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I N D E X

WITNESS:	DIRECT	CROSS	REDIRECT	RECROSS	EXAM
STEVE MEAN	411				415
	417				419
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EXHIBIT	MARKED	ADMITTED
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Opening Statements

1 JUDGE FOSTER: This is Docket Number
2 UT-911482, which is captioned The Washington Utilities
3 and Transportation Commission, Complainant versus
4 International Pacific, Inc., Respondent. We are convened
5 by telephone conference call. Today's date is July 20,
6 1993. My name is Rosemary Foster, and I am the
7 Administrative Law Judge presiding, and I am in my office
8 in Olympia. At this time I will ask the commission staff
9 to make their appearance.

10 MR. SMITH: Yes, Your Honor. Steven W.
11 Smith, Assistant Attorney General. My address is South
12 1400 Evergreen Park Drive Southwest, Olympia, Washington
13 98504. I am appearing on behalf of the commission staff
14 in place of Ms. Sally Brown who is the lead counsel on
15 this case.

16 JUDGE FOSTER: Thank you. And for
17 International Pacific, Mr. Owens.

18 MR. OWENS: Thank you, Your Honor. I am
19 Douglas N. Owens, Attorney at Law. My business address
20 is 520 East Denny, Seattle, Washington 98122 appearing on
21 behalf of International Pacific.

22 JUDGE FOSTER: All right. This should be
23 noted as Volume III of the transcript in this matter.
24 The purpose of today's session is to take testimony from
25 Steve Mean who is an International Pacific witness. Mr.

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1 Mean is located in Spokane, but is also on the telephone
2 line here with us this morning.

3 The hearings that were held last Thursday and
4 Friday raised the question of the scope of information
5 that's been claimed as confidential by International
6 Pacific in this docket, and I appreciate the cooperation
7 of the company and Mr. Owens in narrowing down what
8 originally, I believe, was the claim that all of the
9 company's financial information be considered
10 confidential. There is a protective order in this matter
11 that was entered March 12, 1993.

12 And then if the parties wouldn't mind, Mr.
13 Owens, I would like to just briefly go through the
14 exhibits that were identified and admitted last Thursday
15 and Friday, just to be sure that I have in my notes and
16 records, the proper ones that are confidential and the
17 ones that are not.

18 MR. OWENS: All right.

19 JUDGE FOSTER So I believe my records show
20 that Mr. Damron's testimony, and that would be CT-1,
21 Exhibit C-3, C-4, C-5 and C-6 were all admitted and they
22 are all confidential. His Exhibit 2, I believe that's
23 just a resume they typed, was not deemed confidential.

24 MR. OWENS: That's right.

25 JUDGE FOSTER It was also admitted. The next

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1 exhibit that I have is C-7. That's the chart of
2 accounts, and I do not show that has been admitted. I
3 believe that was just going to be sponsored by a later
4 witness.

5 MR. OWENS: Yes. Well, it's not just the
6 chart of accounts. That's the first part of it. The
7 second --

8 JUDGE FOSTER: All of C-7.

9 MR. OWENS: Right. The second part of it is
10 a copy of the company's 1990 annual report to the
11 commission with a designation of the company's internal
12 accounts beside the appropriate USOA accounts, and Mr.
13 Damron indicated that he had not seen that and could not
14 identify it, so that's why that wasn't offered.

15 JUDGE FOSTER: Okay. Well, that's fine. I
16 just want to be sure that I have got the proper status as
17 far as their admission and the proper designation as to
18 whether they are confidential or not on my records
19 following our hearing on Thursday and Friday.

20 Exhibit 8 is the FCC order, and that is
21 non-confidential and it has been admitted.

22 MR. OWENS: Yes.

23 JUDGE FOSTER: Exhibit C-9 is the allocation
24 work papers, and I don't show that that has been
25 admitted.

Opening Statements

1 MR. OWENS: No, for the same -- well, not for
2 the same reason. It was my understanding that you ruled
3 that you would hold the offer in abeyance. I had offered
4 the exhibit, and you indicated that you felt that you
5 didn't need to make a decision at that time and that your
6 preference was that if International Pacific would
7 produce a witness --

8 JUDGE FOSTER: Yes, all right.

9 MR. OWENS: -- to testify to the truth or to
10 testify to what calculations were in the document.

11 JUDGE FOSTER: Right. My recollection is
12 that these were -- this was an exhibit that was produced
13 after the order on discovery was entered in October of
14 '92. I see the date on C-9 as November 10th of 92, and I
15 recall, I believe, that we were going to have an IPI
16 witness to speak to that.

17 MR. OWENS: You indicated that was your
18 preference. I don't believe you specifically ruled that
19 the document was not admissible unless that --

20 JUDGE FOSTER: No, I think we just deferred
21 it.

22 MR. OWENS: Yes.

23 JUDGE FOSTER: In any event, what I show is
24 that it's been identified but not admitted yet. Exhibits
25 10, 11, 12, 13, 14, and 15 are all non-confidential and

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1 they have all been admitted.

2 MR. OWENS: I believe that's true.

3 JUDGE FOSTER: Then Exhibit C-16, that was
4 Mr. Damron's revision of his Exhibit C-6, and I believe
5 that it was based on the Hundred Best Small Corporations
6 Business Week Analysis.

7 MR. OWENS: I don't know if it's exactly a
8 revision. I think he termed it a sensitivity analysis.

9 JUDGE FOSTER: All right.

10 MR. OWENS: He was not proposing that his
11 exhibit be modified. He was offering that for
12 illustrative purposes.

13 JUDGE FOSTER: All right. I don't show that
14 it's admitted.

15 MR. OWENS: I thought it was admitted.

16 JUDGE FOSTER: Well, it may be. That was
17 getting close to the end of his testimony. Maybe it was.
18 Do you recall that it was?

19 MR. OWENS: Yes, I recall that I did not
20 object to it, and I believe that it was admitted.

21 JUDGE FOSTER: All right. I will go ahead,
22 and the record should indicate that it has been admitted.
23 And I believe, then, we had admission of all of the other
24 exhibits, all of Mr. Wilson's testimony and then we
25 closed up with the Exhibit 22, which was the FCC TOCSIA

Opening Statements

1 report and then Exhibit C-20 was the Wilson exhibit that
2 refers to the IPI commission levels, and that's been
3 deemed confidential.

4 MR. OWENS: Yes.

5 JUDGE FOSTER: And it has been admitted.
6 That's where I show we are right now. I wanted to show
7 we are all looking from the same standpoint.

8 MR. SMITH: What was the last confidential
9 exhibit?

10 JUDGE FOSTER: C-20.

11 MR. SMITH: Thank you.

12 MR. OWENS: Let's see, in terms of what we
13 are going to do here, Mr. Mean's analysis has been
14 confined to Exhibit C-1 and C -- well, and the other
15 documents in Mr. Damron's direct presentation that use
16 information in C-1.

17 JUDGE FOSTER: All right. So mainly you are
18 saying he has looked over the text of the Damron
19 testimony?

20 MR. OWENS: Right. For example, he hasn't
21 seen Exhibit C-16, but since that really is simply a
22 recalculation of the rate of return part of Exhibit C-1
23 and C-3, I believe it is, it would seem like the same --
24 I mean, if you find that the type of information that is
25 in C-1 and C-3, as referred to in C-1, is confidential,

Opening Statements

1 it would seem appropriate that the same ruling would
2 apply to C-16. As far as C-7 is concerned, again, that's
3 the same type of information. It's the revenues and
4 expenses and investments, plus the development of
5 allocation factors based on internal measurements which
6 also are discussed in Mr. Damron's C-1 because he
7 criticizes them. As far as Exhibit C-20 is concerned, I
8 guess we can address that as kind of a separate item.

9 JUDGE FOSTER: Yes. I don't really have a
10 concern about C-20. I mean, I think that it is apparent
11 from Mr. Wilson's testimony that that information was
12 solicited and the respondents to his survey about
13 commission fee levels were allowed to claim
14 confidentiality on that, so I basically didn't consider
15 that one a matter of IPI's claim so much as the
16 companies who participated in the commission fee level
17 survey.

18 MR. OWENS: All right. So your ruling, at
19 least as to C-20, we don't have to address that one?

20 JUDGE FOSTER: No. I would prefer
21 considering it in a separate category. I would just
22 reiterate what I believe I indicated Thursday and Friday,
23 and that is the protective order puts the burden of proof
24 on International Pacific to establish its claim of
25 confidentiality, and as I explained to Mr. Owens last

Opening Statements

1 week at the hearing, the commission in the past has been
2 fairly strict and restrictive in its construction of what
3 should be deemed confidential, and so that's why I was
4 asking him to work with International Pacific to narrow
5 down the company's claim.

6 I appreciate, Mr. Mean, you and Mr. Owens
7 working together to narrow this down from what it once
8 was.

9 My notes indicate that there are basically
10 three types of information that International Pacific now
11 claims are still confidential. The first type has to do
12 with commission fee payments to allocators. The second
13 category of information is 1992 and 1993, IPI revenues,
14 and the third is IPI expenses. Now, if there has been a
15 change, Mr. Owens, perhaps you could tell me about it.

16 MR. OWENS: Yes. Apparently I misunderstood
17 what -- I was informed by my client as to the temporal
18 dimension of the claim; that is, there are items that are
19 earlier than 1992 that the company does consider still to
20 be confidential.

21 JUDGE FOSTER: All right. That's not what
22 you said Thursday and Friday. Am I correct?

23 MR. OWENS: You are correct. That is not
24 what I said because I misunderstood what I was being
25 told, and we have Mr. Mean here who can testify to what

Opening Statements

1 the facts are, and that was, I guess, simply a product of
2 trying to deal with this issue over the phone --

3 JUDGE FOSTER: Right.

4 MR. OWENS: -- and doing it under a desire to
5 expedite the process, and I apologize if I caused some
6 confusion in that regard.

