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ORDINANCE NO. 6507

AN ORDINANCE approving and adopting the E-911 Emergency Communication System Agreement negotiated by and between King County and Pacific Northwest Bell Telephone Company; and establishing the effective date of said Agreement.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. The Agreement negotiated between King County and Pacific Northwest Bell Telephone Company, and attached to this ordinance, is hereby approved and adopted, and by this reference made a part of this ordinance.

SECTION 2. The terms and conditions of the Agreement shall be effective from September 1, 1983 until the date of termination as specified in Article 2 of the Agreement.

INTRODUCED AND READ for the first time this 15th day of August, 1983.

PASSED this 22nd day of August, 1983

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

Bruce Laing  
Chairman

ATTEST:

Dorothy M. Stevens  
Clerk of the Council

APPROVED this 22nd day of August, 1983.

Randy Reed  
King County Executive



INDEX TO KING COUNTY  
E-911™ AGREEMENT

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AGREEMENT

E-911 EMERGENCY COMMUNICATION SYSTEM FOR  
KING COUNTY, WASHINGTON

THIS AGREEMENT, hereinafter referred to alternatively as "Contract" and "Agreement," entered into this \_\_\_\_\_ day of \_\_\_\_\_, 1983, between KING COUNTY, STATE OF WASHINGTON, hereinafter referred to as the "County," and Pacific Northwest Bell Telephone Company, a WASHINGTON Corporation (PNB), address 1600 Bell Plaza, Seattle, Washington, 98191, hereinafter referred to alternatively as "PNB" and "Company."

WITNESSETH:

WHEREAS, the Revised Code of Washington Chapter 82.14B.030 authorizes the legislative authority of a County to impose an excise tax on the use of telephone access lines to derive revenue to fund an emergency service communication system, subject to voter approval, and

WHEREAS, on November 3, 1981, the voters of King County approved the imposition of a telephone excise tax not to exceed forty-five cents per month per telephone access line, to pay for the implementation and operation of an enhanced 911 (E-911) emergency communication system, and

WHEREAS, in January, 1983, the King County E-911 Program Office submitted its Functional and Performance Specifications for an Enhanced 911 Emergency Telephone System to PNB, and

WHEREAS, in February, 1983, PNB submitted An E-911 Proposal for King County to the King County E-911 Program Office, and

WHEREAS, in March, 1983, the King County Executive recommended to the King County Council that the County negotiate a contract for E-911 service with PNB, and

WHEREAS, in April, 1983, the King County Council, in Motion 5728, accepted the Executive's recommendation and authorized the Executive to negotiate and execute a contract for E-911 service with PNB, subject to Council approval of the contract, and

WHEREAS, the County and PNB negotiated the terms of this Contract for the E-911 system pursuant to Motion 5728.

NOW, THEREFORE, in consideration of payments, covenants, and agreements hereinafter mentioned, to be made and performed by the parties hereto, the parties covenant and mutually agree as follows:

1. Definitions

- a. The "System" shall mean an E-911 emergency telephone system for King County as provided by PNB to meet the requirements of the Specifications, as defined, clarified, and amended in the Proposal.
- b. "Proposal" shall mean PNB's E-911 Proposal for King County as submitted by PNB to King County's E-911 Program Office under a cover letter dated February 14, 1983 and as amended by PNB in its March 10, 1983 letter in response to the King County E-911 Program Office's March 1, 1983 letter and by PNB's May 12, 1983 letter in response to the E-911 Program Office's May 2, 1983 letter, which are all attached hereto as Exhibit B, and which are hereby incorporated by reference into this Agreement.
- c. "Specifications" shall mean King County's Functional and Performance Specifications for an Enhanced 911 Emergency Telephone System as submitted by King County to PNB on January 24, 1983, attached hereto as Exhibit A, and which are hereby incorporated by reference into this Agreement.
- d. "Documentation" shall mean the updated (for the duration of this Agreement) written explanatory and instructional materials published or provided by PNB for Master Street Address Guide (MSAG) preparation and Public Safety Answering Point (PSAP) operation and maintenance, data base records of those portions of the data base prepared by the County, data collection forms, operations, training, and maintenance manuals, public education materials, and acceptance testing and performance monitoring reports.
- e. "Equipment" shall mean all mechanical, electromechanical and electronic devices and network facilities provided by PNB to meet the requirements of the Specifications and as itemized in the Proposal.

- f. "System Software" shall mean the programs, routines, subroutines, translators, compilers, and system control programs associated with the System data base and data management system, that are necessary for selective routing, automatic location identification (ALI) and automatic number identification (ANI), which satisfy the requirements of the Specifications and are in conformance thereto, and related items which PNB has announced or may announce for customer use with the Equipment, while this Agreement is in effect.
- g. "Site" shall mean the location where the Equipment is to be installed.
- h. "Bidder" and "Vendor," where used in the Specifications shall, upon execution of this Agreement, be understood to mean "Pacific Northwest Bell" (PNB), or "Company" as used herein.
- i. "Public Safety Answering Point" (PSAP) shall mean the public safety agency communications center where 911 emergency calls for a specific geographic area will be answered and handled.
- j. "Public Safety Agency" shall mean a functional division of a public agency which provides law enforcement, fire protection, emergency medical, or other emergency services.
- k. "Access line" or "Telephone Access Line" shall mean the telephone service line which connects a subscriber's main telephone(s) or equivalent main telephone(s) to the telephone company switching office.
- l. "MSAG" (Master Street Address Guide) shall mean the mechanized geographic description of the political jurisdictional boundaries in terms of street names, number ranges, and directionals.

All other definitions contained in the Specifications and the Proposal are incorporated herein.

2. Term of Agreement

PNB shall commence work on this Contract within 10 days of being directed by County to do so and will continue said work until the System Cutover Date as defined in Article 6 herein, and subject to the provision of

Article 26a.(1). Thereafter, unless this Agreement is terminated under the provisions of Articles 22, 24, and 26 herein, or extended under the provisions of Article 8 herein, service under this contract shall terminate at the end of the period specified in item (a) or (b) below, whichever applies:

- a. sixty (60) months after the System Cutover Date if the System successfully passes the System Acceptance Test as defined in Article 7 herein, within one hundred twenty (120) days from the System Cutover Date, or
- b. fifty-six (56) months after Final Acceptance, as defined in Article 7 herein if the System has not successfully passed the System Acceptance Test within one hundred twenty (120) days from the System Cutover Date.

3. Scope of Work

- a. PNB shall furnish and install as a single, complete system, an aggregation of equipment, data bases, data management system, network services, technical and operational services, training and documentation in accordance with the Specifications and as may be defined, clarified, and modified in the Proposal, for the King County E-911 System.
- b. PNB shall provide operational and maintenance services required to operate the System during the term of this Contract and shall provide training, including operations manuals, necessary to the operation of the System.

4. Payment

a. Lease Payment Plan

The County shall pay to PNB Non-recurring and Recurring charges for the System as computed from the Price Schedule, Exhibit C, which exhibit is attached hereto and incorporated by reference into this Agreement.

The County shall pay the total Non-recurring charges due and accruing at the System Cutover Date as outlined in the Price Schedule, within thirty (30) days following the System Cutover Date.



Non-recurring charges accruing during the term of the Contract shall be paid within thirty (30) days of the date on which they shall become due in accordance with item (2) below.

The County shall pay the Monthly Recurring charges as outlined in the Price Schedule for a period of sixty (60) months commencing with the System Cutover Date except as provided in Article 26 herein. The Monthly Recurring charges shall be paid within thirty (30) days after the established monthly billing date.

The rates and charges listed in the Price Schedule shall remain in effect for the duration of this Agreement. Rates and charges during any extension hereof shall be in accordance with the provisions of Article 8 of this Agreement.

- 1) Non-recurring Service Feature charges as outlined in the Price Schedule and as computed on a per one-thousand (1000) access line basis shall be paid on the basis of the number of access lines in service in King County as of the month ending prior to the System Cutover Date. Additional non-recurring charges by General Telephone of the Northwest and Telephone Utilities of Washington, hereinafter referred to as The Independent Telephone Companies, are also outlined in the Price Schedule.
  
- 2) Non-recurring Service Feature charges applied to the growth occurring in the number of access lines in service in King County during each year of System operation shall be due on January 30 after each year or partial year of operation, on the basis of the growth in the number of access lines occurring during each calendar year of operation, which growth shall be calculated by subtracting the number of access lines in service as of the System Cutover Date or December 31 of the previous year, whichever is most recent, from the number of access lines in service as of December 31 of the currently ending year. There shall be no Non-recurring Service Feature charges for growth in the number of access lines occurring during the last calendar year of operation under this Agreement.

- 3) Monthly Recurring Service Feature charges as outlined in the Price Schedule and as computed on a per one-thousand access line basis shall be paid monthly on the basis of the number of access lines in service in King County as of the System Cutover Date, or December 31 of the previous year, whichever is most recent. Additional recurring charges by The Independent Telephone Companies are also outlined in the Price Schedule.
- 4) Charges for messages transferred from the E-911 system over exchange facilities shall be billed to the County by PNB according to filed tariff rates applicable from the E-911 Control Office to the point of termination of the transfer.
- 5) All billings for Non-recurring charges shall include a statement of the number of units of Equipment against which the charges therein are computed. PNB shall provide to the County a statement specifying the number of access lines provided by PNB and TU for which non-recurring and monthly service feature charges are assessed. This statement will be provided with the system's initial bill and with each billing that reflects the annual service features charge adjustment.
- 6) Except as otherwise indicated herein, PNB shall remove all Equipment from all PSAPs upon normal expiration of this agreement as defined in Article 2 herein, without charge to the County.

b. Purchase Payment Plan

- 1) PNB shall provide to the County a purchase price schedule outlining the purchase price and maintenance agreement for PSAP terminal equipment as outlined in Section 6, page 59 of the Proposal not later than six (6) months from the date of this Agreement provided that the offering of such option is permitted under the law at that time and as soon as possible in any case. Said purchase price schedule shall include revisions to the recurring charges for PSAP terminal equipment that will result from the purchase versus lease of said equipment and appropriate revisions to the installation charges for subsequent additions of PSAP terminal equipment as outlined in Section 6, page 59 of the Proposal.

2) The County shall have the option of purchasing all PSAP terminal equipment and paying the revised PSAP terminal equipment Recurring charges as outlined in the revised Price Schedule in lieu of Non-recurring and Recurring charges for PSAP terminal equipment as outlined in the Proposal and the Price Schedule. The County shall have the right to exercise this option at any time during the term of this Agreement.

5. E-911 Excise Tax Collection and Distribution

PNB shall collect the E-911 Excise Tax levied against all PNB telephone access line subscribers within King County at a rate stipulated by the County not to exceed forty-five (45) cents per month per access line and shall remit the E-911 Excise Tax revenues collected to King County following the procedures as defined herein. This Contract imposes no responsibility on PNB for enforcement of E-911 Excise Tax collection.

PNB shall add an E-911 Excise Tax Levy (Excise Tax) to every bill for access lines served by PNB in King County in an amount as prescribed by the County not to exceed forty-five (45) cents per month as stipulated in King County Ordinance 5680 and said Excise Tax shall be billed against each and every access line served by PNB in King County, with the exception of those legally exempted from the Excise Tax.

Telephone bills shall specify that the Excise Tax is a County 911 Excise Tax and said statement and the amount of the Excise Tax shall appear on a line separate from any other statement and amount on the bills.

It is anticipated that the Excise Tax shall be imposed beginning twelve (12) months after the signing of this Agreement and remain in effect for a period of seventy-two (72) consecutive months thereafter.

The County shall notify PNB of the rate of the Excise Tax to be imposed not less than thirty (30) days prior to the imposition of the Excise Tax and not less than thirty (30) days prior to any and all changes in the Excise Tax rate thereafter.

PNB shall pay all PNB-billed Excise Tax revenues due from access line subscribers to the County on a monthly basis no later than thirty (30) days after the end of the calendar month in which the access line payment is billed.

When a partial or total access line bill becomes uncollectible, the Excise Tax portion of that overdue or partial access line bill that has been paid by PNB to the County shall be deducted from the Excise Tax payable by PNB to the County in the month the access line payment is deemed by PNB to be uncollectible except that in the case of a partial access line subscriber account payment that becomes uncollectible, PNB shall deduct a proportion of the amount of the Excise Tax levy equal to the proportion of the total access line account payment not received. Uncollectible Excise Tax payments deducted by PNB from the Excise Tax remittance to the County shall be based solely on the number of access lines for which partial or no payment was received. PNB shall provide the County with a monthly report submitted with the Excise Tax remittance which shall include the number of accounts and access lines billed and the amount of Excise Tax collected.

PNB shall charge the County in an amount as described in the Price Schedule a non-recurring charge to develop and modify accounting systems to collect and remit the Excise Tax. In the event recurring costs associated with Excise Tax collection are identified, the parties will negotiate a reasonable annual recurring charge to reimburse PNB for those costs.

6. Installation and Site Preparation

- a. PNB shall perform all necessary installations as required by the Specifications. PNB shall be responsible for all necessary telephone facility site preparation. The County shall be responsible for all necessary PSAP site preparation. PNB shall integrate and make operational all programs necessary to make the System function as defined in the Specifications, and as defined, clarified, and modified in the Proposal.
- b. PNB shall complete installation as soon as possible and in compliance with or ahead of the installation schedule included in Section 4 of the Proposal entitled "E-911 Milestones and Major Activities." Installation shall not exceed twenty-four (24) months subject to the provisions of Article 26a.(1), except as noted in Article 26.e.f. and h. of this contract.

- c. At the completion of all necessary installations as described above and prior to System cutover, PNB shall certify, in writing, that the System is installed and ready for System Cutover and Acceptance Testing. System Cutover shall commence on the next following PNB business day, which date shall be known as the System Cutover Date.
- d. Each party shall provide to the other a written report describing the progress of its respective installation activities at the end of each month designated for the completion of a major activity or milestone as stipulated in the installation schedule.
- e. PNB shall provide the County with written information containing complete dimensions, space requirements, electrical requirements, and mounting requirements of all PSAP equipment not less than six (6) months prior to the scheduled installation of PSAP equipment.
- f. The County shall provide PNB with a description of the location and a floor plan showing the space provided and electrical outlets available for the installation of PSAP equipment not less than thirty (30) days prior to the scheduled installation of said equipment at each PSAP. If PNB deems the site unacceptable, PNB shall provide written notice to the County specifying items which need correction within fifteen (15) days thereafter and the County shall, as soon as feasible, make all necessary corrections.
- g. The County shall certify prior to the scheduled installation date that the locations, space, and electrical outlets designated for PSAP equipment installation are available and free of any and all encumbrances which PNB has advised would inhibit installation and security of said equipment.
- h. PNB shall provide and install all necessary interfacing between the E-911 equipment and trunks and the existing telephone equipment at the PSAPs, including new telephone equipment to be provided at certain PSAPs as identified in the Specifications and described in the Proposal.
- i. PNB and the County shall perform their respective site preparation and installation as stipulated herein in compliance with

all applicable Building Codes, Fire Codes, National Fire Protection Association Regulations, and all other ordinances, Codes and Regulations which are applicable.

7. System Acceptance Test

The System Acceptance Test period, specific acceptance criteria, the Acceptance Testing Document, and the computation of effectiveness levels shall be as set forth below:

- a. The system shall provide a grade of service of B.01 as defined in the Proposal.
- b. The Effectiveness Levels stipulated in Sections IV.E.1.b,c, and d of the Specifications shall be ninety-five percent (95%) or more except that in no case shall all trunks serving any single PSAP be out of service more than one-tenth of one percent (.1%) of any given period as defined in subparagraph e. herein.
- c. PNB's measurement for data base accuracy will be as follows:
  - 1) Accuracy of data in ALI will be measured by discrepancy reports prepared by the PSAPs in a format as agreed to by PNB and the County for review and transmittal by the County's designated agent to PNB. Said discrepancy reports will indicate incidents when incorrect or no ALI data is displayed.
  - 2) Accuracy of Selective Routing of calls will be measured by the discrepancy reports described in subparagraph 1) above. Said discrepancy reports will indicate 911 calls that have been incorrectly routed, except in the case of an alternate or default routed call.

