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1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION

2 COMMISSION

3 In the Matter of the Joint)
Application of)
4)
VERIZON COMMUNICATIONS INC.,) DOCKET NO. UT-050814
5 and MCI, INC.) Volume I
) Pages 1 - 28
6 For Approval of Agreement)
and Plan of Merger)
7 -----

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9 A prehearing conference in the above matter
10 was held on June 22, 2005, at 9:30 a.m., at 1300 South
11 Evergreen Park Drive Southwest, Olympia, Washington,
12 before Administrative Law Judge C. ROBERT WALLIS.

13

14 The parties were present as follows:

15 VERIZON COMMUNICATIONS, INC., by JUDITH
ENDEJAN, Attorney at Law, Graham & Dunn, 2801 Alaskan
16 Way, Suite 300, Seattle, Washington 98121-1128;
telephone, (206) 340-9694.

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18 VERIZON COMMUNICATIONS, INC., by SHERRY F.
BELLAMY, Vice President and Associate General Counsel,
1515 North Court House Road, Suite 500, Arlington,
19 Virginia 22201-2909; telephone, (703) 351-3011.

20 VERIZON COMMUNICATIONS, INC., by CHARLES H.
CARRATHERS (via bridge), Vice President and General
21 Counsel, 600 Hidden Ridge, Post Office Box 152092,
Irving, Texas 75015-2092; telephone, (972) 718-2415.

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23 MCI, INC., by ARTHUR A. BUTLER, Attorney at
Law, Ater Wynne, 601 Union Street, Suite 5450, Seattle,
Washington 98101-2327; telephone, (206) 623-4711.

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25 Kathryn T. Wilson, CCR
Court Reporter

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1 MCI, INC., by MICHEL SINGER NELSON, Senior
Attorney, 707 17th Street, Suite 4200, Denver, Colorado
2 80202; telephone, (303) 390-6106.

3 WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION, by JONATHAN THOMPSON, Assistant Attorney
4 General, 1400 South Evergreen Park Drive Southwest,
Post Office Box 40128, Olympia, Washington 98504-0128;
5 telephone, (360) 664-1225.

6 PUBLIC COUNSEL, by SIMON J. FFITCH, Assistant
Attorney General, 900 Fourth Avenue, Suite 2000,
7 Seattle, Washington 98164-1012; telephone, (206)
389-2055.

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9 INTEGRA TELECOM OF WASHINGTON, INC, by JOHN
(JAY) P. NUSBAUM, Associate Regulatory Attorney, 1201
Northeast Lloyd Boulevard, Suite 500, Portland, Oregon
10 97232; telephone, (503) 453-8000.

11 XO COMMUNICATIONS SERVICES, INC., by GREGORY
J. KOPTA, Attorney at Law, Davis Wright Tremaine, 1501
12 Fourth Avenue, Suite 2600, Seattle, Washington
98101-1688; telephone, (206) 628-7692.

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14 COVAD COMMUNICATIONS COMPANY, by GREGORY
DIAMOND (via bridge), Senior In-House Counsel, 7901
Lowry Boulevard, Denver, Colorado 80230; telephone,
15 (720) 670-1069.

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

2 JUDGE WALLIS: Let's be on the record,
3 please. This prehearing conference will please come to
4 order. The Washington Utilities and Transportation
5 Commission has set for a prehearing conference at this
6 time and place Docket No. 050814, which considers the
7 matter of the joint petition of Verizon Communications,
8 Inc., and MCI, Inc., for approval of agreement and a
9 plan of merger. This conference is being held at
10 Olympia, Washington, on June 22 of the year 2005
11 pursuant to due and proper notice to all interested
12 parties.

13 I would like to begin by taking appearances
14 at this time beginning with representatives of the
15 Petitioners and then proceed with others in the room
16 and then on the bridge line. For the Companies?