7 JUDGE FOSTER: Well, no, if you would just
8 spell out for us now, then, what the company is claiming
9 is in that category or if you could get Mr. Mean to tell
10 us.

11 MR. OWENS: Well, do you want to swear him in
12 and --

13 JUDGE FOSTER: Yes. Mr. Mean, would you
14 raise your right hand, please?

15 STEVE MEAN,
16 having been first duly sworn, was called as a witness
17 herein and was examined and testified as follows:

18 JUDGE FOSTER: The witness has been sworn,
19 and maybe if you could also ask him some foundation
20 questions, Mr. Owens.

21 MR. OWENS: I will be happy to, Your Honor.

22 JUDGE FOSTER: Thanks.

23 DIRECT EXAMINATION

24 BY MR. OWENS:

25 Q. Good morning, Mr. Mean.

Mean - Direct

1 A. Good morning.

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

4 A. My name is Steven D. Mean. My business
5 address is 422 West Riverside, Suite 408, Spokane,
6 Washington 99201.

7 Q. And by whom are you employed?

8 A. I am employed by International Pacific as
9 their chief financial officer.

10 Q. Please describe your duties as chief
11 financial officer?

12 A. In my position with the firm, I am
13 responsible for the financial regulatory and
14 administrative duties of the firm.

15 Q. All right. Do you have any role in managing
16 the company's efforts to grow its business or market
17 services?

18 A. I am a member of the senior executive team,
19 and as a vice-president, I am involved in strategic
20 decisions and meetings in which we chart progress plan
21 and oversee the firm's growth, and therefore, I would be
22 in a position to view or understand its growth and any
23 impacts on its growth.

24 Q. In your role as chief financial officer, do
25 you have any occasion to plan strategy concerning

Mean - Direct

1 competition?

2 A. Yes, we -- competition is always a
3 consideration, whether developing new products, whether
4 entering new markets as well as retaining market share
5 with regard to existing and current customers,
6 specifically pricing strategies as far as product
7 offerings and packaging of different products are all
8 considerations, which we would be impacted by knowledge
9 of the competitive market.

10 Q. What, could you briefly describe what the
11 business activity of International Pacific is?

12 A. International Pacific is an operator service
13 provider. We provide operator services for both the
14 private pay phone and the hospitality markets in 11
15 western states, and that's our basic --

16 Q. When you provide these services for pay
17 phones and hospitality businesses, do you have signed
18 long-term contracts with these people?

19 A. The contracts that we have are verbal in
20 nature, and it's very common in the industry that
21 customers and/or -- customers and/or clients could leave
22 our services with -- basically over night. Because of
23 the smart phone technology, particularly in the pay phone
24 industry, they can direct their traffic to competitors in
25 less than an hour, and we have a classic example of that

Mean - Direct

1 is we lost a two thousand phone, pay phone account this
2 past spring, and it was done in a matter of two days.

3 JUDGE FOSTER: Was that DAC?

4 THE WITNESS: That was digital access.

5 JUDGE FOSTER: Okay. It's been referred to,
6 I believe --

7 THE WITNESS: Digital Access Communications.

8 JUDGE FOSTER: -- as DAC.

9 THE WITNESS: Yes, ma'am. Yes, Your Honor.

10 BY MR. OWENS:

11 Q. Mr. Mean, do you have any competitors or
12 entities that you consider to be competitors of
13 International Pacific?

14 A. Oh, yes. The industry is extremely
15 competitive. In fact, competitive information is -- I
16 know for a fact, certain, that competitors bring IP
17 pricing and IP cost structures or packages and lay them
18 side by side in front of customers saying, "This is what
19 IP offers. This is what we offer. We can beat this."

20 Q. To your knowledge, are any of your
21 competitors the subject of a rate investigation either by
22 this commission or any other regulatory agency?

23 A. To my knowledge, no.

24 Q. To your knowledge, is there any way that you
25 could obtain financial information, including the gross

Mean - Direct

1 revenues and expenses and commission fee structures of
2 your competitors in any legal manner?

3 A. No.

4 Q. Now, Judge Foster asked, before you were
5 sworn in, for a statement of, or a description of the
6 types of information that International Pacific is
7 seeking to have protected under the terms of the
8 protective order in this case. Could you please respond,
9 describing the information that International Pacific
10 asks to be kept confidential under the order?

11 JUDGE FOSTER: Before you answer, Mr. Mean, I
12 want to interpose a question here before we get too far
13 away it.

14 EXAMINATION

15 BY JUDGE FOSTER:

16 Q. You referred several minutes ago to
17 competitors of International Pacific, and I wondered if
18 you could tell us who you think they are. You also
19 indicated that none of your competitors were the subject
20 of a commission complaint.

21 A. To the best of my knowledge.

22 Q. To the best of your knowledge, and I wonder,
23 are we just talking about Phone America and PayTel here
24 or who are you referring to?

25 A. No, Your Honor, specifically US Long

Mean - By Judge Foster

1 Distance, TelTrust, PayTel, Phone America, and Phone
2 America, I believe the case they had was dropped. That's
3 why I omitted them from saying they were part of a rate
4 case.

5 Q. I thought it was still pending.

6 A. That may be correct. I thought with the
7 bankruptcy it was dropped, so I may be in error on that.

8 Q. What it is, is it's pending the resolution of
9 the bankruptcy, and I believe that the commission treats
10 itself as sort of -- they have some kind of creditor
11 status, but it is still pending, to my knowledge.

12 A. Then I would correct my testimony.

13 Q. All right. Well, I just want to be sure.
14 You made a reference to competitors, and I was trying to
15 find out who we are talking about here, whether they are
16 the PayTel and Phone America companies or whether you are
17 talking about other of the newcomers to the AOS market.

18 A. In addition, there are store and forward
19 technologies that are, to my understanding, unregulated
20 that basically they can use the store and forward
21 technology and effectively compete with an AOS. That
22 would be like IntegraTel -- excuse me, IntegraCal.

23 JUDGE FOSTER: Maybe, Mr. Owens, perhaps you
24 could ask the witness to explain a little more about
25 that. I am not familiar with what the witness is

Mean - By Judge Foster

1 referring to. I apologize for interrupting, but I
2 thought we better get it straightened up before we went
3 any further.

4 MR. OWENS: I am happy to know the areas that
5 you are interested in, Your Honor, and I would be glad to
6 ask Mr. Mean.

7 BY MR. OWENS:

8 Q. Mr. Mean, could you elaborate on your
9 description of how store and forward technology allows
10 unregulated providers to compete with International
11 Pacific?

12 A. Basically, a store and forward is a super
13 smart phone, if you will. It has the ability to glean
14 off automated calls that are strictly -- they are not
15 operated (sic) assisted. They are not operated automatic
16 calls in that -- which are answered automatically, they
17 are -- excuse me. They are not calls that an operator
18 has to physically be on the line. They are automatically
19 dialed in. For example, if you dial in your pin number.
20 They can grab any calls that are completely automated and
21 hold those in a data base for a period of time and then
22 transmit those for billing and collection without having
23 to go through an AOS. As you recall, a portion of our
24 business is automated from our automated call processing
25 center and another portion of our business has to use a

Mean - Direct

1 live operator.

2 JUDGE FOSTER: Right.

3 A. The mix in the profitability is quite
4 different between the two. The more we can automate is
5 lesser cost and sometimes a better profit margin, so
6 these types of competitors, without being regulated, can
7 go and grab the best, you know, the most efficient part
8 of the business because it doesn't have the human aspect
9 to it. Does that answer the question, Mr. Owens?

10 Q. I believe so, yes. Now, could you describe
11 the types of information that International Pacific
12 believes is eligible for protection, and I guess maybe
13 before I ask you that, I will ask you a prefatory
14 question.

15 Are you aware of the provisions of RCW
16 80.04.095?

17 A. Yes, I have a copy of it in front of me.

18 Q. So in answering the question, I'd ask you to
19 keep in mind the criteria mentioned in the statute, of
20 valuable commercial information including trade secrets
21 or confidential marketing costs or financial information
22 or customer specific usage and network configuration and
23 design information and also the standard that the court
24 shall determine that the records are confidential and not
25 subject to inspection and copying if disclosure would

Mean - Direct

1 result in private loss, including an unfair competitive
2 disadvantage. So now with that understanding, could you
3 please describe the information?

4 A. All right. The first piece of information
5 that we view as very sensitive and very competitive
6 oriented would be the commission, the commission
7 structure and the commission payments, both as in terms
8 of a percentage and absolute dollars. Secondly, market
9 demographics and customer profiles, this would take the
10 effect of number or percentage of calls in Washington
11 because it gives an indication of what the market --

12 EXAMINATION

13 BY JUDGE FOSTER:

14 Q. Excuse me. Could you back up a second? I am
15 trying to write this down, and when you got to number
16 two, you said market something. I need to have you tell
17 me again what it was.

18 A. It was market --

19 Q. Market demographics?

20 A. Demographics, yes, which an example of that
21 would be the percentage of billable calls in Washington
22 or the number of billable calls in Washington which --
23 these are indications of the size of the market, and I
24 can give a specific example why this would be damaging.

25 Q. Okay.

Mean - By Judge Foster

1 A. If I can do that right now.

2 Q. Sure.

3 A. For example, U.S.L.V., one of our strongest
4 competitors is currently in the market to install a new
5 switch in Seattle. This is their first entry into the
6 Washington market. They, in the last few months they
7 have made inquires which we know, based on discussions
8 with our customers, of what it would take to come over to
9 U.S.L.V. because they need to fill the capacity of that
10 switch if they are going to make that switch and enter
11 the market, so if the market -- if they get a strong
12 indication there is a lot of market share to garnish,
13 they may have a better indication and a better
14 willingness to enter and to be more aggressive in their
15 the pricing structure as opposed to if the market were a
16 different size.