Each report of the above defined discrepancies will be jointly researched by the County and the Company. Corrective action, will be taken by the responsible party.

Barring circumstances beyond the control of PNB, PNB will maintain a data base accuracy level of 97%. Only those data base discrepancies determined to be actual errors solely attributable to PNB

will be included in the 3% error factor. Measurement of data base accuracy shall be based on a minimum three (3) month system wide average. It will be the joint objective of PNB and the County to achieve data base accuracy of 99% or higher.

- d. The computation of downtime for each incident shall start from the time the County contacts PNB's designated representative and requests immediate service until the System or Equipment is restored to proper operating condition.
- e. During System Acceptance Testing a minimum of one hundred (100) hours of operational use time will be required as a basis for computation of the effectiveness level. However, in computing the effectiveness level the actual number of operational use hours shall be used when in excess of the minimum of one hundred (100) hours beginning with System Cutover.
- f. The PSAPs and PNB shall maintain an appropriate record to monitor the compliance of the System on the basis of the requirements of this Agreement. This compliance monitoring record shall be maintained by PNB and the PSAPs for the duration of the Agreement and this record shall be compliant with Section IV.I. of the Specifications, except data base accuracy monitoring shall be performed in accordance with subparagraph c. herein.
- g. Operational use time and downtime shall be measured in hours and whole minutes.
- h. During periods of equipment downtime the County may use operable equipment when such action does not interfere with maintenance of inoperable equipment. PNB's maintenance personnel will determine whether the County's use of operable equipment will or will not interfere with maintenance of the inoperable equipment, and will so inform the County of any interference at the time PNB is ready to perform said maintenance.

- i. Each element of the System must meet the acceptance criteria for a total of ninety (90) consecutive days within one-hundred and twenty (120) days from the System Cutover Date, or the County may, at its option, request a replacement of the nonconforming element and PNB shall promptly replace that element of the System without charge to the County.
- j. The County shall certify in writing to PNB its acceptance of the System when the System and all elements thereof have met all acceptance criteria as defined herein concurrently for a period of ninety (90) consecutive days, except that when equipment has been replaced as defined in Article 7.1. herein, the County at its option may shorten the period for acceptance of the replacement equipment. Said written certification shall be deemed as Final Acceptance.
- k. The System Acceptance Test shall commence on the System Cutover Date and shall continue until Final Acceptance, subject to the provisions of Article 26 herein. The System shall continue to meet the acceptance criteria as defined herein after Final Acceptance until the termination of this Agreement, or any extensions hereof pursuant to Article 8.

8. Option to Extend E-911 Service

The County shall have an option to extend this Contract under the same terms and conditions hereof except as noted below for two (2) five (5) year periods. Charges to be paid by the County during any extension hereof shall be negotiated. The County must notify PNB in writing of its intent to exercise any option to extend at least one year in advance of the expiration of the term of this Agreement and at least one year prior to the termination of the next succeeding contract period, subject to reauthorization of the Excise Tax by the King County voters. Negotiations shall commence immediately after receipt of said notification.

9. Training

PNB shall provide to the County operational and maintenance training as follows:



- a. Operational training shall include instructional materials and classroom and/or on-the-job training for County designated PSAP personnel at the time of the System Cutover covering the use of PSAP Equipment.
- b. Operational training shall include instructional materials and classroom and/or on-the-job training for County and PSAP personnel on data base preparation and maintenance prior to the beginning of and during data base development.
- c. Maintenance training will be included in the operational training.
- d. PNB shall provide one (1) copy of all appropriate and applicable operational manuals for each PSAP call answering position and two (2) additional copies per PSAP.
- e. All training subsequent to System Cutover shall be on a negotiated basis.

10. Maintenance

PNB shall provide preventive and remedial maintenance for the System during the term of this contract.

- a. PNB shall provide remedial maintenance seven (7) days a week, twenty-four (24) hours a day, including holidays.
- b. PNB shall restore to full operation any failures of the System or any components thereof that result in the inability of a PSAP to receive each 911 call routed to it within an average period not to exceed four (4) hours from the time of notification by the County, which average shall be based on the first six (6) months of operation after System Cutover and cumulatively thereafter. When service is interrupted by circumstances beyond the control of PNB as defined in Article 26, PNB shall restore service as soon as is reasonably possible.
- c. In the event of any failure other than those defined in paragraph b. above, PNB shall correct the failure by PNB's close of business on the day following the day in which the failure is reported.

d. Notwithstanding any of the provisions above, the County shall be entitled to the remedies specified in Article 26.d.

11. Documentation

PNB shall furnish to the County all Documentation required by the County for MSAG preparation and PSAP operation and maintenance, as set forth in the Proposal. PNB shall also furnish to the County without charge all future Documentation and revisions of existing Documentation developed by PNB for MSAG preparation and PSAP operations and maintenance which may be useful to the County.

All Documentation and printed materials provided by PNB to the County may be reproduced by the County, provided that such reproduction is made solely for the internal use of the County and jurisdictions participating in the System and further provided that no charge other than a printing or duplicating charge is made to anyone for such reproductions.

12. Attachments

a. The County may, with the prior written consent of PNB, which consent shall not be unreasonably withheld, attach features, or devices of other vendors to the Equipment provided by PNB. PNB's consent will be based upon a determination by PNB that said attachments will not degrade System performance as defined in the contract. In the event PNB needs to conduct an indepth study to determine whether said attachments degrade the System, the County shall pay PNB all costs of said study.

b. When such attachments are made by the County or its contractors or authorized agents, unless such attachments are consented to by PNB:

- 1) PNB shall not be held responsible for defects in System Software or Documentation if such defects are caused by or result directly and proximately from said attachments;
- 2) PNB shall not be liable for any performance degradation of the Equipment caused by or resulting directly and proximately from said attachments;

- 3) PNB will not be responsible for the proper or efficient operation of any System Software or Documentation affected directly and proximately by said attachments.
  - 4) Resultant repair calls and equipment damages will be charged to the County on a time and materials basis if said attachments cause the E-911 equipment to malfunction.
- c. PNB shall not be responsible for maintenance of any attachments unless provided by PNB.
- d. If at any time after installation, it becomes apparent that an attachment degrades System performance, PNB may require removal of said attachment.

13. Agreements with User Agencies

Within ninety (90) days after execution of this Agreement, the County shall have executed with those jurisdictions, municipalities or agencies, located in King County, which desire to participate in the use of the System described herein as Public Safety Answering Points (PSAPs), appropriate agreements regarding such use, which agreements shall be consistent in all applicable respects with this Agreement. PNB shall not be required to provide System service to any jurisdiction, municipality or agency that has not executed such an agreement. If PSAPs are added to, deleted from, or moved within the System, to the extent that the County's requirements for the System are thereby affected, the County shall notify PNB in writing of the County's desire to add, delete, or move a portion or portions of the Equipment to be provided hereunder. Subject to the technical feasibility of any such request, PNB shall make such additions, deletions, or movements in the Equipment to be furnished hereunder. The County shall pay PNB amounts as provided in the Price Schedule for Subsequent Additions for such additions or an amount equal to the costs incurred by PNB in effecting such deletions including any costs associated with cancelling or terminating any contracts. The charges to the County shall be reasonably increased or decreased to reflect such changes in the County's requirements. Movement or relocation of PSAPs or PSAP equipment shall be

arranged by PNB, and the PSAP charges for such movements or relocations shall be paid by the PSAPs and shall be based on actual costs not to exceed initial installation charges as defined in the Price Schedule. If the additions, deletions, or movements affect the routing of E-911 calls, changes to the data base and/or MSAG will be charged on a cost per conversion basis.

14. Vendor Liaison

PNB agrees that it shall not act upon requests for alterations, additions or deletions in or to the service provided hereunder from any jurisdiction, municipality or agency, except upon the prior written consent of the County's designated agent(s). The County agrees that it shall be solely responsible for the resolution of disputes regarding the use of the System which may arise among participating or non-participating jurisdictions, municipalities and agencies.

PNB further agrees that it shall act on requests for System maintenance as defined in Article 10 herein by designated PSAP representatives participating in the System by contract with the County as specified in Article 13 herein.

15. Conditions of Use

The County and PNB concur in and agree to the following conditions relating to the use and operation of E-911 Service:

- a. The service shall be furnished to the County only to allow the PSAPs to receive and handle reports of emergencies by the public.
- b. The 911 emergency telephone number is not intended as a total replacement for the telephone service of the various public safety agencies which participate in the use of this number. The public safety agencies will not use the E-911 System for administrative purposes, for placing outgoing calls, or for receiving non-emergency calls.
- c. E-911 Service is classified as Business Exchange Service and is arranged for one-way incoming service to the appropriate PSAP. Outgoing calls can only be made on a transfer basis.

- d. PNB shall not provide personnel to answer and forward 911 calls, but furnishes the use of its facilities to enable the PSAP personnel to respond to such calls as they deem appropriate.
- e. ALI shall not be exclusively relied upon for the dispatch of emergency service.
- f. PNB is not responsible for dispatching the appropriate emergency service vehicles within the E-911 service area.
- g. It is not the responsibility of PNB to assure that calls for non-participating agencies which may be directed to E-911 PSAPs are appropriately handled. It is not the responsibility of PNB to forward E-911 calls that originate from telephones served by central offices that would not normally serve jurisdictions within King County.
- h. The County will assure that telephone equipment with a capacity adequate to handle the number of incoming E-911 lines will be installed as recommended by PNB based on the results of PNB's traffic study as described in the Proposal.
- i. E-911 information consisting of the names, addresses, and telephone numbers of telephone subscribers whose listings are not published in directories or listed in Directory Assistance Offices is confidential. Information will be provided on a call-by-call basis only for the purpose of responding to emergency calls. Any permanent record associating the caller's telephone number with his name or address shall be secured by the County and disposed of in a manner which will retain that security except as otherwise required by applicable law.
- j. Only one 911 Service will be provided within any wire center boundary as defined in the Proposal.
- k. For the development of selective routing, the County is responsible for identifying primary and secondary PSAP locations as well as the unique combinations of police, fire, and ambulance or any other appropriate agencies responsible for providing emergency service in the E-911 serving area. An Emergency Service Number (ESN) will be

assigned by the County to each unique combination. The County will associate these ESNs with street address ranges or other mutually agreeable routing criteria in the E-911 serving area. These ESNs will be carried in the E-911 Control Office to permit routing of 911 calls to the primary and secondary PSAPs responsible for the handling of calls from each telephone in the E-911 serving area.

1. It is understood and agreed that the furnishing or automatic display of number and location identification pertaining to incoming "9-1-1" calls hereunder and the information provided thereby is to be used solely for the purpose of answering, handling and responding to emergency calls in a manner consistent with the nature of the emergency. Any County-provided systems, such as Computer Aided Dispatch (CAD), will be used and configured only to monitor the output of the ALI/DMS as it relates to a specific emergency call.

16. Access to PSAP

PNB and its approved subcontractors shall at any necessary time be provided access by King County to premises where the Equipment is located. This access shall be for the purposes of installation, inspections, testing, repairing, or removing the equipment and facilities used in furnishing E-911 service.

17. Liability

- a. The word "fault" as used throughout this article shall have the meaning ascribed to it in RCW 4.22.015 as of the date of this Agreement.
- b. 1) The County agrees to defend, protect, and save PNB, its officers, directors, employees and agents, harmless from and against any and all claims, demands, and causes of action of any kind or character, including claims for attorneys' fees, and the cost of defense thereof, including reasonable attorneys' fees, arising out of the County's sole fault with respect to the subject matter of this Contract.

- 2) PNB agrees to defend, protect, and save the County, its elected and appointed officials and its employees and agents, harmless from and against any and all claims, demands, and causes of action of any kind or character, including claims for attorneys' fees, and the cost of defense thereof, including reasonable attorneys' fees, arising out of PNB's sole fault with respect to the subject matter of this Contract.
  - 3) Each party shall be liable for all damages or injuries to its own employees or its own property as are caused by the concurrent or joint fault of the parties or due to causes which cannot be traced to the sole fault of one party.
- c. To the extent necessary to carry out the foregoing three sentences of section 17.b, PNB and the County expressly waive any immunity they may have under the Washington State Industrial Insurance Act, RCW Title 51. The parties also expressly waive any rights to contribution they may otherwise have had under the Product Liability and Tort Reform Act of 1981, RCW 4.22, to the extent that statute's provisions are inconsistent with subsection 17.b.3 above.
  - d. In the event the parties agree that one party shall defend the other party pursuant to section 17.b above, the defending party shall have the sole right to select legal counsel to defend against the claim, demand, or cause of action. In the event either party agrees to defend, protect, and save the other harmless, the defending party shall be empowered to settle or compromise the claim, demand, or cause of action, and the defended party shall not interfere therewith.
  - e. In the case of liability for damages or injuries to persons other than employees of any party and in the case of liability for damages or injuries to property not belonging to either party, when the damages or injuries are due to causes which cannot be traced to the sole fault of one party, the County and PNB shall be responsible for such damages or injuries in proportion to their respective shares of the fault, or equally if the parties' proportionate shares of fault cannot be determined.

f. All claims for damages arising hereunder that are asserted against or affect both parties hereto due to their concurrent or joint fault or the possibility of their concurrent or joint fault shall be dealt with by the parties hereto jointly. No settlement as to any aspect of any claim under section 17.e may be reached with third parties except with the joint agreement of PNB and the County, and any purported unilateral settlement with third parties shall not be binding between the County and PNB. In the case of claims defended jointly by the parties under section 17.e, each party shall have the right to select its own legal counsel, and neither shall control the other's selection. In the event liability to a third party is established by a final judgement pursuant to section 17.e., the parties hereto shall contribute to any such judgement on the basis of their proportionate fault without regard to any other provisions of the contract outside of this article. Proportionate fault, as used herein, shall be determined by negotiations between the parties, and if an agreement cannot be reached, shall be determined as provided in the arbitration clause hereof. In no event shall either party seek to have the proportionate fault adjudicated during the trial of the claim for damages or injuries asserted by the third party, nor shall any adjudication of proportionate fault made at trial or in any judicial proceeding involving a third party claimant be binding between PNB and the County.

It is expressly understood and agreed that the parties shall, in negotiating contracts with PSAPS or subcontractors, as required or permitted under this contract, include provision for joinder, and this contract expressly allows joinder of the PSAPS or subcontractors or either party to this contract in any suit or claim wherein said PSAP or subcontractor is affected or named as a party. Said provision shall include provisions identical to those contained herein for the joint defense of any claim or suit based upon concurrent or joint or possible concurrent or joint fault.

g. In the adjustment between the parties hereto of any claim for damages arising hereunder, the liability assumed hereunder by the parties shall include, in addition to the amounts paid to the claimant, all statutory costs and reasonable attorneys' fees.



h. This liability clause shall not be interpreted, construed or regarded either expressly or impliedly as creating a right of action for the benefit of or creating any obligation toward any third person legal entity other than the parties to this Contract.

18. Liability Insurance

Prior to execution of this Agreement, PNB shall provide to the County evidence of general liability insurance with limits not less than \$2,500,000. Such evidence shall be in the form of a duly signed County certificate of insurance, substantially in the form provided herein as Exhibit D. The liability insurance policy shall name King County as an additional insured. PNB shall procure, under this paragraph, sufficient and appropriate insurance to cover the liabilities and obligations assumed by PNB under paragraph 17 of this Agreement. The insurance referred to in this paragraph shall be maintained in full force and effect throughout the term of this Agreement, and shall be primary to any other valid and collectible insurance.