17 MS. ENDEJAN: Judy Endejan here from the firm
18 of Graham and Dunn PC representing Verizon. My
19 business address is Pier 70, 2801 Alaskan Way, Suite
20 300, Seattle, Washington, 98121-1128. My telephone
21 number is (206) 340-9694. My fax number is
22 (206) 340-9599. My e-mail address is
23 jendejan@gramdunn.com.

24 Also with me is Sherry Bellamy from the
25 Company, and I will allow her to state her own

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1 appearance.

2 MS. BELLAMY: I'm Sherry Bellamy on behalf of
3 Verizon Communications. I will give my full address.
4 It's Verizon Communications, 1515 North Court House
5 Road in Arlington, Virginia. 22201 is the zip code.
6 My telephone number is (703) 351-3011. My e-mail
7 address is sherry.f.bellamy@verizon.com.

8 MS. ENDEJAN: Your Honor, I don't know if
9 Mr. Carrathers is on the bridge line, because he had
10 indicated he might be participating.

11 MR. CARRATHERS: I'm here.

12 MS. ENDEJAN: Do you want to go ahead and
13 give your information?

14 MR. CARRATHERS: It's Charles Carrathers,
15 C-a-r-r-a-t-h-e-r-s, general counsel of Verizon
16 Northwest. The address is 600 Hidden Ridge, Post
17 Office Box 152092 in Irving, Texas, 75015. Phone
18 number is (972) 718-2415, and e-mail address is
19 chuck.carrathers@verizon.com. Thank you.

20 JUDGE WALLIS: For purposes of service,
21 Ms. Endejan, which counsel should be served?

22 MS. ENDEJAN: Your Honor, service should be
23 made upon me.

24 JUDGE WALLIS: Very well.

25 MR. BUTLER: Arthur A. Butler of the law firm

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1 Ater Wynne, appearing on behalf of MCI, and my address
2 is 601 Union Street, Suite 5450, Seattle, Washington,
3 98101-2327; telephone number, (206) 623-4711; fax
4 number, (206) 467-8406. The e-mail is
5 aab@aterwynne.com. Also appearing with me is Michel
6 Singer Nelson.

7 MS. SINGER NELSON: Good morning. On behalf
8 of MCI, Michel Singer Nelson. My address is 707 17th
9 Street, Suite 4200, Denver, Colorado, 80202. My phone
10 number is (303) 390-6106. Fax is (303) 390-6333, and
11 e-mail is michel.singer nelson@mci.com.

12 JUDGE WALLIS: For purposes of service,
13 Mr. Butler, are you lead counsel?

14 MR. BUTLER: Yes, Your Honor.

15 MR. KOPTA: Gregory J. Kopta of the law firm
16 Davis, Wright, Tremaine, LLP. My address is 2600
17 Century Square, 1501 Fourth Avenue, Seattle,
18 Washington, 98101-1688. Phone is (206) 628-7692; fax,
19 (206) 628-7699; e-mail, gregkopta@dwt.com, and I'm
20 representing XO Communications Services, Inc.

21 MR. NUSBAUM: Jay Nusbaum on behalf of
22 Integra Telecom of Washington, Inc. My address is 1201
23 Northeast Lloyd Boulevard, Suite 500, Portland, Oregon,
24 97232. My phone number is (503) 453-8000, and my fax
25 number is (503) 453-8221. E-mail address is

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1 jaynusbaum@integratetelecom.com.

2 JUDGE WALLIS: Public Counsel?

3 MR. FFITCH: Representing the office of
4 Public Counsel, Simon ffitich, 900 Fourth Avenue, Suite
5 2000, Seattle, Washington, 98164. Phone is (206)
6 389-2055. Fax is 206389 excuse me, it's just changed.
7 Had better check the number. 2068. E-mail is
8 simonf@atg.wa.gov.

9 MR. THOMPSON: Jonathan Thompson, assistant
10 attorney general. My address is 1400 Evergreen Park
11 Drive Southwest, Olympia, Washington, 98504. Mailing
12 address is PO Box 40128. My telephone number is (360)
13 664-1225. The fax is 586-5522, and my e-mail address
14 is jthopmso@wutc.wa.gov.