17 The cost figures is the third item I'd like
18 to go to.

19 Q. Just a second. All right. The third one is
20 cost --

21 A. Costs or expenses.

22 Q. Cost figures. Okay, go ahead.

23 A. Our company's cost structure, with regard to
24 our cost of capital interest, our bad debt experience,
25 particularly the bad debt experience is an indication of

Mean - By Judge Foster

1 how much profitability and how much viability our company
2 has in operating. They -- if a competitor can say, gee,
3 International Pacific is operating at X percent of -- you
4 know their general administrative costs are X percent
5 and ours are only nine or ours are only seven, this can
6 be used as a harmful comparison factor and one which,
7 frankly, I would love to have on our competition, but I
8 don't have access to that.

9 All right. The next item I'd like to go
10 to --

11 Q. Just a second here. Before you leave that,
12 the example that you gave was that a competitor would say
13 that International Pacific has a certain size of
14 administrative costs?

15 A. Or bad debt expense or general administrative
16 costs or bad debt expense compared to ours, you know, X
17 competition company.

18 Q. All right. Then how does the knowledge of
19 that by a competitor result in loss of a customer? Why
20 does a customer care what your bad debt expense is or
21 your administrative expenses, costs are?

22 A. Basically they could lay a competitive
23 side-by-side analysis of saying, "This is how much --
24 this is how strong this firm is compared to us." It
25 could be either positive or negative, saying the slant

Mean - By Judge Foster

1 could be -- these are marketing spins. They could say,
2 "International Pacific is not very -- they are not very
3 efficient and therefore, you know, your -- most of your
4 calls are going to bad debts because they don't very a
5 good screening mechanism to make their bad debt history
6 -- you know, most of their calls don't produce revenue.
7 They become bad debt." So it's that comparative type
8 analysis that -- where only one side gets the competition
9 or the information.

10 MR. OWENS: Did you have any other --

11 JUDGE FOSTER: No. I am just thinking about
12 what he is saying.

13 THE WITNESS: I was waiting for her to go on
14 to the next point.

15 MR. OWENS: I see.

16 JUDGE FOSTER: Go ahead to your next one.

17 BY MR. OWENS:

18 Q. What about general and administrative costs,
19 Mr. Mean? How could a competitor armed with that
20 information subject International Pacific to an unfair
21 competitive disadvantage?

22 A. It's the same type of analysis where they
23 could lay the side-by-side company profitability and
24 company -- costs are a component of profitability, and
25 cost structure between XYZ company and International

Mean - Direct

1 Pacific and say, "This is a -- this is why we are better.

2 JUDGE FOSTER: All right.

3 BY MR. OWENS:

4 Q. Before you go on, let me ask you one
5 question. With regard to all the categories that you are
6 describing, does International Pacific take measures to
7 safeguard the confidentiality of this information?

8 A. Oh, most definitely. We do not publish it in
9 any trade journals or any outside sources. We take
10 strong security measures here in the office including
11 disposal procedures.

12 JUDGE FOSTER: Like a shredder or something?

13 THE WITNESS: Yes, basically a recycling
14 center that's confidential because we don't shred them.
15 We put it in the recycling area that we have already
16 checked out that is confidential. And if we do any
17 tariff filings in any jurisdictions, we mark the
18 documents "confidential" and we explore that with the
19 jurisdictions prior to submitting the information as to
20 what do we need to do in order to protect the
21 information. Actually, that's quite the industry
22 standard because you'd be surprised how little we have
23 found in competitors that are in the public domain as
24 far as other jurisdictions publishing their financial
25 information.

Mean - Direct

1 BY MR. OWENS:

2 Q. So you are aware that this is information or
3 that this is a type of information that is generally
4 considered to be competitively sensitive in the industry?

5 A. That is most definitely true.

6 Q. Please continue with the description of the
7 types of information that you believe are, or are asking
8 to be protected?

9 A. I am most -- or the company is most
10 particularly concerned about revenue information that is
11 more recent, information that is --

12 JUDGE FOSTER: More recent than what?

13 THE WITNESS: Like I am not nearly as
14 concerned about 1990 as references to '92, and then '91
15 is becoming more and more -- is becoming less and less
16 sensitive in terms of growth revenue. If it was growth
17 revenue broken out by different market demographics, then
18 I would be more concerned. If it was just a one bulk
19 number, like there is one number sprinkled through which
20 we won't say what number that is until we get a ruling
21 throughout there, that number in and of itself does not,
22 I don't believe, puts us in an unfair competitive
23 disadvantage. However, when that number starts rolling
24 into '92 and '93, or that number is broken out as a
25 percentage of billable calls or as a percentage of

Mean - Direct

1 commission or as a percentage of operating income in the
2 more recent time, then that number takes on increased
3 sensitivity.

4 BY MR. OWENS:

5 Q. Okay. Can you describe the number verbally
6 like with a phrase rather than giving the actual
7 numerical values so that we know?

8 A. Oh, gross operating revenue, I believe, is
9 the proper term; but it's got a couple of names, but
10 either gross revenues or total operating revenues.

11 JUDGE FOSTER: I thought there was another
12 category here. You said billable calls, commissions and
13 what was the third one?

14 THE WITNESS: As a percentage of its
15 operating efficiencies, which ties into the expenses, the
16 expense portion, so if you give it as a percentage of
17 revenues or a percentage of expense or you give the
18 absolute dollars, it falls into that cost category that I
19 talked about as number two, or I guess it was number
20 three, I guess.

21 JUDGE FOSTER: Okay. And if I understand
22 your position, then, you are saying it would be injurious
23 to the company to have gross operating revenue
24 information about 1992 and 1993 to be in the public
25 domain, and you are also concerned about 1991 to the

Mean - Direct

1 extent that this growth figure is broken down into such
2 things as billable calls or commissions or various other
3 subcategories?

4 THE WITNESS: That break out and give a size
5 of the market share, you know, that -- it's only used
6 then as a -- the number isn't sensitive. It's the fact
7 that it's an indication of a potential market size or
8 scope which would help in the strategic planning of other
9 competitors, so that's correct. Your characterization is
10 correct, Your Honor.

11 JUDGE FOSTER: All right. I am not
12 understanding, then, how this information being available
13 to the public would result in some kind of direct harm or
14 injury to International Pacific. In other words, you
15 might not like to have it out there in the public domain.
16 How would it result in injury to International Pacific?

17 THE WITNESS: For example, if U.S.L.D. or XYZ
18 company decided that, based on this information, that
19 they could enter the market and say, "There is X
20 percentage available in the Washington market in a
21 closely -- in a closed market that would take -- it would
22 be very efficient to take a big, very -- easy to access
23 certain market segments," they would make a decision and
24 say, "Yes, we will enter this market and we can, since we
25 are entering the market as a new player, we can go in and

Mean - Direct

1 cut our entry costs because there is so much potential
2 there based on the whole size." If they didn't have that
3 information, if we hadn't gone out and said, "Here's the
4 customers all the way through. Here's our Washington
5 market size." Their decision process would probably be
6 different, and therefore they would not have the same
7 tactics as applied to our customer base.

8 JUDGE FOSTER: All right.

9 BY MR. OWENS:

10 Q. Let me ask you, Mr. Mean, if International
11 Pacific had this type of information about, for example,
12 US Long Distance, would International Pacific have a
13 competitive advantage over US Long Distance?

14 A. Exactly. We would -- what I would do is I
15 would hone in on those markets that had the least
16 barriered (sic) entry and highest profitability and just
17 try to skim that best part of the business and leave the
18 part of the business that wasn't as easily obtained or
19 as easily -- as efficiently entered, we'd leave that
20 part to them, but we would just compete with them and
21 actually take from them those portions through
22 competitive pricing. We would go after those most
23 profitable areas.

24 EXAMINATION

25 BY JUDGE FOSTER:

Mean - By Judge Foster

1 Q. Like cream skimming is what you are talking
2 about?

3 A. Exactly. In fact, we are seeing that right
4 now.

5 Q. Mr. Mean, some of these things can be
6 occurring notwithstanding the fact that there's
7 confidential information involved in this docket that we
8 are concerned with; isn't that true? I mean competitors
9 are making decisions about marketing strategies and how
10 to best approach somebody else's customers on a
11 day-to-day basis. I don't understand.

12 A. It's one thing to do it and say, "I believe
13 the market is there." But if I know, if I can quantify
14 and pencil in that I am going to get two thousand
15 customers per P-1 or per unit that I am going to install,
16 then I can effectively release the capital and make the
17 over-spend until I get to the point where I am -- I have
18 got the capacity built up. But I won't go -- if I don't
19 think the market is there, I will not go out and allocate
20 scarce resources in order to provide the network there.
21 It's a network decision.

22 JUDGE FOSTER: All right.

23 (An off-record discussion was had at this
24 time.)

25

Mean - By Judge Foster

1 DIRECT EXAMINATION (Continued)

2 BY MR. OWENS:

3 Q. Mr. Mean, is there any risk involved in
4 making a decision to go in to a market and compete
5 against an incumbent provider?

6 A. Oh, very definitely, both in terms of if the
7 -- if they were barely profitable or if they were --
8 barely had enough market share to meet your fixed costs,
9 we would not -- and we made that commitment, and we
10 would, or any company would not only not recover the
11 cost; they would lose that capital investment because
12 there was not enough market share or not enough customer
13 base to support the investment.

14 Q. Is any of that risk related to the
15 uncertainty of not knowing facts pertaining to the
16 potential revenue that's there to be generated?

17 A. Exactly right. I mean, you wouldn't make
18 those decisions unless you had a fairly clear indication
19 of what the market potential was. You frankly wouldn't
20 commit, at least our company would not commit, and some
21 of these are significant investments, to a specific area
22 unless we were very sure that we could -- there was
23 market share to be garnered or to be gained.

24 Q. In the situation where no one is subject to a
25 WUTC or other regulatory investigation where it has had

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1 to produce to that agency its market information, is this
2 risk related to the uncertainty of not knowing for sure
3 certain market factors something that is shared by all
4 the competitors?