19. Warranty

PNB warrants the Equipment delivered hereunder is free from defects and will continue to meet the Specifications described in this Agreement for the term of this Agreement as defined in Article 2 herein and PNB will, without charge to the County except as specified in Article 12 herein, correct any such defects and make such additions, modifications, or adjustments to the Equipment as may be necessary to keep the System in operating order, in accordance with the Specifications, during such time period.

20. Independent Status of Contractor

Both parties hereto, in the performance of this Agreement will be acting in their individual capacities and not as agents, employees, partners, joint venturers or associates of one another. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.

21. Subcontractors

PNB may enter into subcontracts with Telephone Utilities of Washington, Inc. and General Telephone of the Northwest and, with prior written permission from the County, which permission shall not be unreasonably withheld, enter into subcontracts with other third parties for the performance of any part of PNB's duties and obligations, provided that in no event shall the existence of a subcontract operate to release or reduce the liability of PNB to the County for any breach in the performance of PNB's duties. PNB agrees to defend and hold the County harmless hereunder for any loss or damage of any kind occasioned by the acts or omissions of PNB's subcontractors, their agents, or employees.

22. Patent and Copyright Infringement

a. PNB will defend, at its own expense, any suit or proceeding brought against the County so far as it is based on a claim that any product supplied by PNB under this Agreement or its use or copying infringes a patent on, copyright in, or other proprietary right in the United States, or any foreign proprietary right (patent or copyright) which is subject to a convention or treaty to which the United States is a signatory, of any third person, if PNB is notified immediately but not later than ten (10) days after the County is served with process commencing a lawsuit and is given full and complete authority, information, and assistance (at PNB's expense) for the defense, and PNB shall pay all costs and damages agreed to or finally awarded against the County in any such action that are attributable to any such claim, but shall not be responsible for any compromise made without PNB's consent. The County retains the right to participate in any said action. If any such infringement is held to exist, PNB shall, at its option and expense and in conformity with applicable specifications, either procure for the County the right to continue using or copying the article, modify it so that it becomes non-infringing, or replace it with a non-infringing counterpart. If an injunction issues from which no further appeal lies and none of the alternatives are reasonably feasible, PNB shall accept the return of

the infringing article or System Software and so much of the other Equipment and System Software as are unusable by the County in the operation of the System in their absence, and cancel any future charges pertaining thereto. If the System is thereby rendered unusable, all County obligations under this Agreement shall cease and PNB shall reimburse the County for a pro rated portion of all non-recurring charges paid to PNB and all E-911 implementation costs incurred by the County up to the point the System is rendered unusable. Said pro rated portion shall be computed by determining the total amount of non-recurring charges and implementation costs paid by the County and reducing said sum by 1/60 thereof for each month which has elapsed since the System Cutover Date.

PNB shall have no liability to the County under this paragraph with respect to any claim of infringement based upon the combination of articles furnished under this Agreement with articles not furnished by PNB and the County shall defend and hold PNB harmless to the same extent and in the same manner provided to the County in this subparagraph.

- b. No rights in or to or licenses under any patents, trademarks or copyrights, other than herein provided, are granted by PNB to the County.
- c. Any invention, discovery, improvement, or innovation made in the performance of work under this Agreement shall remain the property of the inventing party.

23. Delegation and Assignment

PNB shall not delegate its responsibilities under this Agreement, and except to the extent use of the Equipment by others is permitted elsewhere herein, neither this Agreement, nor any interest of the County hereunder, nor any use of the equipment or facilities provided by PNB hereunder, may be assigned, sublet, or in any manner transferred by the County without the prior written consent of PNB, which consent shall not be unreasonably withheld.

24. Termination

In addition to any other reasons for termination arising under the provisions of this Agreement, the County may terminate this Agreement if there is a successful challenge to the legality of the Excise Tax, or if Excise Tax Revenues are insufficient to cover telephone company charges.

It shall be an express condition of any termination by the County prior to the completion of the Term of Agreement as defined in Article 2 herein that the County shall reimburse PNB for all costs and expenses incurred by PNB under this Agreement, not previously reimbursed by the County, before notice of such termination is received by PNB except when such termination results from a breach by PNB as defined in Article 26 herein. Such reimbursement, however, shall not exceed all charges which would apply if the work involved in complying with this Agreement had been completed.

25. Most Favored Nation

All of the prices, rates, terms, warranties and benefits granted by PNB herein are comparable to or better than the equivalent terms being offered by PNB to any present E-911 subscriber. It is understood that PNB may, during the term of this Contract, enter into agreements with other subscribers for E-911 service. The County understands that there may be variations in contract terms or costs or charges based on the number and type of equipment or service ordered by PNB's customers; however, rates for like equipment and services charged to all customers shall be the same, and in the event a new E-911 contract provides lower rates, this Agreement shall be deemed amended to provide the lower rates to the County on a forward looking basis.

26. Remedies of the Parties

- a. If PNB materially breaches this Agreement in any of the manners set forth below and fails to remedy the breach within thirty (30) calendar days following written notification to that effect, the County shall

have the right to terminate this Agreement without cost or penalty to the County and PNB shall remove at its expense materials delivered under this Agreement and pay all costs of such return including removal and transportation costs and shall pay damages as specified below. Those conditions which constitute a material breach and the monetary damages which shall result from the onset of said breach include but are not necessarily limited to:

- 1) Failure to attain System Cutover within twenty-four (24) months of the date of the Agreement; in the event of such failure the County may exercise its option to terminate this Agreement without cost or penalty to the County as provided above and
- 2) Failure to pass the System Acceptance Test described in Article 7 herein after one hundred twenty (120) days from System Cutover Date; in the event of such failure the County shall cancel the payment of all Monthly Recurring charges due during the period of breach or until the County exercises its option to terminate this Agreement at which time PNB shall pay to the County all Non-recurring charges paid by the County, and
- 3) Failure to commence Equipment replacement procedures as described in Article 7 above upon the exercise of the replacement option by the County; in the event of such failure PNB shall pay damages to the County in an amount equal to three and three-tenths percent (3.3%) of the total Monthly Recurring charges assessable in the month(s) of breach for every day the conditions of the breach continue or until the County exercises its option to terminate this Agreement, and
- 4) Failure to continue to meet the acceptance criteria defined in Article 7 herein after Final Acceptance; in the event of such failure the County shall cancel the payment of all Monthly Recurring charges due during the period of breach or until the County exercises its option to terminate this Agreement in which case PNB shall reimburse the County for a prorated portion of all Non-recurring charges paid to PNB as damages.

Said prorated portion shall be computed by determining the total amount of Non-recurring charges paid by the County and reducing said sum by 1/60 thereof for each month which has elapsed since the System Cutover Date.

- b. Damages as described herein are not penalties but are reasonable compensation for damages as determined by the County and PNB at the time of this Agreement.
- c. Notwithstanding the rights and remedies set forth in subparagraph a., above, in the event a material breach is not remedied within the applicable stated period, the non-breaching party may waive or temporarily waive its termination right in writing and continue this Agreement in full force and effect.
- d. Except during System Acceptance Testing, if PNB is unable to restore to operating condition a unit of Equipment that is essential to the proper routing or receipt of each call, and it remains inoperative (which inoperative condition is referred to herein as "downtime") for a period of six (6) or more hours during any twenty-four hour period, the County's sole remedy except as provided in paragraph a. above, shall be to deduct from the Monthly Recurring Charges three and three-tenths percent (3.3%) of the Monthly Recurring charges for all units of equipment unusable as a result of the downtime for each day of downtime.

Downtime for each incident shall be measured from the time the County requests immediate maintenance service and makes the Equipment available to PNB for maintenance service and shall continue until the Equipment is returned to satisfactory on-site operating condition or replaced.

- e. PNB shall not be liable to the County for damages under this article resulting from delays arising out of circumstances beyond the control and without the fault or negligence of PNB or its subcontractors as defined in Article 26.f and h. below provided PNB notifies the County promptly and in detail of the nature of the circumstances.

- f. Circumstances beyond the control of PNB and/or its subcontractors as referenced throughout this Agreement include but are not limited to Acts of God or of the public enemy, acts of the County in either its sovereign or contractual capacity, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather, and such other circumstances that arise without the fault or negligence of PNB or its subcontractors.
- g. Circumstances beyond the control of the County include but are not limited to Acts of God or of the public enemy, acts of PNB and its agents, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather, and such other circumstances that arise without the fault or negligence of the County.
- h. Any delay by the County in meeting the milestones as documented in the Proposal or performing other duties required of the County as specified herein which causes a corresponding delay in the System Cutover Date shall not be considered a breach of contract by PNB.
- i. Barring circumstances beyond the control of the County as defined in subparagraph g. above, delays of more than 6 months as a result of the County's failure to meet dates as described above shall render the price schedule(s) attached hereto subject to further negotiations or allow the County to terminate, subject to the provisions of Article 24 herein.
- j. The remedies set forth in this Agreement may be enjoyed cumulatively except as expressly limited.

27. Arbitration

- a. Should any disputes arise with respect to this Agreement, PNB and the County agree to act immediately to resolve any such disputes.

b. The parties agree that, the existence of a dispute notwithstanding, they will continue without delay to carry out all their responsibilities under this Agreement which are not affected by the dispute.

c. If PNB and the County, via their respective agents, cannot resolve a dispute within seven (7) calendar days following notification in writing by either party of the existence of said dispute, then the following procedure shall apply, and the County and PNB shall share equally the cost of said procedure:

- 1) Each party shall appoint two persons known as appointees to act as impartial arbitrators in an attempt to resolve the dispute. The appointed individuals shall be of sufficient knowledge and experience to understand and deal with the dispute but shall not be persons assigned to the project. The set of six (6) individuals consisting of the parties' respective Project Managers and the four (4) appointees is called the Dispute Resolution Group.
- 2) The Dispute Resolution Group shall convene no later than twelve (12) calendar days following the original notification of the existence of a dispute and shall meet during the subsequent seven (7) days to resolve the dispute.
- 3) In the event the Dispute Resolution Group fails to resolve the dispute within 7 calendar days after convening, then such controversy or claim arising out of or related to this Agreement, or the breach thereof, shall be settled by arbitration in Seattle, Washington, by three arbitrators in accordance with the rules of the American Arbitration Association or as otherwise agreed to by the parties, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.



28. Risk of Loss

The County is relieved from all risks of loss or damage to the Equipment during periods of transportation, installation, and during the entire time the leased Equipment is in possession of the County or the PSAPs except when loss or damage is due to the fault or negligence of the County. The County assumes all responsibility for equipment sold to it effective on the date of installation, or if already installed, on the date of sale.

29. Effect of Waiver

The waiver or failure of either party to exercise at any time in any respect any right provided for in this Agreement shall not be deemed a waiver of that right or any further or future right hereunder.

30. Severability

If any term or condition of this Agreement or the application thereof to any persons(s) or circumstance is held invalid, such invalidity shall not affect other terms, conditions, or applications which can be given effect without the invalid term, condition, or application; to this end the terms and conditions of this Agreement are declared severable.

31. Applicable Law

This Agreement shall be governed by, subject to, and construed according to the Constitution and laws of the State of Washington and the Charter and Ordinances of King County and shall be subject to the applicable rules and regulations of the Washington Utilities and Transportation Commission.

32. OSHA/WISHA

PNB certifies that it is in compliance with the conditions of the Federal Occupational Safety and Health Act of 1970 (OSHA), the Washington Industrial Safety and Health Act of 1973 (WISHA), and the standards and regulations issued thereunder and certifies that all items furnished or purchased

under this Agreement will conform to and comply with said standards and regulations. PNB further agrees to defend, indemnify, and hold harmless the County from all damages suffered by the County as a result of PNB's failure to comply with the Acts and standards issued thereunder and for the failure of the items furnished under this Agreement to so comply.

33. Compliance with Public Works Wage Rates and Benefits

The prevailing rate of wage to be paid to all workers, laborers, or mechanics employed in the performance of any part of this Agreement shall be in accordance with the provisions of Chapter 39.12 RCW, as amended, and the rules and regulations of the Department of Labor and Industries. The rules and regulations of the Department of Labor and Industries and the schedule of prevailing wage rates for the locality or localities where this contract will be performed as determined by the Industrial Statistician of the Department of Labor and Industries, are by reference made a part of this Agreement as though fully set forth herein.

PNB on or before the date of commencement of work shall file a statement under oath with the County and with the Director of Labor and Industries certifying the rate of hourly wage paid and to be paid each classification of laborers, workers, or mechanics employed upon the work by the contractor or subcontractor which shall be not less than the prevailing rate of wage. Such statement and any subsequent statements shall be filed in accordance with the practices and procedures required by the Department of Labor and Industries.

PNB shall further certify that:

- a. It has not employed or retained any company or person (other than full-time bonafide employee working solely for PNB) to solicit or receive this contract.
- b. It has not paid or agreed to pay any company or person (other than a full-time bonafide employee working solely for PNB) any fee,

commission, percentage or brokerage fee contingent upon or resulting from the award of this contract and agrees to furnish information relating to a. or b. herein as requested by the County.

c. It has not been asked or otherwise coerced either expressly or impliedly into contributing funds for any purpose as a condition to doing business with the County.

34. Nondiscrimination

PNB will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, sex, age, marital status or the presence of any sensory, mental, or physical handicap, unless based upon a bonafide occupational qualification. PNB will ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, sex, age, marital status or the presence of any sensory, mental or physical handicap, unless based upon a bonafide occupational qualification. Such action shall include, but not be limited to, the following: Employment, upgrading, demotion or transfer, recruitment, or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training.

PNB will, in all solicitations for employees or job orders for employees placed with any employment agency, union, or other firm or agency, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, national origin, sex, age, marital status or the presence of any sensory, mental, or physical handicap, unless based upon a bonafide occupational qualification. The words "equal opportunity employer" in advertisements shall constitute compliance with this paragraph.

35. Taxes

The County shall pay sales or use taxes lawfully imposed on goods or services described herein, and in the event the County chooses to exercise the purchase option as defined in Article 4.b. herein shall pay lawfully

imposed sales tax on such purchase. The County shall also pay any business and occupation or license taxes which may hereafter be imposed by the County on PNB on the goods or services described herein. Any other taxes levied upon this contract, the transaction or the goods or services delivered pursuant hereto shall be borne by PNB.

36. Audits and Inspections

The records and documents with respect to all matters covered by this Agreement shall be subject at all reasonable times to inspection, review, or audit by personnel duly authorized by the County and/or Federal/State officials so authorized by law, rule, regulation, or contract during the performance of this Agreement and seven (7) years after termination thereof.

37. Notices

All notices provided for in this Agreement shall be in writing, addressed to the appropriate party, to its representative designated below, at the respective address set forth or to such other address or representative as is specified by notice provided. If such notice is sent by mail, it shall be certified, return receipt requested:

County: Richard A. DeFaccio

E-911 Program Manager  
216 First Avenue South  
Room 406  
Seattle, WA 98104

PNB: Michael Jordan

E-911 Project Manager  
1600 Bell Plaza  
Room 2908  
Seattle, WA 98191

38. Headings

Article headings are included in this Agreement for convenience only and are not to be deemed to be a part of this Agreement.

39. Time is of the Essence

Time is of the essence in the Agreement.

40. Exhibits

The following Exhibits are attached and incorporated by reference into this Agreement:

a. Exhibit A - Specifications

- 1) Cover letter from E-911 Program Office dated January 24, 1983 and signed by Richard A. DeFaccio.
- 2) Functional and Performance Specifications for an Enhanced 911 Emergency Telephone System, Office of King County Executive, dated January, 1983.

b. Exhibit B - Proposal

- 1) Cover letter from PNB dated February 14, 1983 and signed by E. L. Pfeifer.
- 2) An E-911 Proposal for King County, PNB, dated February, 1983.
- 3) Letter from E-911 Program Office dated March 1, 1983 and signed by Richard A. DeFaccio.
- 4) Letter from PNB dated March 10, 1983 and signed by E. L. Pfeifer
- 5) Letter from E-911 Program Office dated May 2, 1983 and signed by Richard A. DeFaccio.
- 6) Letter from PNB dated May 12, 1983 and signed by E. L. Pfeifer.

c. Exhibit C - Price Schedule

d. Exhibit D - Certificate of Insurance

41. Complete Agreement

This Agreement is the exclusive statement of the agreement of the parties with respect to its subject matter and as of its date and supersedes all prior agreements, negotiations, representations and proposals, written and oral, relating to its subject matter. No provisions of this Agreement may be changed or modified except by an Agreement signed by both parties.

