOSS: I had some notes on that. 14 Mr. Trautman, do you recall, I think the week of 15 January 23rd was available? 16 MR. TRAUTMAN: I think you had indicated that 17 almost all of that time was available except for the 18 week of February 13th, and I don't know if that was the 19 NARUC conference --20 JUDGE MOSS: That is correct. There is a 21 NARUC conference the week of the 13th. The internal 22 posture of this docket was asked to schedule this 23 prehearing conference on an expedited basis, and we did 24 that on the minimum statutory notice of seven days. 25 gather there is an interest in bringing this to a 0014 1 relatively speedy conclusion, and my schedule and the 2 commissioners' schedule will permit that. 3 So we are in a position to go to hearing as early as the week of January 23rd, with the exception 5 of the week of February 13th. So if we have competing 6 proposals, I should hear them and we will work from 7 there. Why don't we start with the Company. 8 MR. HENDRICKS: Your Honor, as you may know 9 from reading the Application, and we appreciate the 10 Commission's flexibility in accommodating the schedule, 11 the transaction proposed is not simply a transaction 12 that involves a Washington company. It involves 13 operating companies throughout the nation, and, in 14 fact, it involves 18 states. 15 There is some urgency in completing this 16 transaction. The Company entered into a merger with 17 Nextel, Sprint and Nextel, which created a large 18 wireless company and interests within the corporation 19 of which United and the other local companies are part, 20 and it has created a need and an urgency to separate 21 the local company because of the divergent interests of 22 what are two now really competing companies. 23 So it's in the Company's interest to do this 24 as quickly as possible so each company may pursue its 25 own course in a very competitive telecommunications 0015 1 market. Almost all of the states, including some of 2 Sprint local company's largest states, will be 3 completing this regulatory state process prior to April 1st, and in some cases, for example, in the state of Florida, which is one of our largest local states with a local presence, that case, the Commission will be

entering an order within the next month approving that

transaction. That order has been noticed, and many of the schedules in the other states are also completing by the end of the year.

So this leaves us in a predicament where the Company will be waiting for approval in Washington, and so we have requested this expedited schedule and tried to model it on the schedule that was adopted in the Verizon case, and it becomes important for the Company in order to satisfy the operating separation of the two companies in an efficient and expedient manner to begin this process and wrap this case up by that April 1st date, and that is the basis for the schedule we proposed.

There is some limited flexibility in that proposal. We've spoken with Staff and Public Counsel and identified some other weeks. We would, of course, prefer to have this opportunity to have hearings at the end of January. One compromise we've discussed is to

waive the second round of briefs and schedule the hearings further out by a week or no more than two weeks.

So we would prefer that the Commission adopt a schedule that includes hearing dates at the end of January. We are willing and have offered to make a compromise with limited briefing to do so a week or two later than that.

JUDGE MOSS: Mr. Trautman?

MR. TRAUTMAN: Staff generally does not have a problem with the suggested evidentiary hearing dates. If it were moved a week or two later, I would just note that I have a conflict on February 3rd. I have to do an oral argument in defense of the Commission's gas transfer ruling in Superior Court. Any date around that time would not be helpful for the Staff, but Staff does not object to the proposed hearing dates.

JUDGE MOSS: How about you, Mr. Cromwell?
MR. CROMWELL: Once again I fear I have a
conflict. As you are probably aware, the PacifiCorp
rate case hearings are set for January 9th through the
20th. The briefing on the PacifiCorp and American
merger case -- those hearings are set in December -- is
set for January 30th. Then in early February to
February 4th, rebuttal is due in a telecom case, and

then February 13th, PacifiCorp brief is due on the rate case.

So my request would be that the hearing be set the week of February 13th or thereafter simply because of the practical matter. It's functionally difficult to impossible to be effectively prepared for a hearing on a Monday when two weeks of hearings have just ended, and unfortunately, given the pace of the Commission's calendar in both December and January, there is very little opportunity to try to frontload preparation that might otherwise be possible.

12 JUDGE MOSS: Is Mr. ffitch similarly occupied

13 through the relevant period? 14 MR. CROMWELL: He's on a call scheduling the 15

Avista case right now. I don't know his particular conflicts in the month of January.

JUDGE MOSS: Are you referring to the pending of the Avista rate proceeding?

MR. CROMWELL: I believe that is the topic of the conversation he is having right now.

JUDGE MOSS: We already have a schedule in that case. We are going to hearing on the 17th.

MR. CROMWELL: I may be speaking out of turn. I can't speak to the topic of that conversation other than I believe it refers to that case.

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JUDGE MOSS: Mr. Trautman is here and he happens to be staff counsel in that case so he's going to tell me whether I'm inquiring into things I shouldn't be inquiring into.