5 A. Not at all. It's a totally different risk
6 factor then because then you don't have this certain
7 knowledge of the public information that you know is --
8 that you can rely on and say, "Look, this is -- there are
9 -- there's nine million dollars worth of OSP revenue or
10 10 million dollars," as an example.

11 JUDGE FOSTER: Gentlemen, if I could
12 interrupt here. I have got a message that Steve Smith
13 was somehow disconnected and he is trying to get back on,
14 so if we could just hold off on our comments for a few
15 minutes until he gets back on, then we can resume.

16 MR. OWENS: Yes, Your Honor.

17 (A brief recess was taken.)

18 JUDGE FOSTER: Is Mr. Smith on the line?

19 MR. SMITH: I apologize. I was on the
20 speaker phone and someone came and tried to answer the
21 phone off the key and cut me off.

22 JUDGE FOSTER: All right. Well, we stopped
23 when I got the message that you were off.

24 MR. SMITH: All right.

25 JUDGE FOSTER: So we will pick up where we

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1 left off. Mr. Owens, I believe you were asking questions
2 for the witness. If you could go back and repeat the
3 last one.

4 BY MR. OWENS:

5 Q. Yes, Mr. Mean, we have previously discussed
6 the fact that there is some risk associated with the
7 decision to go in and compete against an established
8 incumbent associated with the uncertainty of not knowing
9 for sure that there is an available amount of revenue
10 there that will make it worthwhile, and so my question,
11 or I had asked the question, if there is the situation
12 where all the potential competitors, or to put it another
13 way, none of the potential competitors is involved in a
14 case with the WUTC where its market information is made
15 public, do each of the competitors share this risk and
16 this lack of certain knowledge about the market?

17 A. That is correct. The information pool would
18 be the same across the board and one company would not be
19 held at an unfair competitive disadvantage by having all
20 of this information laid out for its competitors.

21 Q. And then conversely when one competitor is
22 the subject of a regulatory proceeding and has its
23 competitive or market information made public, but the
24 other competitors don't, is the relative risk of making
25 decisions to enter the market, as it relates to this

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1 market uncertainty, different from that situation that
2 you just previously answered?

3 A. That's correct. They have very credible,
4 hard-documented information that would greatly reduce the
5 risk and therefore greatly reduce -- or influence the
6 decision whether or not to allocate resources toward
7 entering the market.

8 Q. Is the risk of entering a market something
9 that you, as a businessman, consider in your decisions
10 whether or not to enter a market?

11 A. Very definitely. We -- the old adage, risk
12 and return, you do not -- resources are scarce, and you
13 only allocate resources toward the markets that you have
14 the best potential of achieving a payback, and if you --
15 if there is uncertainty there, that definitely influences
16 the decision.

17 Q. If other things being equal, your risk is
18 reduced, is your required return reduced?

19 A. That's exactly true because if I knew I could
20 -- the market potential was X times 10 versus X, my
21 decision to spend more in getting more efficient type
22 investment as opposed to a smaller, less efficient
23 investment because I would not understand the full
24 potential or exposure there, I would go in more
25 cautiously, more slowly and less efficiently, but if I

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1 felt, with a high degree of confidence, I could go in
2 with a certain number of market potential, I could go in
3 with a higher expenditure.

4 Q. Have you finished describing the categories
5 of items that you are asking to be protected in this
6 case?

7 A. Can we go over the items I said because I am
8 looking at my list here?

9 Q. You said commission structure and payments,
10 whether percentage or dollars, market demographics and
11 customer profiles, number and percentage of calls in
12 Washington and your cost structure and then your
13 revenues, except for gross revenues of 1991 or earlier, I
14 believe.

15 A. Actually, that -- those are the items that I
16 have in this list.

17 Q. All right. Would you now refer to Exhibit
18 C-1, and on the specific pages that you have concerns,
19 identify the line number where those items appear and
20 describe what they are. You don't have to say the number
21 itself. If you could just describe what it is?

22 A. All right. So we are going to go through the
23 28 pages at this time?

24 Q. Yes.

25 A. All right. The first page is on page 9,

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1 lines 16 and 17, talks about mix as far as customer
2 profile in the State of Washington.

3 Q. Is that 17 and 18?

4 A. Excuse me, 17 and 18.

5 JUDGE FOSTER: All right.

6 A. And further on in line 22, or you need 21 and
7 22 where it talks about -- It breaks out that revenues in
8 that more specific category of what portion of it was
9 Washington revenues.

10 JUDGE FOSTER: Well, before you move on, Mr.
11 Mean, let me just raise a question because this does talk
12 about total company revenues, and I would like to have
13 you address it in your comments. As you know, the
14 commission staff has prepared a total company case, and
15 many of these figures are on a total company basis. It
16 would seem to me that perhaps that information is just
17 too general for a competitor to ever benefit from.

18 THE WITNESS: Correct, Your Honor, I agree
19 with you completely. The total company portion of it is
20 not as sensitive. In this case here, it breaks it down
21 to Washington intrastate revenue which falls into that
22 subcategory of a specific market potential in the State
23 of Washington.

24 BY MR. OWENS:

25 Q. Let me ask this, Mr. Mean. If have a

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1 competitor had access to the company's total revenues and
2 access to the percentage that appears on line 22 of page
3 9, could that person calculate the dollar amount of
4 Washington intrastate revenues?

5 A. That's entirely correct, Mr. Owens.

6 Q. Would you proceed to the next reference?

7 A. On page 10, the first line, it talks about
8 the percentage of Washington intra-local revenues.
9 Again, it's a specific indication of market potential in
10 the State of Washington; and then again, on line 2, the
11 percentage that it gives of billable calls in Washington,
12 and that is on that page, and then flipping ahead to page
13 26, again line 1 is that same reference to percentage of
14 Washington billable calls, and then the number of calls
15 in 5 and in 7 talks about the number -- again, it's an
16 indication of market share.

17 JUDGE FOSTER: Nine, 5 and 7?

18 A. Five, 7, and 13 --

19 BY MR. OWENS:

20 Q. Before you leave that, is line 2 of a
21 concern, the percentage that Washington is of the total
22 gross operating revenues? I believe you previously
23 stated that.

24 A. Yes, I apologize, yes, that is part of that
25 same piece.

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1 Q. All right. Please continue.

2 A. Then line 13, 14, 15, and 16, and again, this
3 goes back to the example of the mix of calls which are
4 automated versus operator, and hence the ability to go in
5 with this knowledge certain that a competitor could enter
6 and get these types of calls because this type of market
7 exists.

8 Then page 27, it talks about the Washington
9 revenue factor on line 6, 8 and I believe that's line 12,
10 although it says 2 on my copy.

11 JUDGE FOSTER: I see, yes, 12.

12 THE WITNESS: Yes.

13 JUDGE FOSTER: So line 6 and line 12?

14 THE WITNESS: 6, 8 and 12 because it repeats
15 it again on 8.

16 JUDGE FOSTER: All right.

17 A. On line 23, I can't even tell what year that
18 applies to, so I don't feel that that would be a problem,
19 nor on line 24 because it doesn't say what year it
20 applies to, so I can't believe that those -- even though
21 those could be sensitive numbers if they were qualified
22 as far as what year they were applied to.

23 BY MR. OWENS:

24 Q. Well, before you finish that statement, it
25 refers to Exhibit C-5, which is RCLD (sic) 4, and I

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1 believe if you look on that, on page 1, in the upper left
2 corner, it says for the 12 months ended December 31,
3 1991, so I guess we will get to RCLD 4, Exhibit C-5 in a
4 little bit, but so I guess I am asking you, if knowing
5 that by making that, the cross reference that is
6 indicated there on page 27, that you can find out that
7 that is 1991 information, does that change your answer?

8 A. I am just reading it. No, I don't believe
9 that those would be an unfair competitive. We can let
10 those two go.

11 Q. All right.

12 JUDGE FOSTER: All right. So you are not
13 worried about the numbers that appear on line 23 and 24?

14 THE WITNESS: No.

15 JUDGE FOSTER: All right.

16 A. Twenty-eight, okay, in section -- or line 16
17 through 20, it talks about commission data and the
18 percentage of commissions paid.

19 BY MR. OWENS:

20 Q. I think that goes through line 22.

21 MR. SMITH: Excuse me. I missed the page
22 reference.

23 MR. OWENS: Page 28.

24 MR. SMITH: Thank you.

25 BY MR. OWENS:

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1 Q. Did you mean to exclude the number on line
2 22, Mr. Mean?

3 A. No, I did not mean to exclude that. Thank
4 you, Mr. Owens. So that would include line 22.

5 JUDGE FOSTER: All right. So you would want
6 that figure included in your claim of confidentiality?

7 THE WITNESS: Yes, Your Honor.

8 MR. OWENS: Your Honor, just for your
9 information, that, at least the number on line 17 is
10 taken directly from Exhibit C-20, so to the extent you
11 have ruled that C-20 is confidential, that presumably
12 would follow over onto that.

13 JUDGE FOSTER: Yes.

14 MR. OWENS: And I believe that the numbers on
15 lines 20 and 22 are the same type of information, but
16 that they have been run through the jurisdictional
17 allocation process.

18 JUDGE FOSTER: I am not sure what you mean?

19 MR. OWENS: Well --

20 JUDGE FOSTER: Could you say that a different
21 way?

22 MR. OWENS: Sure. It's my understanding that
23 the number on line 17 is a total company number. The
24 numbers on line 20 -- the number on line 20 is the same
25 number after it's been jurisdictionally separated, and so

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1 that number is the Washington intrastate portion of the
2 number on line 17.

3 JUDGE FOSTER: All right.

4 MR. OWENS: The number on line 22 is simply a
5 rounding up of the number on line 20.

6 JUDGE FOSTER: All right.

7 BY MR. OWENS:

8 Q. Please continue, Mr. Mean.

9 A. On page 29, line 6, it adds the commission
10 number 2, net income, and hence you could get the
11 commission percentage and the commission value.