The person signing this Agreement on behalf of each party has been properly authorized and empowered to enter into this Agreement. Each party further acknowledges that it has read this Agreement, understands it, and agrees to be bound by it.

KING COUNTY:

PACIFIC NORTHWEST BELL  
TELEPHONE COMPANY

\_\_\_\_\_  
RANDY REVELLE  
King County Executive

\_\_\_\_\_  
E. L. PFEIFER  
Vice President

Approved as to form this  
\_\_\_\_\_ day of \_\_\_\_\_ 1983

Approved as to form this  
\_\_\_\_\_ day of \_\_\_\_\_ 1983

NORM MALENG  
King County Prosecuting Attorney

By \_\_\_\_\_  
Deputy Prosecuting Attorney

\_\_\_\_\_  
MARIANNE K. HOLIFIELD  
Attorney for PNB

Attest:

\_\_\_\_\_  
Lauraine Brekke  
Director, Department of  
Executive Administration  
Dated: \_\_\_\_\_ 1983

Exhibits A.1 and A.2 - Specifications

Exhibits B.1 and B.2 - Proposal

Copies may be obtained from:

Michael Jordan

PNB E-911 Project Manager

345-2100







King County Executive  
Randy Revelle  
**E 911 Program**  
Richard A. DeFaccio, Manager

March 1, 1983

E.L. Pfeifer  
Pacific Northwest Bell  
1600 Bell Plaza  
Seattle, Washington 98191

Dear Mr. Pfeifer:

Thank you for Pacific Northwest Bell's timely and informative response to King County's Functional and Performance Specifications for an E-911 Emergency Telephone System. Your February 14, 1983 E-911 Proposal for King County is basically compliant with King County's Specifications. However, there are discrepancies, omissions, and exceptions to the Specifications that we would like you to clarify before the County Executive makes his E-911 procurement recommendation to the County Council.

The enclosed table summarizes PNB proposal compliance with King County's E-911 Specifications and indicates therein, or by reference to the enclosed consulting report, what actions PNB can take to clarify or amend its proposal to better meet King County's needs. We would appreciate PNB's written response to the "action" items on the table by March 4, 1983 so that we can present our final assessment of PNB's proposal to the County Executive as scheduled, by March 7, 1983. When signed by an officer of PNB, this response will be incorporated into the February 14, 1983 proposal. We apologize for the short turnaround time, but your written response to our questions will facilitate a fair evaluation of the proposal and in some cases, formalize the information that has already been conveyed to us in very helpful meetings with PNB's E-911 Project Team.

Again, thank you for PNB's E-911 Proposal for King County. We look forward to receiving your response to this letter and moving ahead quickly with our evaluation and recommendation regarding the proposal.

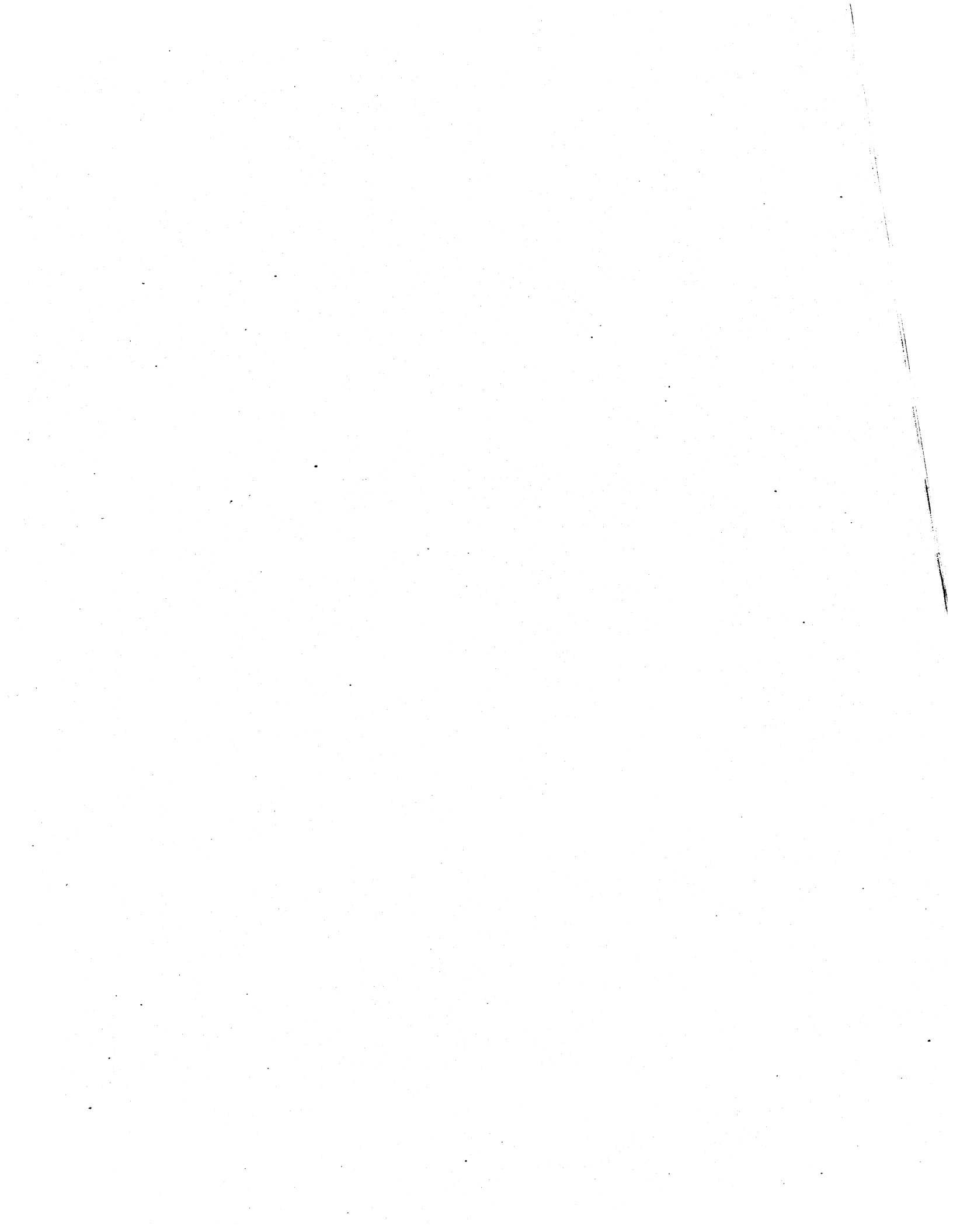
Sincerely,

Richard A. DeFaccio  
E-911 Program Manager

RAD:JD:dmd

Enclosures

cc: Jon Gaedke, Marketing Manager  
ATTN: Michael Jordan, E-911 Project Manager



SUMMARY OF PNB PROPOSAL COMPLIANCE  
WITH KING COUNTY'S E-911 SPECIFICATIONS

KC SPEC	PNB PROPOSAL		
REFERENCE	PAGE	DEFICIENCY OR EXCEPTION	ACTION*
III.A	5	None.	O.K.
III.B.I.a	6	No reference to adjustable brightness or rack mounting of ANI/ALI displays.	INFO
		No guarantee that CO conversions will be completed by cutover.	ACCOM
III.B.I.b	7	No reference to call data printer having capability of recording data for simultaneous calls on the maximum number of trunks provided at any PSAP.	INFO
		No buffer memory for storing records when printer is off-line. See Compass** report, P. 21,3.2.	FOLLOW-UP
		No reference to noise level of teleprinter.	INFO
III.B.I.c	8	No reference to mounting of transfer unit.	INFO
		Insufficient information re: provision of fixed transfers on dedicated lines.	INFO
		No reference to user programming of speed calls.	INFO
		Insufficient information re: how fixed transfers programmed.	INFO
III.B.I.d	9	Insufficient description of auxilliary controllers (see equipment lists, Tab 6).	INFO
	10	No reference to alternatives if ECD-16 modifications for KCDPS and SPD cannot be accomplished, or are not satisfactory to those agencies.	INFO
III.B.I.e	11	No reference to RS232C interface with CADs.	INFO
		No reference to <u>point</u> of user interface.	INFO
		No reference to availability of CAD interface at all PSAPs.	INFO
		Insufficient definition of "nodes" and Pins 2,3,7"	INFO
		See bullet items in Compass report, P. 18,2.1.	INFO
III.B.2	12	EXCEPTION: no dedicated trunks to rurals.	ACCOM
		EXCEPTION: no guarantee of adequate volume for rural call receivers	O.K.
		Insufficient information: if dedicated trunks to fire phone systems are feasible, can selective transfer be used instead of fixed transfer?	INFO

SUMMARY OF PNB PROPOSAL COMPLIANCE  
WITH KING COUNTY'S E-911 SPECIFICATIONS

page 2

KC SPEC	PNB PROPOSAL		
REFERENCE	PAGE	DEFICIENCY OR EXCEPTION	ACTION*
cont.) II.B.2	12	What percentage of fire-phone access lines are multi-party lines?	INFO
II.B.3	13	Insufficient information re: capacity of ANI Master Controller (why does Seattle P.D. need two?)	INFO
II.B.4	13	NONE.	O.K.
II.B.5	13	See note to K.C. Spec. V.A.6.	
II.C.1	14	Insufficient definition of B.01 grade of service.	INFO
II.C.2	14	Insufficient information re: derivation of CCS by PSAP.	INFO
II.C.3	16	NONE.	O.K.
II.C.4	16	NONE.	O.K.
II.C.5	16	Insufficient explanation of why PNB PSAP position estimates exceed King County's.	INFO
I.D	18	NONE.	O.K.
II.E.1-5	19	See note to K.C. Spec III.C.2.	INFO
II.E.6	19	EXCEPTION: no default trunking.	O.K.
II.E.7	19	Insufficient information re: trunking design for alternate routing. See Compass report P. 19, 2.3.	O.K.
II.E.8	27	NONE.	O.K.
II.E.9	27	Insufficient definition of "tandem".	INFO
II.E.10	27	NONE.	O.K.
II.F.1	30	EXCEPTION: PNB assigns responsibility for MSAG verification to County.	O.K.
		EXCEPTION: PNB assigns responsibility for disposition of non-County 911 calls to County (K.C. proposal: selective routing within County will screen out non-County calls).	INFO
II.F.2	31	NONE.	O.K.
II.F.3	33	Insufficient definition of "Selective Routing" tables.	INFO
II.F.4	33	EXCEPTION: PNB must validate Wire Center boundaries.	ACCOM

SUMMARY OF PNB PROPOSAL COMPLIANCE  
WITH KING COUNTY'S E-911 SPECIFICATIONS

page 3

KC SPEC	PNB PROPOSAL		
REFERENCE	PAGE	DEFICIENCY OR EXCEPTION	ACTION*
III.F.5	34	Insufficient information re: similarity of telephone address format and DIME format.	INFO
		Insufficient explanation of how GTNW and TU can use different address formats to develop MSAG data for incorporation into PNB data base.	INFO
III.F.6-10	35-42	NONE.	O.K.
III.F.11	42	Insufficient information re: feasibility of providing visual indication of off-premise PBX and centrex lines on ALI display.	FOLLOW-UP
III.F.12-13	43-44	EXCEPTION: 99.9% data base accuracy level and 72 hour update turn-around time not guaranteed. Insufficient information re: level/update time that can be guaranteed, especially as regards service order activity and how GTNW and TU will be held accountable to PNB for their portion of the MSAG.	INFO
III.G.	47	EXCEPTION: No simultaneous transfer to multiple PSAPs - proposed alternative O.K.	O.K.
IV.E.1.a-d	48-50	NONE.	O.K.
IV.E.1.a-d	51	EXCEPTION: 99.9% effectiveness levels not guaranteed. Insufficient information re: effectiveness levels that <u>can</u> be provided or recourse or compensation for failure (excepting "acts of God" and third-party actions <u>beyond the control of</u> PNB).	INFO
IV.E.1.e	51	See comments to K.C. Spec III.F.12/13.	
IV.E.2-5	52	NONE.	O.K.
IV.F-G.	52-53	NONE.	O.K.
IV.H.	53	Incomplete description of E-911 maintenance priority, preventive maintenance, the service call process and who will provide maintenance.	INFO
IV.I.	54	Insufficient definition of management information that <u>is</u> available.	FOLLOW-UP
V.A.1-5		NONE.	O.K.
A.6.a	56	EXCEPTION: Outright purchase option not proposed - awaiting court ruling to determine.	FOLLOW-UP

SUMMARY OF PNB PROPOSAL COMPLIANCE  
WITH KING COUNTY'S E-911 SPECIFICATIONS

page 4

KC SPEC	PNB PROPOSAL		
REFERENCE	PAGE	DEFICIENCY OR EXCEPTION	ACTION*
V.A.6.b	56	EXCEPTION: No guarantee of upper limit for GTNW and TU pricing.	ACCOM
V.A.6	A-3	Insufficient explanation of terminal equipment unit charges. See Compass report, P. 29, "Cost Comparisons."	INFO
	A-2	Insufficient information re: access line forecasts for 1985-1990.	INFO
	76	Insufficient information re: cost of adding a sixth rural PSAP at Skykomish (see K.C. Spec III.A.2 and III.B.2).	INFO
	77	Insufficient information re: assumptions used to calculate total charges over 5-year contract period. No definition of annual charges on a year-by-year basis.	INFO
	77	Insufficient information re: inclusion of CO conversion costs in independent company charges.	INFO
V.A.7	Tab 1	NONE.	O.K.
VI.A.6	APPENDIX A	Insufficient information re: assumptions used to develop cost-of-money and inflation factors.	INFO
VI.A.6	A6, A42	Insufficient information re: five-year service life factor applied to "nonreusable" investment. See Compass report, P. 28,4.3.	INFO
VII.A-F	Tab 1	NONE.	O.K.
VII.G.	Tab 1	EXCEPTION: disclaimer of responsibility for GTNW and TU - as prime contractor, PNB must manage the input of its subcontractors, including GTNW and TU. King County will deal with only one contractor for its E-911 system.	ACCOM
		<p>* Action requested of PNB:</p> <p>O.K. = no action necessary</p> <p>INFO = provide additional explanation or description as soon as possible.</p> <p>FOLLOW-UP = provide information when it becomes available; e.g., when court rulings in or study completed.</p> <p>ACCOM = accomodate in proposal; item must meet King County Specifications</p> <p>** = Review of Pacific Northwest Bell E-911 Proposal, Compass Consulting Group, Inc., King County, Washington, February, 1983 (attached).</p>	

Pacific Northwest Bell

E. L. Pfeifer  
Vice President

Sixteen Hundred Bell Plaza  
Seattle, Washington 98191  
Phone (206) 345-4220

March 10, 1983.