MR. TRAUTMAN: Mr. Swanson is on that call too, and I think they are just trying to coordinate which witnesses will go when and the order of witnesses, and particularly because Simon had indicated that he had witnesses from out of state, so logistical.

JUDGE MOSS: So it doesn't affect this January period. Well, we will take the problems into account, Mr. Cromwell, and I'm sympathetic to your schedule. I'm not sitting in PacifiCorp, but I am sitting in Mid American and recognize there is a lot going on this winter.

I think my inclination under the circumstances, since that week of the 23rd is, in a manner of speaking, available, and otherwise we would be looking at least a three-week delay in the schedule, because the week of the 13th is not available, I think what I would be inclined to do is go ahead and set the January date, and then as we get a little closer, there may be developments in one or another of these cases that will make it more feasible, and if not, then we can entertain a motion to, perhaps, adjust the

1 schedule.

> The Commission tries to be accommodating in matters concerning mergers and corporate reorganizations in terms of the timing recognizing when there are multijurisdictional concerns not only among the states but also in federal government. We try to move with dispatch on these things.

> I'm trying to underscore the point that we recognize the need to remain somewhat flexible. parties will need to keep that in their minds as well because of the schedule, and as time passes too, it may be that either you or Mr. ffitch will have some break in your schedule, Mr. Cromwell, so we can all sort of keep in touch on that.

Other than that, the schedule looks workable to me. It calls for a target date order by March the 24th, and I believe the stated goal was to wrap

18 everything up by April 1, so we are pushing up against 19 that. Some of our flexibility is available. I think I 20 will set the schedule as tendered here, and I will go 21 through that in a moment, but it does call for two 22 rounds of briefs, and it does give us, roughly 23 speaking, six weeks for an order.

We can always consider dispensing with one round of briefs, and we can also shorten the time the 0020

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Commission will require for an order, and I think that could even be a matter of some weeks if we need them. Does that leave you sufficiently comfortable, Mr. Cromwell?

MR. CROMWELL: I wouldn't say sufficiently comfortable, Your Honor. I had already foreseen a difficult winter, and trying to put this hearing in January certainly doesn't improve matters.

JUDGE MOSS: Okay. Let's do that, and again, we'll all maintain our flexibility, and I've suggested some room there where we might adjust things later, but this will prompt us all to work diligently through the holiday season and perhaps be a little more on top of things than might be ideal relative to our personal lives.

What we will do for the time being is I will set the schedule for the Staff and Public Counsel testimony on the 30th of November and the rebuttal on the 28th of December, cross-exhibits on the 18th, final prehearing conference, if necessary, on the 20th. We have typically been able to dispense with those, but we will see.

We will shoot for the 23rd for the evidentiary hearing. I should mention in connection with the evidentiary hearing that I need to confirm

this with the commissioners, and if they have some independent reason for not wanting to do it, then -well, we all have bosses. February 10th for simultaneous opening briefs and February 17th for simultaneous reply briefs, and again, the target date for a Commission decision under the schedule would be the 24th of March.

The double-X date is for a settlement conference, and we have taken to the practice of scheduling a date for settlement conferences as an accommodation to our understanding of what our practice should be to satisfy all segments of the bar, and we are happy to do that. So I would ask if the parties have in mind a date on which they would like to schedule a settlement conference that can be noticed in the prehearing order, and of course you are free to change that date among yourselves, but we like to include that in the order to recognize this.

MR. KOPTA: We had discussed that and gotten as close as the week of November 7th, but I don't think we ever actually set a date during that week, but subject to people's availability, we could just pick

23 the 9th for now, and if we need to change it at some 24 other point during that week, we can do that. 25 JUDGE MOSS: Okay. I'll set November 9th, 0022 1 and again, the parties are free to change that. Just 2 keep us informed, please. 3 MR. KOPTA: We will do that. JUDGE MOSS: Again, this one is a little more 4 5 simple in that we just have the three parties. 6 apologize I neglected to check how many copies we'll 7 need for filings. I'll include that information in the 8 prehearing order. You are all familiar with the 9 Commission's filing requirements, and I won't bother to 10 recite those. Is there any other business we need to 11 conduct today? 12 MR. KOPTA: No, Your Honor. 13 MR. TRAUTMAN: No, Your Honor. 14 MR. CROMWELL: No, Your Honor. 15 JUDGE MOSS: Thank you all. I appreciate 16 your being here today, and I will get an order out next week, and I look forward to working with you as the 17 18 case goes forward. 19 (Prehearing conference concluded at 2:07 p.m.) 20 2.1 22 23 24

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