12 JUDGE FOSTER: All right.

13 BY MR. OWENS:

14 Q. And would line 7 also have --

15 A. Right, because it breaks out the Washington
16 intrastate. It become a specific piece of potential
17 market piece there because of the Washington piece as
18 opposed to a gross piece.

19 JUDGE FOSTER: Pardon me? Mr. Smith, did we
20 lose Mr. Smith again?

21 MR. OWENS: Steve?

22 MR. SMITH: I am still here.

23 JUDGE FOSTER: All right. We left off on
24 line 7 on page 29.

25 BY MR. OWENS:

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1 Q. I will try and move faster.

2 A. So line 7 would be requested to be in there,
3 and then line 8 talks about the same piece, if I recall
4 recall, that would be the commission number.

5 Q. Well, this is intrastate rate base. That's
6 the allocation of the company's investment that is used
7 to provide service?

8 A. That, actually because that is a statistic
9 that was calculated by Mr. Damron, I don't believe that
10 that's competitively sensitive.

11 Q. All right. What about line 9? Is the fact
12 that the company's allocator of point blank, blank, blank
13 times the total rate base, produces that -- the number
14 that you have indicated as not sensitive --

15 A. I thought that was a Mr. Damron-calculated
16 number. That's one of the company's numbers?

17 Q. Yes.

18 A. Then I misunderstood. We would want that as
19 part of our -- because it does give the cost allocation
20 number, the point blank, blank, blank.

21 Q. All right.

22 A. Thank you, Mr. Owens,.

23 Q. You are welcome.

24 JUDGE FOSTER: All right. You are going to
25 have to run that by me again. We were on lines 8 and 9,

Mean - Direct

1 and I am not sure where we stand now.

2 THE WITNESS: We do want both those to be
3 confidential because it gives a company allocation, cost
4 allocation number. I was misunderstanding. I thought
5 that was Mr. Damron's allocation. And then on line 10,
6 the two numbers in parentheses, as we discussed before,
7 for the same reasons. Then turning to page 33 --

8 JUDGE FOSTER: All right.

9 THE WITNESS: These have to do with, the
10 numbers here have to do with capitalization, and hence
11 liability that would be used in a negative context as
12 far as a customer or on a potential sales calls buy a
13 competitor saying, "Look, these -- this company is
14 financially unsound," or it could be in the terms of
15 negative propaganda by taking these out of context.

16 JUDGE FOSTER: Now, tell me which lines you
17 are talking about, now.

18 THE WITNESS: All right. Line 1. Line 3, is
19 on an overall general basis. I don't have a problem with
20 it. It's not specific to market share. Line 5, I have
21 concerns with because it is -- talks about the -- it can
22 be used in a competitive disadvantage for saying that the
23 company has this type of equity behind it and therefore
24 it doesn't have the viability to be a -- I am giving an
25 example of what would be said in a sales call: "Would

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1 not be able to administer your account as well as we
2 would."

3 BY MR. OWENS:

4 Q. All right. So you --

5 A. I would like it -- I would like it to be
6 confidential.

7 Q. But you do not assert the claim for the
8 number on line 3?

9 A. No.

10 Q. Please continue.

11 A. And then as well as line 7 for the same
12 reasons as line 5, and then line 9 -- or 8, excuse me,
13 would be for the same reasons, we would also request that
14 to be confidential.

15 Q. Please continue.

16 A. And then turn to page 36, lines 9, 10 and --
17 9 and 10 are the forecasts of future and current years,
18 like I testified earlier, line 12 is just a growth number
19 and does relate to '91. I don't feel as strongly about.

20 Q. So you are not asserting the claim for the
21 number on line 12?

22 A. No, sir.

23 Q. Please continue. Excuse me. But you are
24 asserting for lines 9 and 10?

25 A. Nine and 10, yes.

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1 Q. Line, or page 37?

2 EXAMINATION

3 BY JUDGE FOSTER:

4 Q. Wait a second, Mr. Mean, before we leave 36.

5 A. Yes, Your Honor.

6 Q. Those are just projections. Why do you care
7 about a projected figure? I mean, it's not an actual
8 figure. It seems to me it would take an actual figure to
9 be useful to a competitor to bring about a negative
10 comparison.

11 A. I think on line 9, that is an actual number
12 because it was filed, the '93 for '92.

13 Q. All right. Well, I was talking about the --

14 A. Line 10?

15 Q. The forecasted ones.

16 A. Well, line -- actually, line 9 is a very --
17 is a very accurate number and a very close number to the
18 GAAP results, and then line 13 -- line 10, as you did
19 say, is a projection, but it is an indication of market
20 share, but that is of total revenue, so I understand
21 your point as far as being total revenue.

22 Q. Total revenue meaning total Washington or
23 total company?

24 A. That's total company on line 10.

25 Q. And if you are saying it's total company,

Mean - By Judge Foster

1 does that mean you have less concern about it?

2 A. Yes, that's correct, Your Honor.

3 Q. So you are not claiming --

4 A. Nine I would continue because I think that is
5 a very accurate number.

6 Q. All right. And that's an actual number?

7 A. Yes, it's within, I know the first two digits
8 are correct. The last, I mean, it's very, very close to
9 the actual '92 results on a GAAP basis.

10 Q. All right. So you are just talking about
11 line 9, then?

12 A. Yes, Your Honor.

13 Q. All right.

14 A. On line 7, or excuse me, page 37, line 7,
15 average plant in service, is another indication of
16 viability, capitalization and investment that we find in
17 the company and the industry does find it as a strong
18 indication of how much investment a company has in a
19 particular market, and therefore it's a strong indication
20 of its investment and commitment to a market.

21 Q. Well, where you have a total average figure
22 like that, though, again that's total company figure.

23 A. Is this total or is this in the State of
24 Washington?

25 Q. Well, it says, "Total average net plant

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1 service."

2 MR. OWENS: I believe that's total.

3 THE WITNESS: I stand corrected, and then we
4 would not -- I am more concerned about the ones that are
5 specific to a market. I stand corrected. We would not
6 claim that.

7 BY JUDGE FOSTER:

8 Q. As to the total figures in general, you don't
9 have as much concern because they can't be identified to
10 Washington and to specific markets?

11 A. Yes, except when they are a cost that can be
12 related to a percentage, and those percentages run
13 through, when I talked about the cost percentages earlier
14 on in, I think it's the second or the third category.

15 Q. All right. So on page 37, then, on line --

16 A. Seven, no --

17 Q. -- you don't have a claim.

18 A. I withdraw that. I apologize.

19 Q. All right. There are so many of these
20 numbers, it's easy to --

21 A. Yes, they get confused.

22 Q. Well, it's easy to look at one and think it's
23 something else, so I appreciate, it's better to work it
24 out and figure out exactly what it is and why it should
25 be protected.

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1 A. I am just going down. I believe these other
2 ratios are Mr. Damron-calculated, and as such, I am not
3 as concerned about them.

4 Q. All right.

5 A. That wasn't meant in a negative sense at all,
6 Your Honor.

7 Q. No, I understand. That's what we are going
8 through this for today is to decide which ones could
9 cause an injury to the company and which ones are so
10 remote or so general that they are not a problem.

11 A. Concur. Now, moving along to page 40.

12 Q. All right.

13 A. On line 9, it's our same old commission
14 percentage number we talked about before.

15 Q. All right.

16 A. And then that would be the only piece on that
17 number, and then page 43 -- we are almost halfway there.
18 This is, as I talked about before, that would fall under
19 the capitalization of the company, which would be an
20 indication of the strength or the viability that
21 competitors would say, "Oh, look, this is what they are
22 showing as their investment."

23 Q. All right. Now, specifically, which numbers
24 are we talking about?

25 A. From an accounting perspective, these

Mean - By Judge Foster

1 numbers, total shareholder equity, I mean, total
2 shareholder equity number is the number that we are most
3 concerned about, but income and retained earnings are
4 also factors that make up that, so I would say that whole
5 piece I would be concerned about.

6 Q. All of the numbers --

7 A. Yes, Your Honor.

8 Q. That we are talking about, under the table 1,
9 under the area of IPI's equity position?

10 A. Yes, Your Honor.

11 Q. Okay.

12 A. Then on page 44, this is along the same line.

13 This give a very detailed look at the debt to equity
14 ratio and structure of the firm, whereas the specifics,
15 whether it's accounts payable or accounts receivable
16 financing, I am not as concerned which category they fall
17 under, the total information, having a balance sheet
18 there, or in this case a half a balance sheet is a -- you
19 are able to give ratios and give information about the
20 firm that they wouldn't normally have, so I would say
21 table 2 in its entirety.

22 Q. Are tables 1 and 2, again, total company?

23 MR. OWENS: I guess, Your Honor, it's
24 impossible to allocate a balance sheet on liability
25 side,?

Mean - By Judge Foster

1 A. They wouldn't be -- we -- you wouldn't break
2 out a company's --

3 BY JUDGE FOSTER:

4 Q. All right. I see that distinction of total
5 company versus Washington intrastate is not relevant when
6 you are talking about --

7 A. Strength and viability.

8 Q. -- the company as a whole.

9 A. Exactly.

10 Q. I see your point.

11 A. Then 45 goes on and gives information on line
12 13, 15, 19, 20, 21, and 26, all coming from table 2 that
13 we just talked about on page 44.

14 Q. Okay.

15 A. Then 46, it's again a breakout repeat of
16 table 2 or just a piece of it, and as well as --

17 Q. Excuse me. You are on page 46, which --

18 A. Table 3.

19 Q. Table 3?

20 A. Right. Now on table 4, it's an -- now we are
21 back to the income statement, and it's a characterization
22 of, you know, our cost figures that I talked about in the
23 cost projections, with this and the total revenue numbers
24 that we are saying are not confidential, add this
25 information and that, a competitor could say, "Yes, their

Mean - By Judge Foster

1 cost of capital, their cost of interest is X percent;
2 ours is Y percent."