15 JUDGE WALLIS: Thank you. Now from the
16 bridge line for Covad?

17 MR. DIAMOND: I am senior in-house counsel
18 for Covad Communications Company, 7901 Lowry Boulevard,
19 L-o-w-r-y, Denver, Colorado, 80230. My telephone is
20 (720) 670-1069. My fax number is (720) 670-3350. My
21 e-mail address is gdiamond@covad.com.

22 JUDGE WALLIS: Is there any other person
23 either on the bridge line or in the hearing room who
24 wishes to state an appearance on behalf of an
25 intervenor this morning? Let the record show there is

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1 no response.

2 We did receive a petition from the Citizens
3 Utility Alliance of Washington, and it appears that
4 they are not present this morning. In addition, I was
5 advised by telephone yesterday that Qwest
6 Communications will not be participating in this
7 docket.

8 Taking up the matters of the petitions for
9 intervention, Ms. Endejan, is there any petition to
10 which your client objects?

11 MS. ENDEJAN: No, Your Honor. Verizon does
12 not object to the petitions to intervene that have been
13 filed. However, we would like to state for the record
14 that Verizon has a concern about the potential for
15 their intervention to expand the issues beyond those
16 necessary for the Commission to examine this proposed
17 transaction, and therefore, we would object to any
18 expansion of the issues by any parties' intervention.

19 JUDGE WALLIS: Very well. Mr. Butler?

20 MR. BUTLER: MCI would concur.

21 JUDGE WALLIS: Is there any other party that
22 wishes to object to any of the petitions for
23 intervention? Is there any objection to allowing the
24 petition of Citizens Utility Alliance, despite their
25 nonappearance this morning?

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1 MS. ENDEJAN: No objection.

2 MR. BUTLER: No objection.

3 JUDGE WALLIS: All of the petitions for
4 intervention will be granted. Do the parties see any
5 need for a protective order in this docket?

6 MR. BUTLER: Yes, Your Honor.

7 MS. ENDEJAN: Yes, Your Honor, and Verizon
8 circulated to Public Counsel, counsel for XO, and
9 Commission staff a proposed protective order. We
10 understand that there may be some concerns that we need
11 to discuss and address, but we have prepared a
12 protective order that was modeled on a protective order
13 used by Mr. Butler in the case of Judd versus AT&T.

14 At this point, it's slightly different than
15 the standard protective order in two respects, or
16 actually three respects. It's been modified to address
17 the fact that we are examining the Verizon MCI merger,
18 so we've tailored it to that.

19 We've also added a provision that deals with
20 the inadvertent production of documents, which I don't
21 think anybody would have a problem with, except then we
22 do have a provision that deals with a no-copies of
23 highly confidential information. I'm advised by my
24 client that the Company, because we've had some
25 concerns from the other parties about that specific

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1 provision, and we are prepared to delete that from our
2 protective order if the remainder of the protective
3 order is acceptable to the parties, and if there is a
4 need for any restriction that involved no copying, we
5 would bring it before the Commission by motion.

6 JUDGE WALLIS: Very well.

7 MR. BUTLER: If I might add, the docket
8 number for that proceeding is UT-042022. The actual
9 order that was entered was, in fact, redrafted from
10 what the parties submitted to some considerable extent
11 by Judge Rendahl and was as adopted in that case.

12 JUDGE WALLIS: Are you urging the parallel to
13 the one that was adopted or to the one that you
14 initially proposed?

15 MR. BUTLER: The one that was adopted.

16 JUDGE WALLIS: Any other thoughts on this?

17 MR. FFITCH: Your Honor, Simon ffitch for
18 Public Counsel. We do appreciate the joint applicants
19 providing us with an advance draft for us to review.
20 We did have serious concern about Paragraph 38 on the
21 no-copy provision, and we are pleased to see that goes
22 a long way to address our concerns.

