

Cause No. U-82-45  
Exhibit No. \_\_\_\_\_  
Witness: Richardson  
Date:

BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of  
GENERAL TELEPHONE COMPANY OF THE NORTHWEST, INC.

Cause No. U-82-45

Testimony

of

DAVID RICHARDSON

re

RATE DESIGN AND RATE SPREAD

Direct Testimony  
of  
DAVID RICHARDSON

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Q Please state your name and business address.

A My name is David Richardson. My business address is Highways-Licenses Building, Olympia, Washington.

Q By whom are you employed and in what capacity?

A I am employed by the Washington Utilities and Transportation Commission as the Utilities Tariff Supervisor.

Q Handing you what has been marked Exhibit No. \_\_\_\_ for identification, could you identify that exhibit?

A Yes, it's a summary of my regulatory experience and other qualifications.

Q What is the purpose of your testimony in this proceeding?

A The purpose of my testimony is to address certain of the tariff or rate spread issues present in this case, where staff/company differences exist and to make recommendations as to how the rates should be spread.

Q Have you reviewed Exhibit \_\_\_\_ sponsored by Mr. Simon, particularly as it relates to local services (line 1) revenue

1 Q Do you have a recommendation with respect to the company's  
2 proposal to convert from a multi-element service connection  
3 charge to a time-and-material system as reflected in Mr.  
4 Benson's Ex. 14, pages 70, 71 and 72?  
5

6 A I recommend that the Commission accept as filed the tariff  
7 revisions outlined on pages 70, 71 and 72 of Mr. Benson's  
8 Exhibit 14, recognizing the estimated \$32,626 revenue  
9 increase associated with Complex Material.

10 Q What is the overall revenue impact of this change from  
11 multi-element to time and material charges?  
12

13 A It's a reduction of \$1,066,843, including the \$32,626  
14 adjustment.  
15

16 Q Are you at all disturbed by a structural change of this  
17 nature having a sizeable negative revenue effect in a  
18 general rate increase case?

19 A No, although I know it will have to be made up elsewhere.  
20 The concept of Time and Material pricing allows the company  
21 and the customer to save by avoiding unnecessary premises  
22 visits and often reducing the duration of premises visits  
23 when they are necessary.

24 Q Turning to page 74 of 94 of Exhibit 14, what is the company  
25 proposing?  
26

1  
2 A The company proposes to reduce the free allowance for line  
3 extensions along public highways from the present 5/10 mile  
4 to 1/10 mile. At the same time it proposes to increase the  
5 charge per tenth mile from the present \$229 to \$440. The  
6 exhibit shows 1,660 billable tenth miles. Further inquiry  
7 of Mr. Benson indicated that of those tenth miles, 1,028  
8 were beyond the 5/10 mile free allowance and the remainder,  
9 632, were between 1/10 and 5/10 mile and in total, consisted  
10 of 158 jobs. Naturally, each of those jobs exceeded 5/10  
11 or it would not be recorded as a line extension.

12 Q In connection with this item you previously mentioned two  
13 errors of omission. To what errors do you refer?  
14

15 A First, the exhibit assumes that all 1,660 tenth miles would  
16 increase by \$211, the difference between the current charge  
17 of \$229 and the proposed \$440. That is true only of the  
18 1,028 units beyond the 5/10 mile free limit. The remaining  
19 632 units were free during the test period and are proposed  
20 to increase by \$440 each rather than \$211 shown in the  
21 exhibit.

22 The other error of omission involves those tenth miles  
23 on line extension that exceeded 1/10 mile but did not exceed  
24 5/10 mile. According to Mr. Benson, individual records were  
25 not kept on those jobs during the test period and the  
26

1           company cannot create such records.

2           Q    What would be an example of the latter error?  
3

4           A    The customer who needs a 3/10 mile line extension currently  
5           pays nothing, but under the proposal would pay \$880. That  
6           type of revenue is omitted from the company's portrayal of  
7           estimated revenue impact.

8           Q    Would it be reasonable to expect that there would be a  
9           significant number of such tenth miles in a test period?  
10

11          A    I'm not experienced in these kind of rural observations,  
12          but if there are 1,028 tenth miles in excess of the 5/10  
13          mile free allowance, then the number of line extension  
14          between 1/10 and 5/10 mile should certainly be significant.  
15          If that number were as many as 1,000, for example, the reve-  
16          nue effect would be \$440,000.

17          Q    What solution do you propose?  
18

19          A    Allow the increase to \$440 per tenth mile but disallow the  
20          reduction of the free allowance from 5/10 to 1/10 mile. This  
21          action will tell the company that records must be kept on  
22          all line extension over 1/10 mile.

23          Q    What is the revenue effect of your proposal?  
24

25          A    It would be \$216,908, a result of multiplying the \$211  
26

1           increase by 1,028 tenth miles in excess of the 1/2 mile free  
2           allowance. This is a smaller increase than that reflected  
3           by the company.

4           Q     Would you modify the \$440 proposal?  
5

6           A     No, that's at the same level that PNB has currently and is  
7           slightly less than General found in a cost study that's now  
8           more than a year old.

9           Q     Philosophically, do you oppose the proposed reduction of the  
10          free allowance to 1/10 mile?  
11

12          A     No, I favor it. It's only "free" because other ratepayers  
13          are subsidizing it. Had the company been able to provide  
14          accurate data, the full line extension package would have  
15          been acceptable.

16          Q     Could you explain in more detail what the problem is with  
17          the unit numbers associated with many of the nonrecurring  
18          charges?  
19

20          A     Due to what was apparently a misunderstanding within the  
21          company, the unit numbers associated with all of the non-  
22          recurring charges in the Terminal Services tariff (WN U-4)  
23          and many of the nonrecurring charges in the Network Services  
24          tariff (WN U-3) were derived incorrectly. They were deve-  
25          loped by taking the number of a given item at the end of the  
26

Cause No. U-82-45  
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 Witness: D. Richardson  
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Sheet 1 of 2

SUMMARY OF RECOMMENDED REVISIONS  
TO GTNW TARIFF PROPOSAL

<u>Description</u>	<u>Location in Exhibit 14.</u>	<u>Proposed Tariff Sheet Number</u>	<u>Staff Recommendation</u>	<u>Revenue Effect</u>
1. Mileage charges, except Terminal Loops	Page 28 - 1st 5 line items	WN U-3; 3330	Accept as filed	(\$ 148,232)
2. Mobile Telephone Service	Page 32	WN U-3; 3450	Accept as filed	(438)
3. Personal Signalling Service	Page 32	WN U-3; 3460	Reject in total	---
4. Touch Call (line rate)	Page 35	WN U-3; 3500	Accept as filed, or **Cut present rates 50%	(936,864) (1,490,917)
5. Foreign Exchange Svc. non-contiguous Exchanges	Page 38, top half	WN U-3; 3561	Accept as filed	91,338
6. Returned check charge*	Page 69	WN U-3; 3202	Accept as filed	19,498
7. Nonrecurring Charge Restructure from Multi-Element to Time and Materials *	Pages 70, 71 and 72	WN U-3; 3340 and 3341	Accept as filed	(1,066,843)
8. Credit Allowance for Return of Telephones (deleted)*	Page 73	WN U-3; 3342	Accept as filed	171,820
9. Line Extension Charges*	Page 74	WN U-3; 3350	Accept \$440 per 1/10 mile; Reject free allowance reduction	216,808

(-) Indicates negative number

\* Nonrecurring charge

\*\* Alternative proposal showing greater revenue reduction