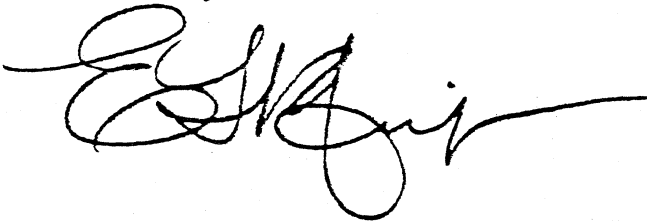
Mr. Richard A. DeFaccio  
E-911 Program Manager  
216 First Avenue S.  
4th Floor  
Seattle, Washington 98104

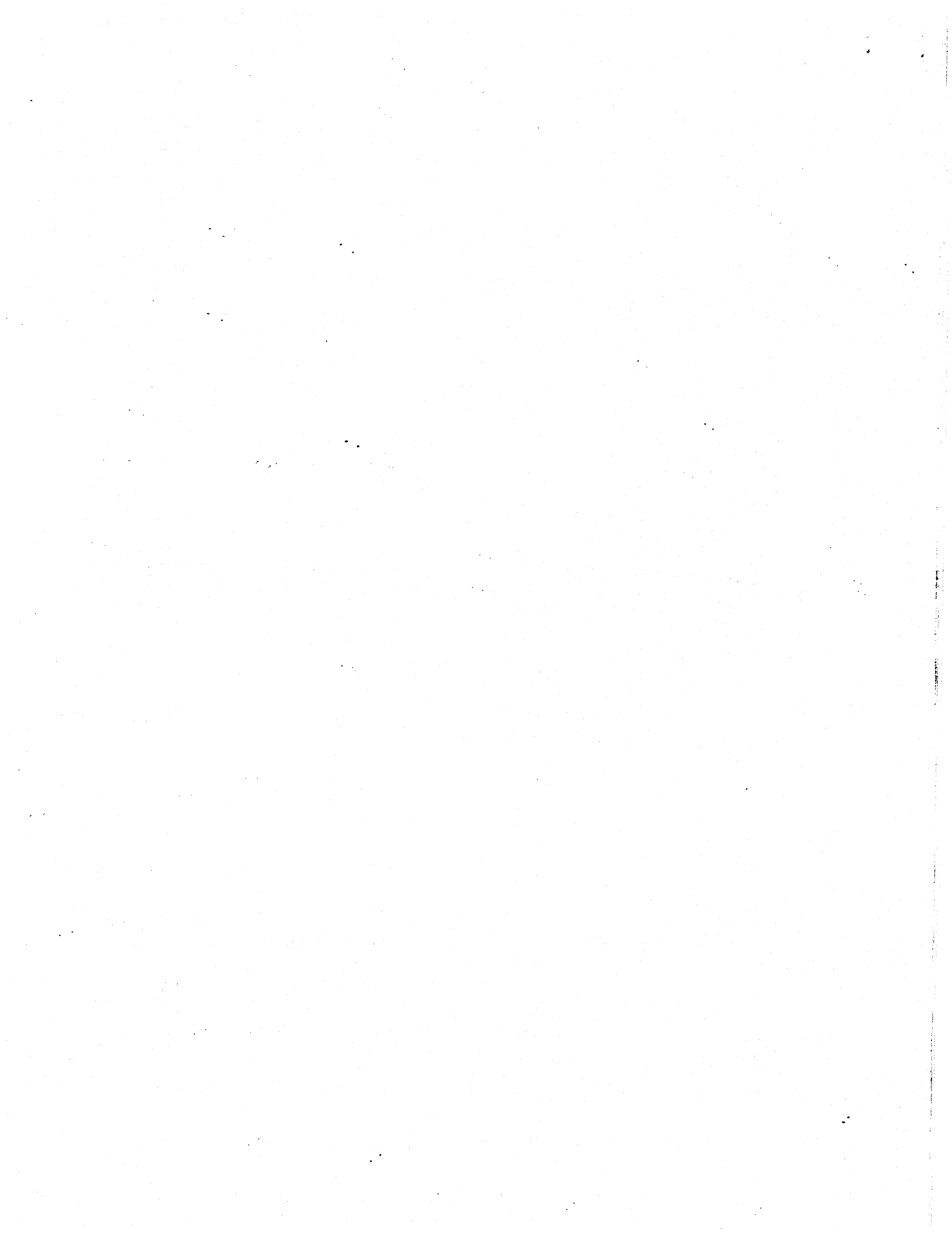
Dear Mr. DeFaccio:

Attached are the answers to the questions you asked in your March 1, 1983 letter. We have addressed each item to the best of our knowledge at this time and will continue to apprise you as additional information becomes available.

I am confident any remaining questions or concerns the County may have can be resolved as we develop a contractual agreement between PNB, King County and the independent telephone companies. We look forward to working toward that end with you, Mr. Revelle and the County Council.

Sincerely,







RESPONSE TO KING COUNTY'S REQUEST

FOR CLARIFICATION

OF PNB'S E-911 PROPOSAL

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K.C. SPEC.	ACTION	PNB RESPONSE
III. B. 1.a.	INFO	<p>The ANI Display and Transfer Unit has a LED display which cannot be adjusted for brightness. The ALI CRT <u>does</u> have a brightness control. Both are clearly visible from a distance of four feet. Both are rack mountable.</p>
ACCOM		<p>All central office conversions except Richmond Beach and Snoqualmie Pass are expected to be completed by the cutover date. (Snoqualmie Pass was not excepted in the February 14 proposal). Both Richmond Beach and Snoqualmie Pass are expected to be converted by late 1985. However, since central office conversions are primarily influenced by growth rate and the construction dollars available to the Independent Telephone Companies involved, PNB cannot guarantee their completion by the cutover date. Should a central office not be equipped for ANI, calls through it would be default routed in most cases to the correct primary PSAP.</p> <p>It should be noted that in earlier E-911 cost estimates, there were no foreseeable conversion dates for a number of Central Offices. In order to insure ANI would be available throughout the County, we included the cost of prematurely converting any central offices. Most of these costs have been eliminated in the February 14th proposal. Any exceptions will be clearly outlined when the Independent Telephone Company cost detail is provided later this month.</p>

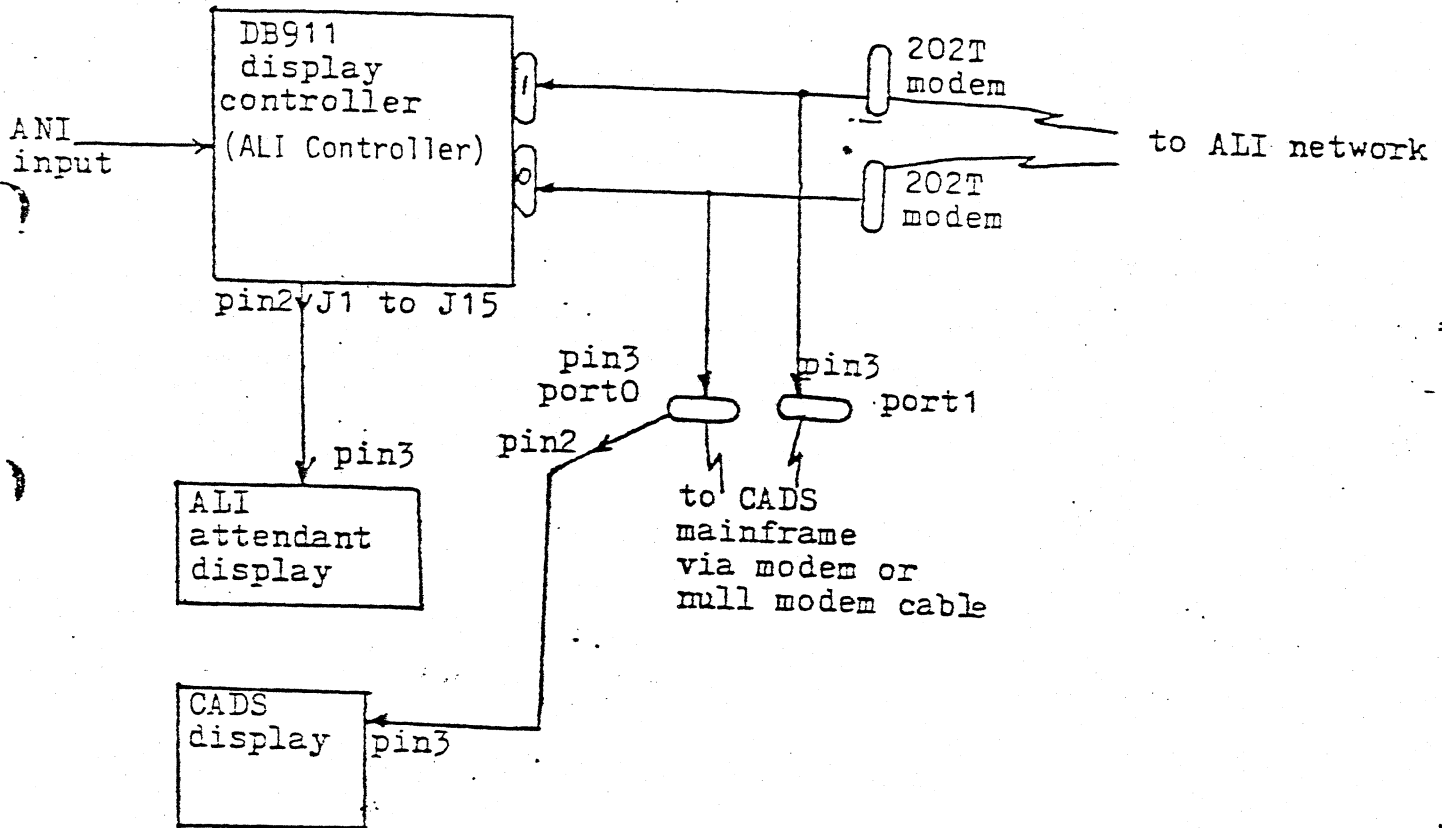
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C. SPEC.	ACTION	PNB RESPONSE
III. B.1.b.	INFO	The system has the capacity to provide call detail printouts for simultaneous calls on the maximum number of trunks per ANI Master Controller.
FOLLOW-UP PNB will investigate the cost of buffers and redundant printers to insure reliability during routine maintenance of the call detail recording system.		
	INFO	The noise level of the teleprinter is comparable to an electric typewriter.
II. B.1.c.	INFO	The "transfer unit" is an intrinsic part of the ANI Display and Transfer Console, which will be mounted on a pedestal above the call receiver's telephone. If desired, it can also be rack mounted inside a County provided console. Fixed transfer can be accomplished over dedicated lines or the exchange network.
	INFO	The user may program the speed call list including the fixed transfer buttons. (This is a correction to the information provided in the proposal).
III.B.1.d.	INFO	An ANI Auxiliary Controller is required when the number of trunks or positions at a PSAP exceed four (4). an ALI Auxiliary Controller is required when the number of positions exceed three (3). Both controllers are housed in the same cabinet as their respective master controllers.

K.C. SPEC.	ACTION	PNB RESPONSE
III.B.1.d. (Cont'd)	INFO	<p>The only types of systems that are presently known to be compatible with E-911 are key telephones (standard multi-button telephones) and two other ACD's: the Western Electric Model 2B and Ring 911/ACD. the 2B is an older technology than either the ECD-16 or Ring and is not recommended.</p> <p>We will continue to research the market for alternative systems and inform the County of any new ones discovered.</p>
III.B.1.e.	INFO	<p>The E-911 terminal equipment is EIA, 25 Pin, RS 232-C plug compatible. Only data and ground leads are necessary.</p>
	INFO	<p>The user may interface with the E-911 terminal between the 202T modem and the ALI controller (see attached drawing).</p>
	INFO	<p>Any PSAP equipped for ANI/ALI could interface its C.A.D.S. with the E-911 system.</p>
	INFO	<p>Nodes refer to ALI nodes which receive ANI signals from the PSAPs and pass them to the ALI/DMS system. In return, they receive the ALI information from the DMS system, format it and transmit to the appropriate PSAP.</p>
	INFO	<p>Four connections are made to the 25 pin plug. Pin 1 has the protected ground on it. Pin 2 has the ANI (outgoing) data, Pin 3 has the ALI (incoming) data. Pin 7 is the signal ground.</p>
	INFO	<p>Ref the compass report, P. 18, 2.1</p> <ul style="list-style-type: none"><li>. The interface will provide the CAD with both ANI and ALI information</li><li>. Since the CAD will be merely "eavesdropping" on the ALI data stream and not interacting directly with the DMS, no PSAP equipment should</li></ul>

E911-ALI/CADS INTERFACE

March 12, 1982



K. C. SPEC.	ACTION	PNB RESPONSE
III. B. 1. e. (Cont'd)	INFO	<ul style="list-style-type: none"><li data-bbox="511 436 1534 598">. The "selective transfer keypad" is part of the ANI Display and Transfer Unit and is required at each PSAP position equipped for ANI and selective/fixed transfer.</li><li data-bbox="511 630 1534 798">. There are two node lines (also called data links) emanating from every PSAP to the DMS. This "duplex" system insures reliability.</li><li data-bbox="511 829 1534 1207">. A health message, the letter "H" and a carriage return (octal 015), is sent from each PSAP to the DMS at least once every 3 minutes when no other communications occur. If no such message is received, the host computer will generate a message indicating that the PSAP equipment may need servicing.</li><li data-bbox="511 1239 1534 1333">. Any PSAP equipped with ANI/ALI may interface its C.A.D.S. with the E-911 DMS in the manner previously described.</li></ul>
III. B. 2.	ACCOM	<p data-bbox="511 1396 1485 1638">If fixed rather than selective transfer is used to reach rural fire phones, dedicated trunks can be provided from the tandem ESS to the end office (the local central office serving the fire phone system).</p>
	INFO	<p data-bbox="511 1711 1534 1818">Dedicated trunks cannot be used for selective transfer to the seven digit numbers associated with rural fire districts.</p>

C. SPEC.	ACTION	PNB RESPONSE															
II. B.2. Cont'd)	INFO	<p>The percentage of multi-party lines in exchanges serving rural fire districts is as follows:</p> <table><tr><td>Black Diamond (F.D. #17)</td><td>-</td><td>15%</td></tr><tr><td>Fall City (F.D. #27)</td><td>-</td><td>19%</td></tr><tr><td>Duvall (F.D. #45)</td><td>-</td><td>12.5%</td></tr><tr><td>Snoqualmie Pass (F.D. #49)</td><td>-</td><td>1%</td></tr><tr><td>Skykomish (F.D. #50)</td><td>-</td><td>47%</td></tr></table>	Black Diamond (F.D. #17)	-	15%	Fall City (F.D. #27)	-	19%	Duvall (F.D. #45)	-	12.5%	Snoqualmie Pass (F.D. #49)	-	1%	Skykomish (F.D. #50)	-	47%
Black Diamond (F.D. #17)	-	15%															
Fall City (F.D. #27)	-	19%															
Duvall (F.D. #45)	-	12.5%															
Snoqualmie Pass (F.D. #49)	-	1%															
Skykomish (F.D. #50)	-	47%															
II. B.3.	INFO	<p>The ANI Master Controller has a maximum capacity of four lines and four positions. The ANI common equipment (Master Controller plus Auxiliary Controller) has a capacity of fifteen lines and fifteen positions. When either lines or positions exceed fifteen, a new Master Controller must be added.</p>															
II. C.1.	INFO	<p>A B.01 grade of service is equivalent to P.01 grade of service adjusted for peakedness and day-to-day variation. The attached excerpt from the "Trunk Facilities Practices" more fully describes the Neal-Wilkinson Tables.</p>															
III. C.2.	INFO	<p>911 call volumes and CCS loads from the end central offices were determined from actual usage. These loads were distributed among individual PSAPs based upon an estimated percentage of call volumes from each end office to each PSAP. The resulting end office to PSAP CCS loads were then summed and read into the Neal-Wilkinson Tables to calculate the trunks required.</p>															
III. C.5.	INFO	<p>PSAP position estimates were calculated on the basis of trunking requirements. Since the usage levels estimated by PNB were generally higher than King County's estimates, the number of trunks <u>and</u> positions were naturally higher. Actual trunk and position requirements can be more accurately predicted after ESN assignment</p>															

# TRUNK FACILITIES

## TRUNK CAPACITY TABLES

### NEAL-WILKINSON TABLES

#### 1. GENERAL

1.01 This section presents the Neal-Wilkinson Trunk Capacity Tables that are used to engineer grade-of-service full access trunk groups. The name reflects the pioneering work of R. L. Wilkinson, who first incorporated peakedness and day-to-day variation in a telephone traffic model, and the essential contribution of S. R. Neal who participated in all the studies, extending over several years, which culminated in the construction of these new tables.