23 The other concern we expressed was that the
24 order was not the standard order that we are used to
25 seeing in these proceedings, and that could create some

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1 difficulty just in terms of doing side-by-side
2 comparisons with the orders that the Commission usually
3 issues when it's simply agreed that a standard
4 protective order will be issued. It requires the other
5 parties to kind of go through line by line, see what's
6 different, what's the same, what's new.

7 I've been through this a couple of times and
8 am getting to the point where I think it's pretty much
9 okay, but we would like a little more time, just a day,
10 perhaps, to talk with the other joint applicants to
11 make sure we don't have any concerns with the other
12 provisions that are in the agreement.

13 JUDGE WALLIS: Very well. Mr. Thompson?

14 MR. THOMPSON: Well, we also share the
15 concern about the no-copy provision, so we are pleased
16 that the Companies have agreed to delete that.

17 I would just point out that the Judd case,
18 the protective order in that case -- actually, to my
19 mind, there was a meaningful distinction between the
20 types of information that were protected under the
21 highly confidential classification versus the ordinary
22 confidential, and I'm not sure that really is the case
23 in the way the proposed protective order has been
24 written.

25 It's just not clear to me what difference or

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1 what advantage there is to having two levels of
2 protection that requires parties to use two different
3 colors of paper, and it's an administrative burden to
4 have to do that, of course, and if there is any way we
5 could just go with one single level of protection, I
6 think that would be preferential.

7 MR. BUTLER: Your Honor, if I might address
8 that briefly, the type of information that we believe
9 is likely to be requested in this case includes some
10 information which is highly sensitive from a commercial
11 standpoint, and the Commission has adopted a two-tier
12 approach for dealing with particularly sensitive
13 commercial information in a number of cases, including
14 competitive classification and TRO-related cases.

15 Mr. Thompson is correct that the Judd order
16 was specifically geared toward some security
17 information in prisons, but it also has the two-tier
18 structure which we think is appropriate here because of
19 the difference of the type of information, but again, I
20 don't think this is at all inconsistent with the
21 Commission practice, which it has in recent cases
22 allowed for a higher level of protection for
23 particularly sensitive information and restricted
24 access.

25 We have adopted the structure of the Judd

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1 order. The specific language referring to security
2 information in prisons, of course, is not applicable in
3 this case, but we have included instead descriptions of
4 a highly sensitive commercial information.

5 JUDGE WALLIS: What kinds of information
6 would you consider to be highly confidential, and why
7 would that classification be required?

8 MR. BUTLER: I can let Verizon address this.
9 It's probably more directed to them.

10 MS. BELLAMY: The reason for that
11 classification is the because the types of information
12 that we want to protect that could easily be part of
13 the discovery in this case are things like strategic
14 plans, customer lists, customer contracts, things that
15 because our competitors are part of the case, we would
16 not want those of their employees who are on the retail
17 side of the business to be aware of, and that is the
18 kind of information that I think is appropriate to
19 restrict very carefully who has access to it, because
20 this is a very competitive market, and the information
21 of MCI and Verizon may have to produce could easily
22 give away trade secrets and other confidential retail
23 activity that we think is inappropriate for others to
24 see.

25 JUDGE WALLIS: Thank you. Mr. Thompson, why

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1 is the information described not appropriate for a
2 highly confidential designation?

3 MR. THOMPSON: I certainly would agree that
4 it's appropriate for confidential designation. It
5 appears to me the way the proposed order is written
6 that the same restriction applies as to have access to
7 the information. Maybe if the Companies could explain
8 what the actual difference is in the level of
9 protection, that might help me understand why there
10 would be different levels of protection. It appears to
11 me that both cases with confidential and highly
12 confidential, the information would be restricted to
13 people who are not involved in sales, marketing, retail
14 kinds of decision making, but maybe I misread.

15 JUDGE WALLIS: I'm going to make a proposal
16 here that in a little while we take a little break and
17 Verizon and MCI might conduct a seminar during the
18 break on their proposed document and let the other
19 parties have an opportunity to question it, and then
20 when everyone is up to speed, we can go back and
21 address the issue again.