3 Q. Just a question about your argument, Mr.
4 Mean. It seems to me that your competitors, your
5 markets, your customers are always at risk of being
6 challenged by one of your competition companies, and any
7 number of things might be said about IPI, which may or
8 may not be true. It doesn't assume you are going to lose
9 this customer.

10 A. It's one thing, Your Honor, if it's hearsay.
11 It's another thing if it's on and WUTC docket as an
12 excerpt. They show it and say, "Look, this is fact." I
13 mean, it's --

14 Q. So that lends an aura of authenticity?

15 A. A very credible source because people
16 definitely respect the information that they submit to
17 the commission.

18 MR. OWENS: May I ask a question?

19 JUDGE FOSTER: All right. All I was trying
20 to get at, Mr. Mean, is that it seems like when you are
21 in a competitive market situation, any number of claims
22 might be made, but not all of them lead to competitive
23 injury.

24 MR. OWENS: May I ask a question, Your Honor,
25 in aid of your question?

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1 JUDGE FOSTER: Go ahead.

2 DIRECT EXAMINATION (Continued)

3 BY MR. OWENS:

4 Q. Mr. Mean, would a competitor have the ability
5 to say, with regard to these numbers, that they were
6 actually reported by the company to the WUTC?

7 A. Exactly.

8 Q. And International Pacific is not publicly
9 traded as a private company; is that right?

10 A. That is entirely correct.

11 Q. So is there any way other than through having
12 the company report that information to a government
13 agency that a competitor could get that information?

14 A. Not to our knowledge. We try our hardest to
15 prevent our competitors from doing that, from getting
16 that information.

17 Q. Thank you.

18 MR. OWENS: Does that aid in your inquiry,
19 Your Honor?

20 JUDGE FOSTER: Yes.

21 MR. OWENS: Thank you.

22 BY MR. OWENS:

23 Q. Would you continue, please, Mr. Mean?

24 A. And then, therefore, on lines 23 --

25 JUDGE FOSTER: All right. What page are we

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1 on?

2 THE WITNESS: Page 46, Your Honor.

3 JUDGE FOSTER: Forty-six, okay.

4 A. Then lines 23, 24, we are talking about the
5 interest and the cost of debt and the cost of receivables
6 financing, which is a critical component of the income
7 statement and, therefore, your ability to function.

8 Then on page 47, lines 1 and 2, they talk
9 about the cost of capital and the cost of interest
10 expense, those two would be included for those same
11 reasons.

12 The same reason on line 19, that percentage
13 rate talks about our costs, basically our cost of
14 borrowing.

15 Then on page 48, the very first -- on the
16 first line, the very first number, for the same reason.

17 Then on page 49, lines 21 and 22, those are
18 the balance sheet items that we talked about earlier on,
19 I believe it was in table 2 in the equity capitalization
20 table.

21 JUDGE FOSTER: Right.

22 A. Page 50, on line 2, it subtracts those same
23 two numbers we just talked about on page 49, and line 17
24 talks about our operating expenses as a percentage of our
25 total revenue. That's a very critical number of saying,

Mean - Direct

1 "Jeeze, how can they price a product? They can't" -- or,
2 "IP can't price a product below X without getting --
3 breaking into their operating expenses," and so if you
4 give an indication of what your percentage of your
5 operating expenses is, then your pricing model is
6 entirely exposed, whereas a gross revenue number in
7 absolute terms isn't bad except for the fact that it
8 gives out demographics, the percentage of that number is
9 extremely dangerous because it basically says at what
10 point are you profitable and at what point can we price,
11 "we" being the competition, price to hurt IP?

12 BY MR. OWENS:

13 Q. Now, does that apply to line 23?

14 A. Let me read that. Yes, because in the belief
15 that it's based in fact because it does into '92, it
16 says, "Our pre-tax operating ratio, changes."

17 JUDGE FOSTER: Excuse me. What was your line
18 reference on that?

19 THE WITNESS: Twenty-three Your Honor.

20 JUDGE FOSTER: So on page 50, line 2, 17 and
21 23?

22 THE WITNESS: Yes, 23, that's correct, Your
23 Honor.

24 JUDGE FOSTER: All right.

25 A. All right, page 53.

Mean - Direct

1 JUDGE FOSTER: All right.

2 A. Where it gives reference to that, we went
3 over this, we would say, line 22, we would request
4 confidentiality; and line 23, in the fact that it's just
5 a forecast, we would say no.

6 JUDGE FOSTER: All right.

7 A. Then on page 61 --

8 MR. SMITH: I am sorry. If we could go back
9 to 53, what were you claiming as confidential?

10 THE WITNESS: Line 22; and line 23, we were
11 not.

12 MR. SMITH: All right, thank you.

13 THE WITNESS: Leaping ahead to page 61, as I
14 talked before, the percentages of expenses would give a
15 competitor a clear indication of what our margins and,
16 hence, our pricing could or should be, and therefore
17 lines 6 and line 8 and then it would be 10 and 11, and
18 reading down, so bear with me for lines 18 through 21,
19 let's see, line 21 and 22, the fact -- if Washington,
20 you can help me out on this, if Washington, if what he
21 is saying is that is our Washington factor as far as our
22 market piece, then I would say that would be
23 confidential. I am not sure what he is referring to as
24 the Washington factor. Mr. Owens, do you know what that
25 means?

Mean - Direct

1 Q. I would assume that's the Washington
2 intrastate factor for local taxes and gross revenue.

3 A. That means that's the tax rate in Washington?
4 Because that's not confidential.

5 Q. No, it's an allocation showing the proportion
6 that Washington is of the total amount.

7 A. Then I would believe that -- I would contend
8 that that would be confidential if it's the proportion of
9 giving market share of Washington.

10 Q. If you look at the next page up at the top,
11 it says, "This weighted factor assumes that blank, blank
12 percent of total company gross operating revenues are
13 Washington taxable revenues," and then similarly it
14 states, "The WUTC regulatory fee is weighted at blank,
15 blank percent. The percentage of gross revenue is
16 identified by the company as Washington revenue," so I
17 think that explains those two factors.

18 A. All right.

19 JUDGE FOSTER: So you are still claiming
20 those?

21 A. Twenty-two and 23 -- 21, and 22 would be
22 confidential.

23 JUDGE FOSTER: Okay. And then on page 62?

24 THE WITNESS: It would be line 2 and 4 and
25 then 6 and 7, then that would be it for that page.

Mean - Direct

1 BY MR. OWENS:

2 Q. Did you mean to exclude line 18? Oh, I'm
3 sorry.

4 A. I think it's a gross revenue number.

5 Q. That's for 1991?

6 A. I think we determined it was gross, in '91,
7 as long as it didn't break it out into more detail, we
8 would pass on it.

9 Q. I think for purpose of this calculation,
10 gross means Washington because you paid regulatory fees
11 only on your Washington revenues.

12 A. Is that what that number is, a Washington
13 number? If it is, then I would like to include it. If
14 it's not, yes, because that number was quite a bit
15 higher. You are correct, because the total gross number
16 was several factors higher than that. That is a
17 Washington number, so I would like to exclude line 18 as
18 a result.

19 Moving onto line -- page 65.

20 JUDGE FOSTER: All right.

21 A. And this is the balance sheet side, the asset
22 side of the, I think it was a table 2 we talked about
23 before.

24 JUDGE FOSTER: Right.

25 A. Then lines 20 and 21, agree or tie into that.

Mean - Direct

1 Then on page 66 is a repeat of, or at least
2 portions of it are repeat of what we talked about
3 earlier, so therefore that whole table, I would like to
4 exclude, and then at line 30 as well.

5 At page 67 is, again, another repeat from the
6 previous for the table 8.

7 BY MR. OWENS:

8 Q. Table 7?

9 A. I stand corrected, yes, that's correct, table
10 7. Roman numerals always gave me a hard time in grade
11 school.

12 JUDGE FOSTER: Just a question on that.

13 THE WITNESS: Yes, Your Honor.

14 EXAMINATION

15 BY JUDGE FOSTER:

16 Q. Again, the same distinction here: the
17 Washington intrastate versus total company distinction
18 doesn't apply here? We are talking about company rate
19 base?

20 A. When it's a balance sheet, the balance sheet,
21 you cannot break apart --

22 Q. In that manner?

23 A. -- by state, yes.

24 Q. All right. Thank you. Go ahead.

25 A. On page 68, I didn't include any of these

Mean - By Judge Foster

1 numbers as confidential because they didn't have
2 percentages. Even though they are in there, it would be
3 very difficult for a competitor to pull that out and get
4 anything.

5 Q. All right.

6 A. Page 69, line 17 -- no, let's strike that.

7 Q. That's a forecast.

8 A. Let's strike that, Your Honor, because it is
9 a forecast that is -- let's let that go.

10 I have nothing further on page 69.

11 Q. All right.

12 A. Then jumping ahead to page 77.

13 Q. All right.

14 A. On line 16 and 17 it refers to subscriber
15 commissions and a percentage of revenues.

16 DIRECT EXAMINATION (Continued)

17 BY MR. OWENS:

18 Q. Would that also apply to line 21?

19 A. That's correct. And then page 81, this is
20 clearly that same, the same issue on table 8 and then
21 following along on line 24 through 28.

22 Q. Actually, it would be lines 24, 25, 26 and
23 28.

24 A. Correct, because there is no numbers on page
25 27. Thank you, Mr. Owens.

Mean - Direct

1 Q. You are welcome.

2 A. And on page 82, line 1, then page 86, line 8
3 refers to subscriber commissions.

4 And then page 91, relates to lines 27 and 28.
5 These are direct billable costs and therefore a
6 competitor can know exactly what your margin is if you
7 know what your billable costs on an incremental basis is
8 like this information is.