1.02 This section has been reissued to replace the Wilkinson tables that appeared in the February, 1973, issue of this section. These new tables have nonweighted average trunk group blocking values (averaging of the individual single-hour blocking readings) and incorporate a new mathematical model for day-to-day variation in offered loads. Some of the variation previously attributed to daily changes in offered loads was actually a result of the method used to derive offered loads. Offered loads are computed from such measured quantities as peg count, overflow, and carried load. By measuring these quantities for the short period of an hour, some statistical fluctuations in daily readings are picked up that are not caused by changes in offered loads but are a natural consequence of observing a random process for a limited period of time. Therefore, the day-to-day variation model has been revised to remove the effect of the variation in offered loads that is a result of these statistical fluctuations in the measured quantities.

1.03 The Neal-Wilkinson tables, in all cases, result in an increase in the estimated capacities of the trunk groups. The relative increases are largest for small trunk groups and large values of peakedness.

1.04 The Neal-Wilkinson tables are arranged for grade-of-service trunk groups offered Poisson and/or overflow traffic with or without day-to-day variation.

1.05 References in this section to methods, planning, data requirements, service levels, and

equipment quantities are based on American Telephone and Telegraph Company recommendations.

#### 2. THEORY UNDERLYING TABLES

2.01 The Neal-Wilkinson tables apply to a trunking system that has the following characteristics during a single-hour study period:

- (a) Traffic offered to the system may be either Poisson (first route) or peaked (overflow).
- (b) Calls failing to find an idle trunk disappear from the system and do not return during the single-hour study period.
- (c) Call-holding times have a negative-exponential distribution. (For trunk engineering purposes, the tables are adequate for most holding-time distributions which arise in practice.)
- (d) Calls have full access to all of the trunks in a group.
- (e) The traffic system is in a state of statistical equilibrium during each one-hour study period.

2.02 The offered traffic is peaked when some part of it is the overflow from another trunk group. A discussion of peakedness and peakedness factors appears in Division G, Section 1-a(2), of these practices.

2.03 The Neal-Wilkinson tables are designed for use with average offered loads and nonweighted average blocking. For example, offered loads for a time-consistent single hour might be averaged over 20 days. It is assumed that the trunking system has all the characteristics given in 2.01 during each separate single-hour period, but it would not be in statistical equilibrium during the 20 single-hour periods viewed as a whole if there were significant day-to-day variation in offered loads. The Neal-Wilkinson tables take account of this day-to-day variation in offered loads by combining single-hour theory with a model describing how daily offered loads are distributed about an average value. The day-to-day variation model

developed from empirical studies on final trunk  
23.

THE NEAL-WILKINSON TABLES

The Neal-Wilkinson tables appear in the  
appendixes. Appendix A contains the steady  
tables that are used with offered loads having  
negligible day-to-day variation. Neal-Wilkinson  
tables for average offered loads having low, medium,  
and high day-to-day variation appear in Appendixes  
B, C, and D, respectively. A practical method of  
choosing the proper day-to-day variation table is  
based on the relative amount of overflow traffic  
from the average offered loads and is indicated below:

% OVERFLOW TRAFFIC (IN AVERAGE OFFERED LOADS)	VARIATION TABLE
0—25	Low
26—75	Medium
76—100	High

22 For each level of day-to-day variation in  
offered loads, tables are given for average  
blocking values of 0.01, 0.02 and 0.03. Day-to-day  
variation levels are indicated by (-), (L), (M), and

(H) for no, low, medium, and high, respectively.  
Blocking values are indicated by B.01, B.02, and  
B.03 for 0.01, 0.02 and 0.03, respectively. For  
example, the 0.01 blocking table for low day-to-day  
variation is labeled B.01L, and the 0.02 table for  
no allowance for day-to-day variation is labeled  
B.02-.

3.03 A survey of the B.01L table in Appendix  
B will show how each table is organized.  
This table gives the number of trunks required to  
serve an average offered load having low day-to-day  
variation and specified peakedness factor at an  
average blocking level of 0.01. For example, an  
average offered load of 3190 CCS with peakedness  
factor 1.7 would require 116 trunks. Other tables  
give different combinations of blocking objectives  
and levels of day-to-day variation in offered loads.

3.04 In all the tables, trunk values range from 1  
through 250, and peakedness factors range  
from 1 through 10. Linear interpolation can be  
used when necessary. The CCS/trunk at 250 trunks  
should be used to size trunk groups requiring more  
than 250 trunks. The "zero" entries for offered  
load indicate that the actual offered loads corresponding  
to these points were not computed because these  
combinations of load and peakedness generally do  
not arise in practical applications.



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C.C. SPEC.	ACTION	PNB RESPONSE
III. E.9.	INFO	<p>"Tandem" refers to the #1AESS used to couple an end central office to a PSAP. Essentially, the ESS office, end office and DMS work in conjunction with one another to process and route each emergency call.</p>
III.F.1.	INFO	<p>Since the Wire Center boundaries could expand beyond County boundaries, all access lines within a boundary Wire Center will be sent to the E-911 tandem. All calls from those access lines will have to be selectively routed at the tandem. Non-County calls will be routed to the point (s) jointly determined by King County and surrounding jurisdictions such as Pierce County, Sno-Com, etc.</p> <p>Default routed calls have the potential of being non-County calls as well. Default routed calls must be dealt with by the Default PSAP to determine the appropriate disposition which would include the transfer and/or referral of the caller to a non-County entity. King County has the responsibility of negotiating with the affected County to determine the disposition of non-King County calls.</p>
III.F.3.	INFO	<p>The Selective Routing Table will be developed as an integral part of the ESN to ESZ assignment. Essentially, it relates ESN's to their primary and secondary PSAPs. To develop it, PNB will supply a chart on which the County will list the ESNs with the appropriate primary and secondary PSAP identifications. This chart will then be used by PNB to program the Tandem Control Office ESS Machine with correct routing of emergency calls.</p>

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C. SPEC.	ACTION	PNB RESPONSE
II.F.3. Cont'd)	INFO	The Default Routing Table relates a Prefix (NNX) to a Default Route PSAP. The County will determine, based on ESZ and NNX, the primary PSAP to which an emergency call will be routed in the event the emergency ANI cannot be identified or the ANI is not found in the Selection Routing Table. The County will use a chart of NNX's to designate which primary PSAP they want a call from a particular NNX to be routed.

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III.F.4.	ACCOM	The telephone companies involved will provide validation of the Wire Center boundaries as necessary to accommodate the implementation of E-911.
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III.F.5.	INFO	- Telephone Company address standard vs. DIME standard The DIR/ECT System standard requires that certain capitalization, spacing, abbreviation and alpha/numeric placement rules be followed. For example, the address "location" field abbreviations must be as follows:
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<u>Abbreviation</u>	<u>Description</u>
APT	Apartment
BLDG	Building
FLR	Floor
LOT	Trailer Lot or Space
PIER	Boat Pier
RM	Room
SLIP	Boat Moorage
SUIT	Suite
UNIT	Unit
WNG	Wing

/SN ALKI SM  
/REG AF /CAC LTM /COID B /COM SEATTLE

/SHON	1100	/EHON	1899	/PMN	0	/ZIP	/RTG	A00300000B	/NMC	/HOID	A
/SHON	2000	/EHON	2299	/PMN	0	/ZIP	/RTG	A00294000A	/NMC	/HOID	A
/SHON	2300	/EHON	2399	/PMN	0	/ZIP	/RTG	AG0288000A	/NMC	/HOID	A
/SHON	2400	/EHON	2599	/PMN	0	/ZIP	/RTG	AG0271000A	/NMC	/HOID	A
/SHON	2600	/EHON	2899	/PMN	0	/ZIP	/RTG	AG0263000A	/NMC	/HOID	A
/SHON	2900	/EHON	3199	/PMN	0	/ZIP	/RTG	AG0255000A	/NMC	/HOID	A
/SHON	3200	/EHON	3299	/PMN	0	/ZIP	/RTG	AG0252000A	/NMC	/HOID	A

/SN N 40TH  
/REG AF /CAC LTM /COID B /COM SEATTLE

/SHON	100	/EHON	199	/PMN	0	/ZIP	/RTG	000090000A	/NMC	/HOID	A
/SHON	300	/EHON	699	/PMN	0	/ZIP	/RTG	000002000A	/NMC	/HOID	A
/SHON	800	/EHON	899	/PMN	0	/ZIP	/RTG	000030000A	/NMC	/HOID	A
/SHON	900	/EHON	1099	/PMN	0	/ZIP	/RTG	000269000B	/NMC	/HOID	A
/SHON	1100	/EHON	1199	/PMN	0	/ZIP	/RTG	000251000A	/NMC	/HOID	A
/SHON	1300	/EHON	1399	/PMN	0	/ZIP	/RTG	000240000A	/NMC	/HOID	A
/SHON	1400	/EHON	1499	/PMN	0	/ZIP	/RTG	000239000B	/NMC	/HOID	A
/SHON	1500	/EHON	1799	/PMN	0	/ZIP	/RTG	000068000A	/NMC	/HOID	A
/SHON	1800	/EHON	2199	/PMN	0	/ZIP	/RTG	000076000A	/NMC	/HOID	A
/SHON	2200	/EHON	2599	/PMN	0	/ZIP	/RTG	000082000A	/NMC	/HOID	A

K.C. SPEC.	ACTION	PNB RESPONSE
III. F.5. (Cont'd)	INFO	An example of standard addresses is shown on the following page. This sample is from the Master Address Table of the DIR/ECT system, which will be the source for the MSAG. King County addresses will be extracted from the MAT.
	INFO	Information on the standard that will be used by GTNW and TU are not available at this time.
	INFO	Until a portion of the County's DIME file is supplied to PNB for comparison with PNB's, GTNW's and TU's proposed MSAG sources, we will not be able to accurately determine the similarity of the two files.
	INFO	- Different address formats in the MSAG Each telephone company will have a separate address file within the MSAG. Each file could have a unique set of standards. However, each file must meet MSAG format requirements with respect to the data elements and maximum field lengths.
III.F. 12-13	INFO	Data base accuracy is affected by a number of factors: - the accuracy of the County validated and ESN coded MSAG - the percentage of unnumbered address records - the level to which the County supports the MSAG maintenance - the volume of subscriber records in the update process
	INFO	The <u>joint</u> King County/Telephone Company objective should be to develop a data base with less than a 3% error factor at the point of system cutover. After the system true-up interval, that factor should improve to the point that a data base accuracy factor of 98-99% is achieved.

K.C. SPEC.	ACTION	PNB RESPONSE
III. F.12-13 (Cont'd)	INFO	Research with Bell Operating Companies with existing ALI/DMS systems indicates that these objectives are feasible and reasonable when the system has the combined support of the County and telephone companies.
	INFO	Data base accuracy will be tracked on the calls received by means of the PSAP/PNB Operations Unit feedback loop data, combined with the DMS Record Not Found and Error File report results. The resulting data will enable the County and telephone companies to determine problem areas and take corrective action when required. Corrective action could include correction of the MSAG, resolution of an update problem, etc.
	INFO	The ALI update process will be defined, designed, programmed and tested fifteen (15) to eighteen (18) months into the system implementation interval. During the design phase and evaluation will be made to determine an objective that will provide E-911 service order updates at the highest level accuracy with the shortest delay. At that time a mutually agreeable objective will be established by the County and all telephone companies.
	INFO	Beyond the obvious need to be responsive to the public needs, it is to the telephone companies' advantage to have a short ALI update interval. If the update process is slow the ALI retrieval error caused by the update process could increase and the telephone company resources required for E-911 maintenance would be greater. None of the telephone companies have provided for a high ALI error investigation factor in their cost input and would have to absorb the

K.D. SPEC.	ACTION	PNB RESPONSE
IV. E.1.a-d	INFO	<p>There is insufficient information available from existing E-911 systems to be able to determine what effectiveness levels could be expected or guaranteed. PNB has many internal measurements of network performance and maintenance that have set corporate objective levels. We will incorporate these measurements into the E-911 system where feasible. The best indication of performance, however, will come from the calling public and the end users in the PSAPs. In existing E-911 systems, complaints arising from system failures have been virtually non-existent.</p>
IV. H.	INFO	<p>Communications systems necessary to national defense and public safety (911) are given the highest maintenance priority. Obviously, a greater priority is given to total service outages than to service impairment problems (e.g., ANI Display and Transfer Unit malfunction). PNB and the independent telephone companies will conduct preventative maintenance as well as respond to service calls for each component in the system.</p> <p>More information on specific maintenance items will be provided as needed by the County during system implementation.</p>
IV. I.	FOLLOWUP	<p>Data on E-911 system performance could be gotten from a variety of reports measuring the #1AESS tandem. This would include such items as trunk usage, peg counts (call volume), overflows (busy conditions), ANI failures, etc. The cost of extracting this data and compiling it into information which would be useful to King County has not yet been determined.</p>

.C. SPEC.	ACTION	PNB RESPONSE
V.A.6.a.	FOLLOWUP	It is still unknown if PNB will offer the outright purchase option. We will have more information later this year regarding the post-divestiture environment in which we will operate.
V.A.6.b.	ACCOM	The network and DMS pricing in the proposal should be considered the upper limit for GTNW. (T.U. will guarantee their upper price limit by March 25). The cost for PSAP terminal equipment may be somewhat higher than indicated in the proposal. A detail of both independent telephone companys' charges will be provided later this mor
V.A.6., pg. A-3	INFO	<u>Terminal Equipment Unit Charges</u> Appendix A discusses the methods used to compute the unit charges. The application of these unit charges is explained in the main proposal, Tab 5, pages 56-76.
V.A.6., pg. A-2	INFO	<u>Access Line Forecasts - 1985-1990</u> Appendix A did not discuss forecasts of access lines beyond 1985. The network was sized to provide adequate service at cutover in 1985. The annual billing adjustment is to be computed on the previous year's actual net increases and compensates for the additional network facilities required. For budgeting purposes, the County may assume that total access lines will increase by an average of 3.42% annually from 1985 to 1990.
	INFO	Calls may be transferred to the Skykomish Fire Marshal at no additional cost. King County DPS may either dial the seven-digit number to transfer the call or arrange to speed-dial the call.

C.C. SPEC.	ACTION	PNB RESPONSE
V.A.6 (Cont'd)	INFO	<p>The five-year total charges were calculated by multiplying the annual charges (for the first year) by five and adding them to the non-recurring charges. No attempt was made to adjust for annual growth. In reality, recurring charges associated with the system's service features (i.e., the cost per 1000 access lines for ANI, ALI, and SR) will be adjusted annually, up or down depending on whether the total number of access lines increases or decreases. Unit rates will remain constant for the five-year contract period.</p>
	INFO	<p>There are no central office conversion costs built into the GTNW rates. If TU includes such charges in their final cost estimate, they will be clearly delineated so that the County can make the decision to include (or exclude) a central office from the system.</p>
VI.A.6	INFO	<p><u>Cost of Money</u></p> <p>The cost of money used to develop E-911 prices was 16.5%. This cost is what PNB estimates <u>new</u> capital money will cost during the time that the equipment will be purchased. It is a composite of long term debt and equity stock sales. The cost of long term debt is 15.0% and the cost of equity (stock) is 17.6%. It is anticipated that 42.5% of new money will be obtained from debt. The cost of money for 1983 expenditures is 15.25%.</p>



K.C. SPEC.	ACTION	PNB RESPONSE
VI.A.6 (Cont'd)	INFO	<p data-bbox="430 430 795 472"><u>Cost of Money (Cont'd)</u></p> <p data-bbox="430 493 1453 672">The cost of <u>new</u> money should not be confused with the cost of embedded (old) money. Embedded cost of money is the basis for determining the rate of return on total capital.</p> <p data-bbox="430 714 1485 1081">The cost of money varies from year to year depending on the nation's economy and other factors that affect the interest rates that bond buyers demand and the yield expectations of stock purchasers. The long term trend since the 1960's has been that the cost of capital has continued to rise even though there have been year to year fluctuations.</p> <p data-bbox="430 1123 1542 1438">The cost of money used in this study was PNB's cost of money in 1982, and is also an estimate of our post divestiture cost of capital in the timeframe of the E-911 service contract period. Current (1983) cost of capital is not relevant to the E-911 service because E-911 requires capital expenditures in future time periods.</p> <p data-bbox="430 1480 795 1522"><u>Level of Contribution</u></p> <p data-bbox="430 1543 1518 1795">PNB calculated the rates for E-911 service by determining the direct costs of service and then adding a 15% markup to provide some contribution to common corporate costs and to basic exchange access service.</p> <p data-bbox="430 1816 1485 1995">An analysis of 1981 operations was performed to determine the revenue-cost relationship for major service categories and is known as the Embedded Direct Analysis.</p>

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K.C. SPEC.	ACTION	PNB RESPONSE
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VI. A.6 (Cont'd) INFO Level of Contribution (Cont'd)

The total Common Corporate costs for 1981 was \$131.3 million. The total direct costs for services other than the local subsidized exchange services was \$783 million, producing a need for an average level of contribution of 16.8 percent. It should be noted that contributions toward the subsidized local exchange services are not included in the above percentage.