22 I do understand Mr. ffitich's desire to take a
23 little bit more time. I will after that ask if you are
24 up to speed and are ready to sign off or state an
25 objection. Mr. Kopta?

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1 MR. KOPTA: Thank you, Your Honor. We share
2 Public Counsel's concerns in terms of making a
3 comparison between the two. I think Mr. Thompson
4 identified one of the areas that we saw in the
5 difference between what we think would probably be a
6 more appropriate protective order, which was the one
7 that was issued in the Triennial Review proceedings
8 with Qwest that was negotiated by various parties and
9 specifically addresses access to competitively
10 sensitive information as highly confidential. So we
11 also would want to make sure that any variation from
12 that is consistent with the kinds of protections that
13 are appropriate in this particular case.

14 JUDGE WALLIS: Very well. So I'm going to
15 suggest that we leave that topic at this point to
16 return to it later.

17 Discovery, the parties have indicated that
18 discovery will be undertaken. Therefore, it appears
19 appropriate that the Commission enter an order
20 indicating that the discovery rules are invoked. Is
21 that the parties' desire?

22 MS. ENDEJAN: Yes, Your Honor.

23 MR. THOMPSON: I don't know if this is the
24 right time to address this, but in the scheduling
25 portion of the hearing today, Staff would like to

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1 propose a schedule that we feel is pretty aggressive,
2 but we would only feel comfortable doing that if the
3 ordinary turnaround time for data requests could be
4 somewhat expedited to seven business days instead of
5 the usual ten days, so I just raise that now. Perhaps
6 it's better to address it in the scheduling portion.

7 JUDGE WALLIS: Ms. Endejan?

8 MS. ENDEJAN: We would not have any objection
9 to that because we recognize that Staff's proposed
10 schedule is a bit aggressive.

11 MS. SINGER NELSON: No objection to that.

12 JUDGE WALLIS: I think that does bring us to
13 the discussion of a procedural schedule, and I would
14 suggest at this point that we go off the record and
15 engage in a discussion to return to the record to state
16 any conclusions or recommendations, so let's be off the
17 record now.

18 (Discussion off the record.)

19 (Recess.)

20 JUDGE WALLIS: Following a discussion about
21 scheduling and a recess during which the parties
22 discussed a proposed version of a protective order,
23 Mr. Butler, you indicated that the parties had reached
24 accommodation on the protective order issue.

25 MR. BUTLER: Yes, Your Honor. What we

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1 propose is that by tomorrow afternoon, we will e-mail
2 to you a proposed final version of a protective order.
3 We've had the discussions informally over the break
4 about the protective order that Verizon and MCI have
5 proposed and how that was intended to work.

6 Public Counsel wanted an opportunity to look
7 a little more carefully at it, and there was some
8 indication from some parties that they might want to
9 recommend some small changes in language, which are
10 agreeable in principle, so I think we can do that. So
11 as I say, our proposal would be tomorrow afternoon to
12 e-mail you a proposed final version, and it would
13 include the deletion of the no-copy provision that was
14 discussed.

15 JUDGE WALLIS: The lightning rod. Very
16 well. Does any party have anything else to add to that
17 statement of the discussions? Very well. Let's move
18 to the scheduling. Both Commission staff and Public
19 Counsel came in with proposed schedules. They were
20 distinguished principally by the difference of about
21 one month in terms of a potential Commission decision.
22 Commission staff indicated a desired Commission
23 decision date. Public Counsel did not, but their
24 closing briefs dates were approximately a month or five
25 weeks apart.

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1 The concern that I have which led me to adopt
2 the Staff-proposed schedule is that timing is very
3 important to this proceeding, to the companies that are
4 involved, and to the parties in this docket in that
5 there is a timing pressure on the parties, and there
6 are multiple state proceedings in which the Company is
7 involved, which adds to the complexity. This
8 Commission has indicated a desire that it proceed in a
9 timely manner.