9 Q. All right.

10 A. And that is it for before the exhibits.

11 Q. Well, that's it for Exhibit C-1.

12 A. C-1. Then I have got references, RLCD, and I
13 don't know --

14 Q. Exhibit RLCD 2 is Exhibit C-3?

15 A. C-3 and then are they numbered sequentially
16 after that?

17 Q. Yes.

18 A. Okay. I was hoping that we could -- I
19 request that we could take the references out of the text
20 and reference them to Exhibit C-3, C-4, C-5, and C-6 and
21 then call those items confidential and just make
22 reference in those pages that we just enumerated to these
23 documents.

24 Q. Well, as I understand the judge's ruling and
25 the way we are proceeding, it's our burden to prove with

Mean - Direct

1 evidence if there is any number on any page in any of the
2 exhibits, that it's confidential.

3 JUDGE FOSTER: Well, let me suggest an
4 alternative approach. I don't know if it will work, but
5 if you were to receive a ruling on the text or the
6 testimony portion of Mr. Damron's testimony about what is
7 or is not deemed confidential, would it be possible for
8 you to track it through these related exhibits?

9 MR. OWENS: Let me see if I follow you, Your
10 Honor. You are going to issue a ruling --

11 JUDGE FOSTER: Well, I don't know if I am
12 going to or not.

13 MR. OWENS: Well, let me follow through your
14 hypothetical. Under your hypothetical, you would issue a
15 ruling saying yes or no to the specific items that Mr.
16 Mean has testified to.

17 JUDGE FOSTER: Right.

18 MR. OWENS: And, of course, we would have the
19 transcript for that. Then the company would undertake to
20 cross-reference where the testimony draws on one or more
21 of Mr. Damron's confidential exhibits. We would then
22 highlight or somehow designate that and provide a
23 redacted copy, removing only the pertinent part that, if
24 you have said, yes, that it's confidential, it's removed.
25 If you said, no, it's not confidential, it stays, but

Mean - Direct

1 that's how the supporting exhibits would be treated.

2 JUDGE FOSTER: Yes. Is that feasible?

3 MR. OWENS: Certainly.

4 JUDGE FOSTER: Does that sound like something
5 that the company could live with, Mr. Mean, or could
6 accomplish? Because we have got certain basic
7 categories of information that you could pretty well
8 describe in the course of your testimony.

9 THE WITNESS: Yes, Your Honor.

10 JUDGE FOSTER: I am assuming that rather than
11 burden ourselves with going through, I am willing to do
12 it, but it seems to me that perhaps if you had a ruling
13 on those types of information and whether it is
14 protectable or not, then you could trace it through these
15 related exhibits.

16 THE WITNESS: I agree with that in that you
17 are saying, let's pick broad principles of saying what's
18 confidential and not confidential, and then work it
19 through.

20 JUDGE FOSTER: Yes, and then I would -- what
21 I would suggest in the order is that, okay, say if you
22 get a ruling from me about what is and what is not
23 confidential, and assuming that you didn't want to appeal
24 it, then you would sit down and look at these figures and
25 figure out which ones of them are protected and which

Mean - Direct

1 ones are not flowing from the text of Mr. Damron's
2 testimony, and then, hopefully, anything that you
3 proposed to do with these exhibits, you would run by Ms.
4 Brown and Mr. Damron to make sure they are in agreement
5 that that's how these numbers were derived, and that's
6 why they would be protected or not.

7 THE WITNESS: I agree. You are saying, hey,
8 let's pick a theory and -- or not pick a theory --

9 JUDGE FOSTER: Yes, and then follow the
10 numbers through and then put those confidential numbers
11 on a separate exhibit.

12 MR. OWENS: I like the logic.

13 JUDGE FOSTER: I don't know if it will work
14 because I am not an accountant. I don't know that -- it
15 seems to me it's an approach, and I guess I am looking
16 for input from you.

17 THE WITNESS: The bulk of the information is
18 in these back exhibits, and so --

19 DIRECT EXAMINATION (Continued)

20 BY MR. OWENS:

21 Q. Let me -- may I ask an additional question,
22 then, with regard to Exhibit C-9 which was not admitted
23 and it's a document that Mr. Damron didn't prepare, but
24 it's a document that the company has asserted
25 confidentiality on, and I am assuming that we need to

Mean - Direct

1 deal with that here, too.

2 JUDGE FOSTER: All right.

3 BY MR. OWENS:

4 Q. And the nature of that document, Mr. Mean,
5 you may have it there in your file as attachment 59 to
6 the company's responses to the staff data request. Do
7 you happen to have that file handy?

8 A. No, I don't have that with me.

9 Q. All right. Well, let me, then, make
10 representation of counsel that that is the work papers
11 that underlie the separated results of operations, and it
12 contains the development of the various allocators for
13 billed calls, revenues, minutes of use and I believe
14 there was one other allocator which would be taken from
15 the company's books and records, so I guess the question
16 is, as to those -- the development of those allocators
17 and the application of the allocators to the unseparated
18 amounts, can you testify as to whether or not the public
19 dissemination of those documents would cause an unfair
20 competitive disadvantage to International Pacific?

21 A. Yes, just by your characterization, my heart
22 took an extra beat in that that is the core of our cost
23 and our pricing structure, by having those ratios. That
24 is highly sensitive information, so I would say, yes, I
25 would.

Mean - Direct

1 JUDGE FOSTER: So, in essence, you are also
2 claiming protection with respect to the information
3 that's on Exhibit C-9?

4 MR. OWENS: Yes, Your Honor.

5 JUDGE FOSTER: Embodying the same principles
6 or the same arguments that you had with Mr. Damron's --

7 THE WITNESS: Yes, Your Honor. It would be
8 much like the margin or expense issue that I brought
9 forth.

10 BY MR. OWENS:

11 Q. Now, let me ask you a question about Exhibit
12 C-7 which was not offered. It contains, the first 4
13 pages are a copy of the company's chart of accounts with
14 the uniform system of accounts numbers penciled in
15 beside it. When I asked that that be marked for
16 identification, I claimed confidentiality; not because of
17 those pages but because of the last part of the exhibit
18 which Mr. Damron indicated he could not identify, which
19 was a copy of the company's 1990 annual report with the
20 company's account numbers penciled in alongside the USOA
21 account numbers. Now, that annual report does not
22 include subscriber commission data. I believe the way
23 that's calculated, I will make a representation of
24 counsel that that is calculated with the subscriber
25 commissions being subtracted before operating revenues

Mean - Direct

1 are recorded.

2 A. If it does not contain commission
3 information, I would, in 1990 information, I would say
4 it's too stale to be of competitive.

5 Q. So we can withdraw the claim of
6 confidentiality to Exhibit C-7?

7 A. Yes, that is correct.

8 MR. OWENS: Then with that, Your Honor, I
9 think that we can, I mean, follow the procedure that you
10 have just outlined because the only documents that we
11 would have a potential confidentiality issue on would be
12 Exhibit C-1, C-3, C-4, C-5 and C-6 and C-16, all of which
13 -- all of them except C-1 were done by Mr. Damron and
14 support C-1 essentially, so we can follow through the
15 references that, depending on what your ruling is, on the
16 references that Mr. Mean testified to here today and make
17 the appropriate designations and also, as you indicated,
18 make sure through Ms. Brown that we have correctly
19 understood those references.

20 JUDGE FOSTER: So that everybody's looked at
21 it, assuming we get to the point where there is a ruling
22 about what's protected and what is and what is not
23 appealed, then the parties would be asked to look at
24 those exhibits associated with Mr. Damron's testimony and
25 track through whatever changes need to be made to protect

Mean - Direct

1 the information, put it on a separate document and then
2 make public the Damron testimony and the exhibits to the
3 extent that we have certain categories of protected
4 information, but the non-protected information, I will
5 allow those to be made public record.

6 MR. OWENS: Yes.

7 JUDGE FOSTER: Is that --

8 MR. OWENS: Excuse me, Your Honor. Does that
9 mean that we would take Mr. Damron's C-1 and basically we
10 could open the entire thing up and make some few
11 references back?

12 JUDGE FOSTER: Yes, and what you would do,
13 then, is redo that to show a reference to a confidential
14 exhibit to show those numbers on that confidential
15 exhibit, but only the exhibit itself would be protected.
16 In other words, it would just be a couple of pages with
17 figures on it.

18 MR. OWENS: I think that's a wonderful
19 solution.

20 JUDGE FOSTER: Well, Mr. Mean, I hope you
21 understand that by raising this issue, I don't mean to
22 unnecessarily complicate your life because it is
23 certainly complicated --

24 THE WITNESS: Oh, no. I appreciate your
25 patience.

Mean - Direct

1 JUDGE FOSTER: No, the commission in the past
2 has been very much of a stickler for these records in the
3 hearings as being open public records, and they have very
4 narrowly construed the RCW that you are talking about
5 before, 80.04.095, and pretty much limited protected
6 information to such things as customer lists, marketing
7 strategies, formulas, that sort of thing, so it's been
8 very specific and limited, so that's why I have raised
9 the issue with Mr. Owens and with you to ask you to
10 narrow this down so we can do the same kinds of things
11 with your company figures, recognizing your arguments
12 about potential injury to competitive status, so I just
13 want to make sure you know why I am asking about all
14 this.

15 THE WITNESS: I appreciate the time you have
16 spent with me today.

17 JUDGE FOSTER: Well, I appreciate your
18 looking at all this and explaining why the company
19 believes it would be harmful to have it made public.

20 Does that conclude, then?

21 MR. OWENS: Yes, that concludes the company's
22 presentation unless you have any additional questions of
23 Mr. Mean or me.

24 JUDGE FOSTER: I just want to make sure you
25 understand that when I suggested tracking -- the parties

Mean - Direct

1 tracking through whatever principles or whatever
2 decisions are made about Mr. Damron's testimony from a
3 confidentiality standpoint and tracking that through the
4 associated exhibits and then getting together with the
5 other side to make sure that that's -- everybody is on
6 the same -- have the same understanding about that, that
7 would be one way to do this and open up the records as
8 much as possible to the public and I -- that's just a
9 suggested approach. After looking at this and reviewing
10 the arguments, we will get a copy of the transcript and
11 go through this all again, I may have a different
12 approach come to mind, but that's seems like what's most
13 doable at this point.