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INFO Sales Taxes

The sales tax rate used by PNB was 6.7%. PNB did not anticipate the recent increases in the Washington State sales tax and did not include the increase in the charges for E-911.

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INFO Inflation Factors

In order to determine the future costs that will be incurred in providing E-911 service, PNB used the most current actual cost data available. We then brought these costs up to what they would be when incurred. This was accomplished by applying year-by-year inflation adjustments. The following are two examples of annual inflation rates used in the study:

<u>Year</u>	<u>Composite of Capital Assets</u>	<u>Business Office Labor</u>
1980	9.0	10.8%
1981	9.0	12.5%
1982	9.0	9.1%
1983	8.0	11.6%
1984	8.0	11.5%
1985-1990	9.0	11.5%

K.C. SPEC. ACTION

PNB RESPONSE

VI.A.6  
(Cont'd) INFO

Inflation Factors (Cont'd)

The labor rate increases include not only direct salaries, Social Security, relief and pensions, but also include the cost of tools used. These tools could include computers and data terminals along with their computer programmer support.

The Business Office labor rates were taken from 1980 actuals and were then inflated using the proceeding inflation rates to 1984. A later labor rate was not available at the time of the study. The following is a comparison of the labor rate used versus the actual rate today:

<u>Year</u>	<u>E-911 Study</u>	<u>Current Cost</u>
1980	\$15.69	-
1983	\$21.34 (est.)	\$30.75
1984	\$23.81 (est.)	\$32.72 (est.)

In this instance, PNB has underestimated the cost of business office labor.

VI.A.6  
pg. A6,A42

Service Life on Non Reusable Investment

Non reusable investment is comprised of the miscellaneous cabling, hardware and installation labor. When a service is disconnected, this investment is lost. The life for amortization purposes is determined on one of two basis. For non-contract services, the average time that the unit being studied is kept in service at the same location is used. For contract offerings like E-911, the life is set equal to the initial contract period so that capital costs are recovered by the end of the contract.

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C. SPEC.	ACTION	PNB RESPONSE
I.A.6 Cont'd)	INFO	<p data-bbox="407 352 1203 384"><u>Service Life on Non Reusable Investment</u> (Cont'd)</p> <p data-bbox="407 420 1477 525">The full amortization of this investment would then be taken into account when the contract is renewed at the end of five years.</p>
II. G.	ACCOM	<p data-bbox="407 588 1445 756">Clearly, PNB will act as the single point of contact for the County and will coordinate all exchanges between the County and other telephone companies.</p> <p data-bbox="407 787 1445 951">Our intent in the February 14 proposal was merely to point out that we cannot be responsible for accuracy of information over which we have no control.</p>

---



King County Executive  
Randy Revelle  
E 911 Program  
Richard A. DeFaccio, Manager

May 2, 1983

Mr. E.L. Pfeifer  
Vice President  
Pacific Northwest Bell  
1600 Bell Plaza  
Seattle, Washington 98191

RE: Enhanced 911 (E-911) Emergency Communications System

Dear Mr. Pfeifer:

The purposes of this letter are to: (1) describe the E-911 contract negotiation process and schedule; (2) state the outstanding issues to be negotiated prior to the signing of a contract between Pacific Northwest Bell (PNB) and King County and the County's positions and suggested resolutions regarding those issues; and (3) request a written response to those issues and the County's suggested resolutions.

NEGOTIATION PROCESS AND SCHEDULE

King County has assembled a negotiation team which shall participate in all negotiation meetings with your representatives. The negotiation team includes: (1) myself, as lead negotiator; (2) Jane Donheffner, Assistant Manager, King County E-911 Program Office; (3) Bill Wilson, Budget Analyst, King County Budget Office; and (4) Lee Dedrick, Finance Manager, King County Office of Finance.

We expect negotiations to proceed as follows:

<u>DATE</u>	<u>ACTIVITY</u>
May 2 - 6	The King County negotiating team will work with PNB's representatives to achieve mutually agreeable resolutions to the issues addressed in this letter. We anticipate that negotiation meetings will be scheduled daily, Tuesday, May 3 through Friday, May 6.
May 9 - 11	PNB will respond in writing to the issues defined in this letter and the resolutions agreed to in negotiations. This letter response should be received by the E-911 Program Office by Wednesday, May 11, 1983.

<u>DATE</u>	<u>ACTIVITY</u>
May 12 - 16	The County negotiating team will review PNB's letter of response and negotiate resolutions of any residual issues with PNB to prepare a mutually agreeable draft contract.
May 17 - 27	The jointly prepared draft contract will be reviewed by the Washington Utilities and Transportation Commission staff and the King County Prosecuting Attorney.
June 3 - 30	The King County Council will review and act on the contract.

#### OUTSTANDING ISSUES AND SUGGESTED RESOLUTIONS

King County Council Motion 5728 lists several outstanding issues in two categories: (1) "Cost Issues"; and (2) "Contractual Policy Issues." A copy of Motion 5728 is enclosed. For convenience, these outstanding issues and our suggested resolutions are identified and described below in the same categories and sequence as they appear in the Motion. We added a third category, "Other Outstanding Issues."

Many of the issues listed below have been addressed with your staff during the proposal process and the resolutions need only be formally documented.

#### 1. Cost Issues

- a. Cost of Money - The County is concerned with the validity of the 16.5% Cost of Money rate proposed by PNB. Specific concerns are:
  - (1) The rate is high in terms of the cost of long term debt and marketable return on equity currently available in the utilities industry.
  - (2) The application of the cost of money in terms of specific System elements particularly in regard to the period of application and the total dollar impact is not defined.
  - (3) The derivation of the proposed cost of money in terms of methodology and timing is not defined.
  - (4) The forecasting of the rate of cost of money in terms of methodology and sensitivity is not defined.
  - (5) The actual methodology to be employed by PNB to finance the capitalization of the System is not defined.
  - (6) The percent and actual dollars reflected against overall PNB charges that is "Profit"; i.e., the return on equity increment of cost of money are not defined.

Suggested Resolution - PNB and the County will negotiate an adjustment to the rate of cost of money and PNB will apply that adjusted rate to appropriate charges and/or PNB will provide complete written justification for the proposed rate in terms of the specific issues defined above.

- b. Inflation Assumptions - The County is concerned with the validity of the inflation rates ranging up to 11.5% as proposed by PNB. Specific concerns are:
- (1) The rates are high in terms of current published inflation indices.
  - (2) The application of inflation in terms of specific System elements, the period of application, and the total dollar impact of inflation are not defined.
  - (3) The derivation of the inflation rates in terms of methodology and timing is not defined.
  - (4) The forecasting of the rates of inflation in terms of methodology and sensitivity is not defined.

Suggested Resolution - PNB and the County will negotiate an adjustment to the rates of inflation and PNB will apply that adjusted rate to appropriate charges and/or PNB will provide complete written justification for the proposed rates in terms of the specific issues defined above.

- c. Administrative Overhead (Contribution to Common Corporate Costs) - The County is concerned with the validity of the 15% Contribution to Common Corporate Costs proposed by PNB. Specific concerns are:
- (1) The application of the contribution to common corporate costs in terms of the total dollar impact is not defined.
  - (2) The derivation of the rate of contribution to common corporate costs in terms of methodology is not defined.

Suggested Resolution - PNB will provide complete written justification for the proposed contribution to common corporate costs in terms of the specific issues defined above.

- d. Profit, or Return on Stockholders Equity - This issue is defined in Paragraph a. above.
- e. Cost Estimates of Independent Telephone Companies - The charges associated with the two independent telephone companies serving as subcontractors to PNB are not finalized.

Suggested Resolution - The final charges attributable to the two independent telephone companies serving as sub-contractors to PNB will be provided by PNB in a Price Schedule which shall be included in the contract.

- f. Lease versus Outright Purchase of Capital Equipment - The County requests a definition of what equipment elements of the System will be purchaseable in terms of the legal implications of the ATT divestiture and the FCC "Computer II" rulings and what their purchase cost will be.

Suggested Resolution - The County proposes the following contract language for the resolution of this issue:

PNB shall provide to the County a revised price schedule outlining the purchase price for PSAP terminal equipment as outlined in Section 6, page 59 of the Proposal not later than six (6) months from the date of the contract. Said revised price schedule shall include revisions to the recurring charges for PSAP terminal equipment that will result from the purchase versus lease of said equipment and appropriate revisions to the installation charges for subsequent additions of PSAP terminal equipment as outlined in Section 6, page 59 of the Proposal.

The County shall have the option of purchasing all PSAP terminal equipment and paying the revised PSAP terminal equipment Recurring charges as outlined in a revised Price Schedule in lieu of Non-recurring and Recurring charges for PSAP terminal equipment as outlined in the Proposal and the Price Schedule. The County shall have the right to exercise this option at any time during the term of the contract.

## 2. Contractual Policy Issues

- a. Maintenance of the System - PNB's responsibilities for the maintenance of the System need to be clearly defined. The responsibilities of PNB and the County for monitoring the performance of the System need to be clearly defined.

Suggested Resolution - The County proposes the following contract language for the resolution of these issues:

### Maintenance

PNB shall provide preventive and remedial maintenance for the System to include Equipment, Software, and the voice transmission network through the termination date of the contract as defined in Article 2 herein.

- (i) PNB shall provide prompt remedial maintenance for



the System in compliance with the contract seven (7) days a week, twenty-four (24) hours a day, including holidays.

- (ii) PNB shall respond to failures of the System or any components thereof within a period not to exceed two (2) hours from the time of notification by the County, barring circumstances beyond the control of PNB to be defined in the contract, but as soon as is reasonably possible under any circumstances.
- (iii) PNB shall restore the System or any components thereof to full operation within a period not to exceed two (2) hours from the time of arrival on site of service personnel, barring circumstances beyond the control of PNB to be defined in the contract, but as soon as is reasonably possible under any circumstances.
- (iv) Failure to meet the above conditions is subject to the remedies provided in the contract.

#### Performance Monitoring

The PSAPs and PNB shall maintain an appropriate record to monitor the compliance of the System on the basis of the acceptance criteria as defined in the Specifications. This compliance monitoring record shall be maintained by PNB and the PSAPs for the duration of the contract and this record shall be compliant with Section IV.I of the Specifications.

- b. Procedures for PNB's Collection and Remittance to the County of the E-911 Excise Tax - The procedures to be employed by PNB and the responsibilities of PNB for the collection of the E-911 Excise Tax and the remittance of those revenues to the County need to be clearly defined.

Suggested Resolution - The County proposes the following contract language for the resolution of this issue:

PNB shall add an E-911 Excise Tax Levy (Excise Tax) to every bill for access lines located in King County in an amount as prescribed by the County not to exceed forty-five (45) cents per month as stipulated in King County Ordinance 5680 and said excise tax shall be billed against each and every access line in King County including those provided by the telephone companies other than PNB serving as sub-contractors to PNB for implementation and operation of the System.

Telephone bills shall specify that the Excise Tax is a King County E-911 Excise Tax Levy and said statement and the amount of the Excise Tax shall appear on a line separate from any other statement and amount on the bills.

The Excise Tax shall be imposed beginning twelve (12) months after the signing of the contract and remain in effect for a period of seventy-two (72) consecutive months thereafter.

The County shall notify PNB of the rate of the Excise Tax to be imposed not less than sixty (60) days prior to the imposition of the Excise Tax and not less than sixty (60) days prior to any and all changes in the Excise Tax rate thereafter.

PNB shall remit all Excise Tax revenues to the County on a monthly basis no later than thirty (30) days after the billing due date or collection date as indicated on the regular monthly bills submitted to their access line subscribers. The regular monthly billing due dates or collection dates for the other telephone companies acting as subcontractors to PNB shall be applicable to the remittance of Excise Tax revenues produced within their serving areas. The Excise Tax portion of all late access line subscriber payments shall be remitted to the County with the next regular monthly Excise Tax revenue remittance. In the case of partial access line subscriber payments, the County shall receive the amount of the Excise Tax Levy or the amount of the payment if less than the amount of the Excise Tax.

PNB shall provide the County with a monthly report submitted with the Excise Tax remittance which shall include the following information:

- (i) Number of access lines billed.
- (ii) Number of overdue access line bill payments.
- (iii) Number of uncollectible access line bill payments.

The costs to PNB of collecting, administering, and distributing the Excise Tax are included in the fifteen (15) percent contribution toward common overhead costs stipulated in the Proposal, Appendix A, page A4.

- c. Liability - The liability of the County and PNB in terms of the implementation and operation of the System need to be defined.

Suggested Resolution - The King County Prosecutor's Office is developing proposed contract language for the resolution of this issue. This proposed language will be available for negotiation by Thursday, May 4.

- d. Commonality of Contractual Terms Throughout PNB's Estimated Eight County E-911 Market - The County requires a guarantee that no other PNB E-911 customer will receive more favored consideration in any of the terms of an E-911 contract.

Suggested Resolution - The County proposes the following contract language for the resolution of this issue:

All of the prices, rates, terms, warranties and benefits granted to the County are comparable to or better than the equivalent terms being offered by PNB to any present customer. If PNB shall, during the term of the contract, enter into arrangements with any other customer providing greater benefits or more favorable rates, prices, terms and warranties, the contract shall thereupon be deemed amended to provide the same to the County.

- e. Option to Extend E-911 Service - The County requires a guarantee that the County will have the option of securing E-911 services from PNB beyond the termination of the contract.

Suggested Resolution - The County proposes the following contract language for the resolution of this issue:

PNB hereby extends to the County an option to contract for continued E-911 service for a minimum of two (2) five (5) year contract periods after the term of the contract expires. Such option allows the County at its will to retain Equipment in place at the expiration of the term of the contract and shall offer the continuation of all PNB-provided services described herein as necessary for continued System performance at the standards prescribed in the contract at a price based on the pricing methodology described in the Proposal and as approved by the Washington Utilities and Transportation Commission.

### 3. Other Outstanding Issues

- a. Emergency Traffic Loading Study - The County requires a written guarantee that the final trunking for the System and the number of ANI/ALI equipped operator positions at the PSAPs will be determined on the basis of an emergency traffic loading study to be conducted by PNB subject to the approval of the County.

Suggested Resolution - PNB shall propose an emergency traffic loading study in their formal written response to this letter including a comprehensive description of the methodology and duration of such a study.

- b. Contract Review by the Washington Utilities and Transportation Commission - The County requires PNB's assurance that the contract shall be submitted to the Washington Utilities and Transportation Commission immediately after signing.

Suggested Resolution - PNB shall provide assurance to the County in their formal written response to this letter that they will submit the signed contract to the Washington Utilities and Transportation Commission for review and approval.