10 In addition, while the proposed schedule of
11 Public Counsel does offer more time for preparation,
12 there was no indication that operating on a shorter
13 schedule would harm or prevent Public Counsel or others
14 from making an adequate preparation and conducting
15 adequate participation in the proceeding.

16 Public Counsel's proposal indicated an
17 expected filing date no later than July 11 when the
18 Company has committed to file its testimony on June
19 28th, which provides a possible two-week additional
20 time period for preparation by other parties. So on
21 balance, I believe that Staff's proposal is superior
22 and do adopt it for this proceeding.

23 Public Counsel did indicate a desire for
24 public comment hearings and we discussed that off the
25 record. The essence of that discussion is that while

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1 Public Counsel does have a concern with the opportunity
2 for the public to comment on this proceeding, Public
3 Counsel as of yet has no indications of public
4 interest.

5 Mr. O'Rourke representing a public interest
6 group is not present to indicate whether he or his
7 group have any additional indications of public
8 interest. The Commission certainly wants to hear
9 public comments, and if there is indication that
10 members of the public wish to be heard, then we will
11 consider scheduling a session for public comments
12 during the proposed Staff schedule that will be
13 adopted.

14 Finally, the issue of settlement conference,
15 Public Counsel did indicate the possibility of a
16 settlement conference during the week of August 29th or
17 September 5th and requested that the parties consider
18 setting aside time during the schedule that's been
19 adopted for a settlement conference either just among
20 parties or with the assistance of a third party to help
21 them reach an agreement.

22 The Commission favors settlement discussions.
23 We've had experience with the parties involved in this
24 docket that settlement discussions can be very
25 successful. Let me ask whether the parties have

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1 reached a conclusion about setting a time and place for
2 the parties to gather for settlement discussions.

3 Ms. Endejan?

4 MS. ENDEJAN: Thank you, Your Honor. Over
5 the break, we did discuss this, and we have a slight
6 alternate proposal. First of all, at this juncture,
7 the Companies do not see any basis for settlement in
8 this kind of a case. It's not like a rate case, so we
9 want to be perfectly candid and up front with the
10 parties that we don't see any basis for settlement.

11 However, that may change after we get
12 testimony from the other parties, and so we would
13 suggest that you set a date on the calendar by which we
14 advise the other parties of whether we see a basis for
15 settlement and whether we wish to have such
16 discussions.

17 JUDGE WALLIS: What would be the timing of
18 that? When do you expect you will know?

19 MS. ENDEJAN: We would probably have to
20 review the opposition testimony, which is scheduled to
21 be filed on August 19th, so, you know, a period of time
22 after that.

23 JUDGE WALLIS: Very well. What I would
24 propose to do would be rather than set a date for the
25 Companies to advise the parties whether they are

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1 interested in conducting a settlement discussion would
2 be to set a date for those discussions, and if the
3 Company believes that they would not be productive,
4 then the Company could beg off and that date would be
5 canceled. Would that serve your interests as well,
6 Ms. Endejan?

7 MS. ENDEJAN: I think that would be fine.

8 JUDGE WALLIS: Mr. ffitch, you indicated very
9 eloquently during our off-record settlement discussion
10 some of the factors you believe supported your
11 schedule. Did you wish to state any of those for the
12 record at this time?

13 MR. FFITCH: Your Honor, thank you. I did
14 wish to address at least one topic that you've
15 mentioned here again on the record and that is the
16 workability of the Staff's schedule, and you have
17 indicated that we did not present anything that
18 indicated that the Staff schedule was unworkable, and I
19 would just like to repeat what I said off the record is
20 that our schedule did take into account accommodating
21 competing case schedules, and I did reference the
22 energy cases before the Commission, and I would just
23 like to note on the record right now that the hearing
24 in this matter based on the Staff's schedule is now
25 scheduled for the...

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1 JUDGE WALLIS: September 26th through 28th.