14 MR. OWENS: I think you are right, Your
15 Honor. I guess the alternative, which is very
16 unattractive, I suppose, from a logistical standpoint,
17 since it was Mr. Damron, after all, who created all those
18 exhibits and did the mathematical calculations, we might
19 have to have him testify as to how these numbers were
20 derived if we can't follow that kind of a proposal.

21 JUDGE FOSTER: Well, I assume that, for the
22 time being, the parties can communicate about that. In
23 other words, if you know what is going to be protected
24 and what is not going to be protected, you can make an
25 inquiry of GAAP to explain what figures went into getting

Mean - Direct

1 to a final figure.

2 MR. OWENS: I think that's eminently
3 reasonable and doable Your Honor. All I am saying is
4 that we are dealing with a situation where the company
5 produced the information under effectively legal process,
6 asserting a claim of confidentiality as the law allowed.
7 It's ability to establish the facts are related to its
8 information, and it has to perhaps make certain
9 assumptions about what was done with the information in
10 Mr. Damron's exhibits, and we are willing to work with
11 the staff to try to minimize the amount of those
12 assumptions.

13 JUDGE FOSTER: All right. Well, I am
14 assuming that there is nothing that will come up about
15 these figures that can't be worked out, and I will also
16 assume that if it can't be worked out, you will bring it
17 to my attention and we will go forward from that.

18 MR. OWENS: That's a good assumption, Your
19 Honor.

20 THE WITNESS: Yes, Your Honor.

21 JUDGE FOSTER: Mr. Smith, are you still with
22 us?

23 MR. SMITH: I am. I am listening intently
24 here and not saying anything.

25 JUDGE FOSTER: It's kind of overwhelming,

Mean - Direct

1 isn't it?

2 MR. SMITH: This procedurally, it seems to
3 me, I guess, inexpedient to have the company retype Mr.
4 Damron's testimony, if that's the proposal.

5 MR. OWENS: No, what I had envisioned, Mr.
6 Smith, would be that we would just redact the numbers,
7 just white them out, and so the public exhibit would have
8 spaces where information, you know, was taken away, and
9 people would know that information had once been there.

10 JUDGE FOSTER: Yes, and in that space, it
11 should say, "See Exhibit C-37, item D," or whatever
12 designation it is that has that figure now.

13 MR. OWENS: All right.

14 JUDGE FOSTER: So that there would be
15 something that would direct the reader where to find the
16 number. It's just that that would be included on a
17 confidential exhibit and then sealed and protected.

18 MR. OWENS: Oh, okay. Then I guess I was
19 operating under a misapprehension. I was thinking we
20 were going to have two versions of Mr. Damron's
21 testimony.

22 JUDGE FOSTER: What I would like --

23 MR. OWENS: That is, there would be one
24 public version with everything deleted and then whatever
25 nonconfidential information in the supporting exhibits

Mean - Direct

1 would also survive and those exhibits could be made
2 public and then there would be a confidential set with
3 nothing deleted, but you are saying that --

4 JUDGE FOSTER: Well, that's another
5 possibility. I hadn't thought about that.

6 MR. OWENS: I misunderstood you. I beg your
7 pardon because I believe the commission has done what I
8 just described before, and actually even in it's order
9 made reference to confidential record items.

10 JUDGE FOSTER: All right. I will think about
11 that and see how that will work, but in any event, I will
12 try and spell out the procedure to be followed.

13 MR. SMITH: I would just suggest if you go
14 that way that the confidential set only include those
15 pages containing confidential information.

16 MR. OWENS: Yes, I think that's the way it
17 was done before; that is, that the confidential pages
18 would be those, let's say, 28 pages, if you agree, a
19 hundred percent with what the company has argued here.

20 JUDGE FOSTER: Right.

21 MR. OWENS: There would be a confidential
22 Exhibit, C-1 or C-1A or whatever, and then what's already
23 been marked for identification as Exhibit C-1 would have
24 the confidential information redacted and then that
25 hundred page or so document would be removed from the

Mean - Direct

1 confidential category.

2 JUDGE FOSTER: Okay. That's another
3 possibility. I will leave that up to you to figure out
4 the best way --

5 MR. OWENS: All right.

6 JUDGE FOSTER: -- to associate this with the
7 record. As I said before, my only purpose in going
8 through all this is to make sure the maximum --

9 MR. OWENS: Okay.

10 JUDGE FOSTER: Mr. Smith, did you have any
11 other comments?

12 CROSS EXAMINATION

13 BY MR. SMITH:

14 Q. Just one more question of Mr. Mean. You
15 indicated in reference to market share information that
16 '92 and '93 would be sensitive, especially if it's broken
17 out in some fashion, and I don't know the vintage of the
18 information in the record, but does that temporal quality
19 of information apply to the other categories such as the
20 expenses, the expense items?

21 A. The expense items in, I was even more general
22 in my categorization of expense items. I said an expense
23 item as a percentage of revenue basically gives you your
24 contribution and your margin which has to do with
25 pricing, so expense items don't even need the

Mean - Cross

1 categorization broken up by demographics and markets.
2 It's almost like the balance sheet. You don't have to
3 split it out by market for it to be sensitive because it
4 tells you what your contribution is on a product, you
5 know, what you can price a product at which is
6 inherently competitive. Does that answer your question,
7 Mr. Smith?

8 Q. That's helpful, that information, but my
9 question was, is there some point where expense
10 information that you describe no longer has competitive
11 significance, for example, '91, information?

12 A. Well, this vintage of this information is all
13 1991.

14 Q. And so you are saying it's not withstanding
15 that 1991 is not competitively significant any longer for
16 revenues, it still would be for expenses?

17 A. No, I said 1991 for the gross revenues. I
18 said in terms of market share, 1991 was still sensitive.

19 Q. All right.

20 MR. OWENS: Well, let me ask a question that
21 might eliminate that point.

22 REDIRECT EXAMINATION

23 BY MR. OWENS:

24 Q. Are you aware that Mr. Damron testified that
25 many of the company's expenses are volume related?

Mean - Redirect

1 A. Yes, I am.

2 Q. And if someone had access to the company's
3 gross revenues and the company's expense information,
4 could they calculate or come up with a reasonable
5 estimate of the company's profitability?

6 A. Yes, and not only that, the margin and
7 contribution for products which is a very sensitive item.

8 Q. And knowing, from Mr. Damron's other
9 testimony, that the level of expenses relative to the
10 level of revenues is relatively insensitive to changes in
11 volume, would someone be in a good position to estimate
12 the company's current level of contribution having that
13 information?

14 A. That is entirely correct, and that's constant
15 throughout the industry.

16 MR. OWENS: Does that help, Mr. Smith?

17 MR. SMITH: Yes, it does.

18 RE CROSS EXAMINATION

19 BY MR. SMITH:

20 Q. But you also mentioned commission structure
21 and payment and customer profile and market demographics.
22 Now, I don't know if there is any sale of data in those
23 categories in the confidential exhibits or not, but as a
24 general matter, is there some point where that kind of
25 information would no longer be useful to a competitor or

Mean - Recross

1 harmful to you if disclosed?

2 A. As far as the market potential, for example,
3 if the competition thought it was -- that there was only
4 -- I am just going to give an example, only two thousand
5 potential private pay phones in the market, they would
6 have a whole different feel toward it as opposed to
7 saying there are 20 thousand private pay phones, and as
8 far as an indication of giving a floor of marketability,
9 I mean, granted the further -- the more stale the
10 information, the more generalities you have got to pull
11 from it unless it gives you a specific floor, for
12 example, like there are 20 thousand pay phones in the
13 State of Washington, and that's a number I just pulled
14 out of the air. Does that answer your request, sir?

15 MR. SMITH: Yes, I think that's helpful.

16 Thank you.

17 JUDGE FOSTER: I don't believe that I have
18 any more questions. Anything further, Mr. Owens?

19 MR. OWENS: No, Your Honor.

20 JUDGE FOSTER: Anything further that we
21 haven't cover, Mr. Mean?

22 THE WITNESS: No, Your Honor.

23 JUDGE FOSTER: All right. Now, I will
24 attempt to put together another interlocutory order on
25 this subject, and I really want to tell the company again

Mean - Recross

1 how much I appreciate you taking the time to go through
2 the exhibits and to really evaluate the need for
3 protection very carefully. It's come a long way from
4 your original claim of confidentiality for everything,
5 and I appreciate your efforts in working on this problem?

6 THE WITNESS: Well, I worked hard on it, Your
7 Honor, and we do want to move forward in the process.

8 JUDGE FOSTER: I appreciate that and I think
9 you can appreciate, from the commission's standpoint,
10 that they have a need to have a public record --

11 THE WITNESS: Yes.

12 JUDGE FOSTER: -- available to anybody who
13 wants to see it and so that's why we are basically going
14 through this exercise and trying to harmonize your
15 company's needs versus the commission's needs to have
16 things available to the public if the public requests
17 them.

18 THE WITNESS: Understood, Your Honor. Thank
19 you.

20 JUDGE FOSTER: Thank you. Well, anything
21 else before we adjourn today?

22 MR. OWENS: No, your honor.

23 MR. SMITH: No.

24 JUDGE FOSTER: All right. Then there being
25 nothing further to come before us this morning, we will

Mean - Recross

1 stand adjourned. We are of the record. Thank you.

2 (The hearing was adjourned at 11:00 a.m.,

3 July 20, 1993.)

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Mean - Recross

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C E R T I F I C A T E

As Court Reporter, I hereby certify that the foregoing transcript is true and accurate and contains all the facts, matters and proceedings of the hearing held on:

July 20, 1993

THOMAS E. ARCHER

CSR # ARCHETE732PN