2 MR. FFITCH: Correct. I'm sorry, Your Honor.

3 I guess I withdraw that, but I was going to point out
4 that the -- strike that. I'm looking at two schedules
5 here.

6 Here's what I want to point out: The
7 hearings in the Avista general rate case begin on
8 October 17th, which is the same date the opening
9 posthearing briefs would be due in this matter, and
10 that's the type of overlap that we had been concerned
11 about in proposing our schedule.

12 Additionally, we had been advised by
13 consultants that we are interested in retaining for
14 this matter that a schedule of the type that Staff is
15 proposing or that the Company had also proposed earlier
16 informally was not workable, so this schedule that has
17 been adopted is going to be difficult for us in that
18 regard too. We are going to have to go back to the
19 drawing board on consultants.

20 So for the record, I will note that this
21 schedule that Staff has proposed does not appear to be
22 workable from our perspective. We will, of course,
23 make every effort to proceed, as this is the
24 Commission's wish, but just for the record, I wanted to
25 note that we have concerns about it, and we may bring

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1 those back to the Commission if we feel that there is
2 something that warrants requesting an amendment for the
3 case schedule.

4 JUDGE WALLIS: Very well. I do want to
5 repeat what I said earlier. If there are specific
6 events that come up, specific problems that cannot be
7 dealt with in an alternative way, then we are certainly
8 willing to work with the parties to reach an
9 accommodation, that we'll do our best to meet the
10 parties' interests.

11 In addition, there was some question about
12 the length of the hearing and whether it might exceed
13 the two-and-a-half days that it would be available on
14 the 26th through the 28th of September, in as much as
15 the Commission's open meeting would be expected to take
16 approximately half of the day on the 28th, and I
17 indicated that to my understanding, the commissioners
18 were available on the 22nd and 23rd of September and
19 that I would put a block on those days, at least for a
20 temporary period, while the parties review the issues
21 and the number of witnesses and have an opportunity to
22 consider whether the two-and-a-half days would be
23 adequate so that we do have an out in that event.

24 Is there anything further to be said on
25 scheduling? Let the record show there is no response.

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1 Ms. Endejan, you indicated a desire to discuss issues.

2 MS. ENDEJAN: Yes, Your Honor. The Company
3 finds it frequently beneficial to sort of at the
4 front-end of a case outline issues as it sees it, and
5 we have prepared a very, short simple list of issues,
6 and it's useful for scoping out the boundaries of the
7 case. I'm happy to distribute that to the parties, and
8 I want to clarify that the issues list is meant to, if
9 it's not clear from the document, it's meant to deal
10 with Washington state-specific issues.

11 I don't know if other parties find it useful
12 to have an issues list, but it's something that we
13 thought we would propose at this time.

14 JUDGE WALLIS: Please distribute your list.

15 Mr. Diamond, are you still with us?

16 MR. DIAMOND: Yes, Your Honor, I am.

17 JUDGE WALLIS: Ms. Endejan, would it be
18 possible to get a copy of that list for Mr. Diamond and
19 fax it to him?

20 MS. ENDEJAN: Yes. I'll do that this
21 afternoon when I get back to my office.

22 JUDGE WALLIS: I have just received it, and
23 it appears to be relatively short, so I'm not sure that
24 Mr. Diamond would be handicapped in his participation
25 by not having it in front of him.

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1 MR. DIAMOND: No, I wouldn't be, Your Honor.

2 JUDGE WALLIS: Two items with subparts.

3 MS. ENDEJAN: Thank you. This isn't
4 something we necessarily have to resolve today because
5 other parties may see different issues, but from my
6 perspective, this sort of seems to encapsulate what
7 this proceeding is going to examine.

8 MR. FFITCH: Your Honor, Simon ffitch for
9 Public Counsel. I appreciate the Company distributing
10 this list. I think that we will certainly take a look
11 at it. I think we will also be very much guided by the
12 testimony which is yet to be filed by the Company in
13 terms of ultimately deciding the issues that we think
14 we want to address in our part of the case.

15 JUDGE WALLIS: Any other party wish to
16 respond? Does any other party have an issues list to
17 offer? Let the record show there is no response.

18 MR. THOMPSON: We do have a tentative sort of
19 draft issues list, but as Mr. ffitch suggested, we will
20 be able to have a better idea of what our issues are
21 after having an opportunity to look at the Company's
22 testimony, but generally, I'm just comparing our list
23 to the one that's been -- or my notes, really, with
24 what's been distributed by the Applicants, and I think
25 we would state the issues a bit differently.

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1 We see four general areas, and that's
2 financial, service quality, operations, and
3 competition. Just to give some idea of what we are
4 thinking, under "financial," I think the general
5 question is will the stock transaction affect Verizon's
6 ability to maintain its local rates in Washington, and
7 a sub issue would be how might its cost of capital be
8 affected.

9 Under "service quality," again, just giving
10 an example, what might the impact be on Washington
11 customers in the area of customer service. Might there
12 be consolidation of call centers and that type of
13 thing. Under "operations," might there be reductions
14 in labor force that would have an impact on operations
15 in Washington. Would the merger result in
16 consolidation of network resources in Washington.
17 Under "competition," how might the merger impact local
18 exchange market concentration and long-distance market
19 concentration, and there may be others that emerge for
20 Staff, but just to give an idea of the general
21 categories.

22 Also, the Companies have raised the issue of
23 the Commission's jurisdiction to review the merger, and
24 those legal issues would be probably a fifth category.

25 JUDGE WALLIS: Thank you, Mr. Thompson. Are

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1 there any other comments from parties? Let the record
2 show there is no response. Is there any other matter
3 to be considered today? Very well; it appears not. We
4 will enter a prehearing conference order. I believe we
5 have contact information in our records for everyone
6 but Ms. Bellamy; is that correct?

7 MS. ENDEJAN: She's on the Application, Your
8 Honor.

9 JUDGE WALLIS: Very well. We will enter a
10 prehearing conference order that does invoke the
11 discovery rules. Parties may continue that. Parties
12 have agreed to provide a draft protective order to us
13 by tomorrow. I will be otherwise engaged tomorrow
14 afternoon but will work on that on Friday and endeavor
15 to have a protective order entered at the earliest
16 feasible time so discovery isn't impeded in any way.
17 Mr. Butler?

18 MR. BUTLER: Can I ask that both Ms. Singer
19 Nelson and myself be on the e-mail service list?

20 JUDGE WALLIS: Yes. We will put everyone on
21 the e-mail distribution list, but we will provide paper
22 copies to those who have been designated as lead
23 counsel so as to avoid duplication in service.

24 MR. BUTLER: Can I ask one question about
25 service deadlines? Is it agreeable if service can be

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1 by e-mail with a paper copy the next day? We file a
2 copy with the Commission on designated days for
3 service, but since we have some parties that are out of
4 town.

5 JUDGE WALLIS: Is it necessary to invoke that
6 rule for all of the pleadings in this docket, or can we
7 arrange so that service actually is completed by paper
8 copy on the date -- well, let me back up and say in
9 terms of filing, my preference would be that the filing
10 be made to the Commission on the day specified unless
11 there is some reason because of a particularly tight
12 deadline or circumstances beyond a party's control that
13 require an extra day. In terms of whether the parties
14 are satisfied with that level of service, that's up to
15 the individual parties.

16 MR. BUTLER: I was thinking specifically
17 maybe Mr. Diamond, who is located in Denver, that it
18 might be difficult to get him a copy on the day of
19 filing the service. If we can serve him with an
20 electronic copy with paper copy the following day, that
21 would help.

22 MR. DIAMOND: Your Honor, that's fine. I
23 would be more than happy to receive it by e-mail.

24 JUDGE WALLIS: Would that work for other
25 parties as well?

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1 MS. ENDEJAN: Yes, Your Honor.

2 MR. THOMPSON: Yes.

3 MR. KOPTA: Yes, Your Honor.

4 JUDGE WALLIS: I hear no dissenting views.

5 Thank you all for attending, and this conference is
6 completed.

7 (Prehearing conference adjourned at 11:25 p.m.)

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