Mr. E.L. Pfeifer  
May 2, 1983  
Page Eight

REQUEST FOR RESPONSE

King County requests that PNB prepare a written response to the issues defined in this letter by May 11, 1983 so that we can jointly prepare a mutually agreeable draft contract to be submitted to the King County Executive and the King County Prosecutor's Office by May 13, 1983. When signed by an officer of PNB this response will be incorporated by reference into the February 14, 1983 Proposal and into the contract.

We look forward to successful negotiations producing a mutually agreeable draft contract by May 13, 1983.

Thank you for your continued cooperation in this matter. If you have any questions regarding this letter or negotiations, please call me at 344-3885.

Sincerely,



Richard A. DeFaccio  
Manager, E-911 Program Office

Enclosure

RAD:dmd

cc: Jon Gaedke, Marketing Manager  
ATTN: Michael Jordan, E-911 Project Manager

Tom Fitzsimmons, King County Program Development Manager

Pacific Northwest Bell

E. L. Pfeifer  
Vice President

Sixteen Hundred Bell Plaza  
Seattle, Washington 98191  
Phone (206) 345-4220

May 12, 1983

Mr. Richard A. DeFaccio  
E-911 Program Manager  
Floor 4, Grand Central on the Park  
216 First Avenue South  
Seattle, WA 98104

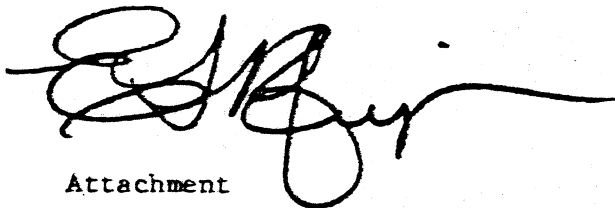
Dear Mr. DeFaccio:

We are currently reviewing the proposed E-911 contract between King County and PNB. While we had hoped to be able to present our comments on all of its articles prior to May 17, it now appears we will need until the 23rd to complete our response. I realize this may cause some delays to the negotiating schedule, but I'm sure you will agree it is important for all parties to understand the commitments that must be met if E-911 is to be implemented successfully.

The attached document responds to those issues outlined in your May 2 letter which are not incorporated in the body of the proposed E-911 contract between Pacific Northwest Bell and King County. Specifically, we are addressing under Items 1. a. Cost of Money, 1. b. Inflation Assumptions, 1. c. Administrative Overhead, 1. d. Return on Stockholders Equity, and 3. Other Outstanding Issues. All other issues will be addressed in the body of the contract.

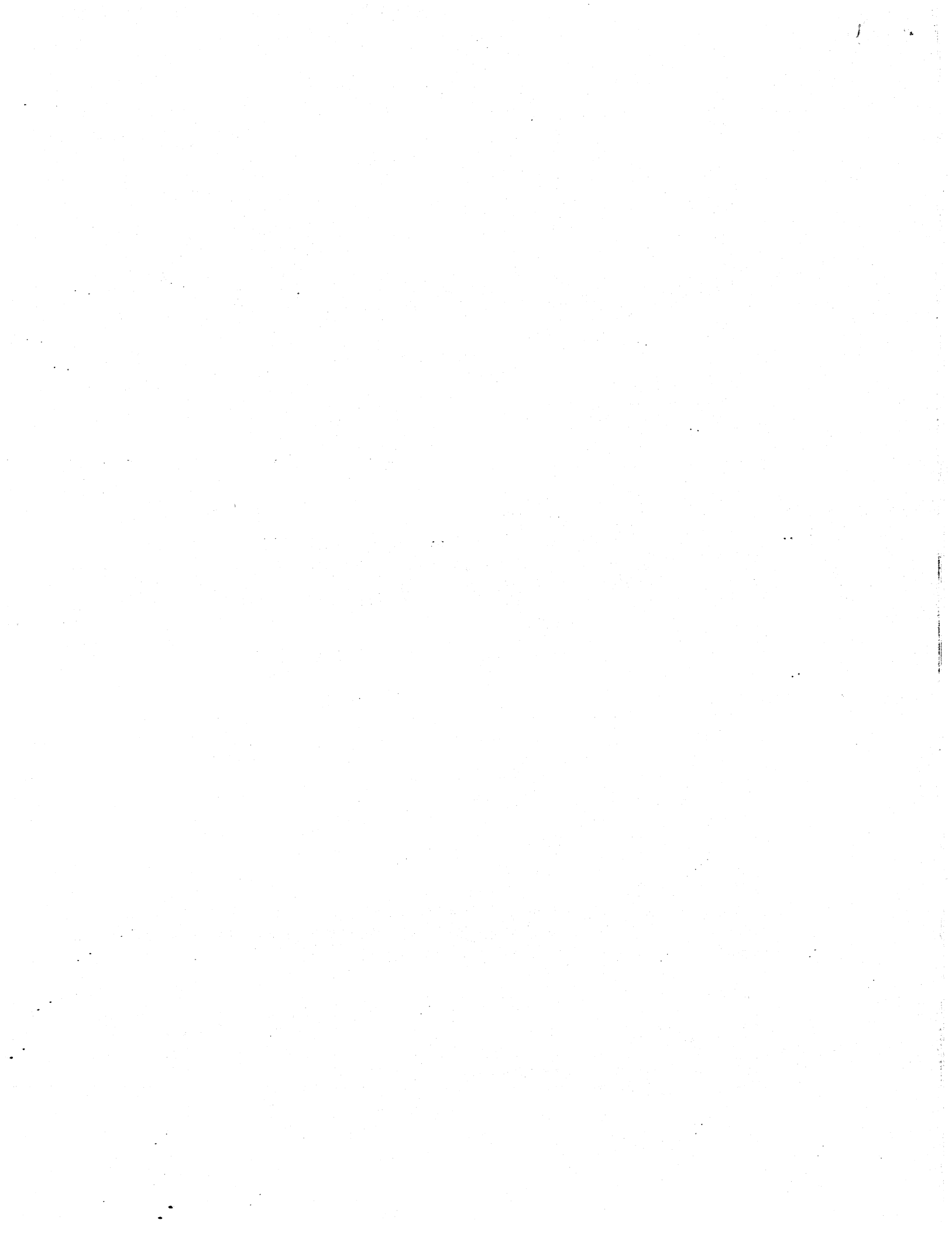
I too look forward to completing contract negotiations as soon as possible. I assure you that Pacific Northwest Bell is committed to providing King County with the best possible emergency communications system at a reasonable price under terms and conditions that will be mutually acceptable by all parties concerned.

Sincerely,



Attachment

cc: Randy Revelle



E911 SERVICE

WASHINGTON RATE SCHEDULE A

Five Year Contract with Rate Stability

		<u>INITIAL INSTALLATION</u>		<u>SUBSEQUENT</u>
<u>1. PSAP Equipment</u>		<u>MONTHLY RATE</u>	<u>INSTALLATION CHARGE</u>	<u>INSTALLATION CHARGE</u>
<u>USOC</u>	<u>Description</u>	<u>(Per Unit)</u>	<u>(Per Unit)</u>	<u>(Per Unit)</u>
E9S	ANI Master Controller	\$365.00	\$18,400.00	NA
E9E	ANI Auxiliary Controller	93.00	4,800.00	5,010.00
E9Y	Trunk Equipment/Per 4 Trunks	28.00	1,135.00	1,495.00
E9U	ANI Display and Transfer Unit	23.00	959.00	1,030.00
E9P	Commercial Power Unit	55.00	3,210.00	3,430.00
E8L	ALI Master Controller	455.00	6,190.00	NA
E8N	ALI Auxiliary Controller	48.00	450.00	495.00
E8P	ALI Display Unit	60.00	2,660.00	2,680.00
E8Q	ALI Interior Wiring	1.00	49.90	88.00
NRO	Job Opening Charge	NA	NA	478.00
 <u>2. Network Service Features</u>		 <u>MONTHLY RATE</u>	 <u>INSTALLATION CHARGE</u>	 <u>INSTALLATION CHARGE</u>
		 (PER 1000 ACCESS LINES)	 (PER 1000 A.L.)	 (PER 1000 A.L.)
With ANI, ALI, SR &		\$188.00	\$ 2,375.00	\$ 2,375.00

Monthly rates to be applied to Access Lines in service and adjusted annually based on End of Year count of Access Lines in service. The Non Recurring charge applies to all Access Lines added to the service area.

3. PSAP Equipment Rearrangements and Moves will be billed on a case by case basis for the actual costs involved.

E911 SERVICE

WASHINGTON RATE SCHEDULE B

Five Year Contract with CPI Adjusted Rates

		<u>INITIAL INSTALLATION*</u>		<u>SUBSEQUENT*</u>	
<u>USOC</u>	<u>Description</u>	<u>MONTHLY RATE</u>		<u>INSTALLATION CHARGE</u> (Per Unit)	<u>INSTALLATION CHARGE</u> (Per Unit)
		<u>INITIAL PERIOD</u> (Per Unit)			
		<u>FIXED</u>	<u>VARIABLE</u>		
<u>1. PSAP Equipment</u>					
E9S	ANI Master Controller	\$345.80	\$19.20	\$18,032.00	NA
E9E	ANI Auxiliary Controller	90.20	2.80	4,752.00	5,010.00
E9Y	Trunk Equipment/Per 4 Trunks	25.20	2.80	1,113.00	1,495.00
E9U	ANI Display and Transfer Unit	22.10	.90	950.00	1,030.00
E9P	Commercial Power Unit	34.20	20.80	2,954.00	3,430.00
E8L	ALI Master Controller	432.30	22.70	5,819.00	NA
.8N	ALI Auxiliary Controller	44.60	3.40	410.00	495.00
E8P	ALI Display Unit	34.50	25.50	2,128.00	2,680.00
E8Q	ALI Interior Wiring	.40	.60	46.00	88.00
NRO	Job Opening Charge	NA	NA	NA	478.00
<u>2. Network Service Feature</u>					
		<u>MONTHLY RATE*</u>		<u>INSTALLATION*</u>	<u>SUBSEQUENT*</u>
		<u>INITIAL PERIOD</u>		<u>CHARGE</u>	<u>INSTALLATION</u>
		<u>(PER 1000</u>		<u>CHARGE</u>	<u>CHARGE</u>
		<u>ACCESS LINES)</u>		<u>(PER 1000 A.L.)</u>	<u>(PER 1000 A.L.)</u>
	With ANI, ALI, SR	\$148.00		\$ 2,375.00	\$ 2,375.00

These rates are effective until December 31, 1985.



E911 SERVICE

WASHINGTON RATE SCHEDULE B

Five Year Contract with CPI Adjusted Rates

3. Rate Adjustment Factors - The initial period rates will be adjusted effective every January First and July First following the cutover date to account for increases in the cost to provide the E911 Service. The inflation index to be used is the National Consumer Price Index for Urban Consumers (CPI-U) issued by the U.S. Bureau of Labor Statics. The Indexes will be used as follows:

CPI-U for the service cutover month (issued about four weeks after the end of the month) will form the benchmark index (CPI-UB) for computing increases in rates thereafter.

CPI-U for the month of May will be used to adjust the rates July First of each year for the life of the contract.

CPI-U for the month of November will be used to adjust the rates January First of each year for the life of the contract.

Rate Adjustment Factor Formulas:

FORMULA I

$$RN = RP * (CPIC - CPIP)$$

where:

RN = Rates for the new period (rounded to nearest nickel).

RP = Rates for the previous period.

CPIC = CPI-U for the current period.

CPIP = CPI-U for the previous period.

- (a) PSAP Fixed monthly rate will not be adjusted.
- (b) PSAP Variable monthly rate will be adjusted according to Formula I.
- (c) Network Service Feature monthly charges will be adjusted according to Formula I.
- (d) Network Installation charge for access lines added to the E911 network each January will be adjusted each year by Formula I except that the CPI from the previous period will be the CPI from the previous December.
- (e) Subsequent Installations charge for PSAP Equipment will be computed according to Formula II following.

E911 SERVICE

WASHINGTON RATE SCHEDULE B

Five Year Contract with CPI Adjusted Rates

FORMULA II

$$SIC = IME * (CPIC \div CPIB - 1) * 42.71231 + ISIC * (CPIC \div CPIB)$$

where:

SIC = Subsequent Installation Charge (rounded to nearest whole dollar).

IME = Initial Monthly Equipment Rate.

CPIC = CPI-U for the current period.

CPIB = CPI-U for the benchmark.

ISIC = Initial Period Subsequent Installation Charge.

4. The increase in rates for PSAP Equipment Variable and Network Service Features shall be limited to a minimum of two percent (2.0%) and a maximum of nine percent (9.0%) for any one six month period.
5. The increase in the annual Network Installation charge for access lines added to the network shall be limited to a minimum of four percent (4.0%) and a maximum of eighteen percent (18.0%) for any one annual period.
6. Subsequent Installation charges after the initial period ending December 31, 1985, shall be equal to or greater than the Subsequent Installation charges during the initial period.
7. PSAP Equipment rearrangements and Moves will be billed on a case by case basis for the actual costs involved.

PNB Response to Outstanding Issues

Issue

PNB Response

1.a. Cost of Money

Many factors affect capital costs, i.e., the costs of a capitalized asset. Cost of money, i.e., the cost of obtaining the money to finance the capital asset is only one of these. Pacific Northwest Bell obtains part of this money by selling long term debentures (about 40 percent) and the remainder by selling equity. An appropriate combination of debt and equity financing is necessary in order to maintain a credit rating that will permit ready availability of capital at reasonable rates. Other factors that affect the capital cost portion of the monthly recurring charge include (1) Purchase price, (2) changes in Federal income tax laws, (3) changes in FCC and IRS depreciation laws, and (4) PNB's loss of the Western Electric deferred profit credit due to divestiture.

PNB did not anticipate that the State of Washington would increase the sales tax by more than 16 percent, an increase so large that it has a substantial impact on the cost of equipment purchased from PNB's suppliers. This has caused an increase in the purchase price of equipment beyond the original projections contained in the proposal. Since the study was completed, the FCC has represeted the book depreciation rate and the IRS has changed to the Accelerated Cost Recovery System (ACRS) method of tax depreciation. When these effects are combined with a reduction in the cost of capital to 15.25%, the capital cost portion of recurring charges cannot be reduced nor can the recurring charges.

1.a.(1)

The cost of money rate is directly related to, and measured by, the competitive cost of money in the market place. The present return of 15.25% represents the return required by investors to invest in PNB or any firm of comparable risk. It is a composite of 12.5% return requirement on long-term bonds and a 17.3% return on equity weighted by the appropriate components of debt and equity projected in PNB's capital structure. Other major utilities in the State of Washington would require higher returns commensurate with higher levels of risk because their credit ratings are lower than PNB's AA rating.

PNB Response to Outstanding Issues

Issue

PNB Response

1.a.(2)(6)

Cost of money is applied as part of the capital costs on investments. The cost of money shows up only in the monthly recurring service feature charge, the recurring PSAP equipment charges and in the capitalized portion of the PSAP-Installation charges. The cost of money is applied against invested capital and is ongoing so long as the asset remains in service.

Pacific Northwest Bell does not make a "Profit" on single products nor do other businesses. "Profits" are defined in most accounting books as an increase in shareowner equity due to operation of the business. When this definition is applied to the King County E911 proposal, only the return on equity portion of capital recovery part of the charges can be termed "Profit." The actual dollar "Profit" is not normally of interest to PNB and is not computed as a separate part of developing rates.

1.a.(3)(4)(5)

For the derivation of cost of capital, see the attached exhibit A.

In summary, it has been explained on several occasions that the bottom line charges are fair and that adjustments cannot be made in only one of many factors that affect the charges. The only real test of the appropriateness of PNB's charges is to see if other rate payers who do not benefit from E911 service are subsidizing the King County E911 service. PNB has sufficiently demonstrated that this service is not a burden on other rate payers. A reduction in the charges could make E911 a burden and it is therefore not appropriate to make any adjustments in the charges. The only other test that is appropriate is whether E911 subsidizes other services. Again, PNB has demonstrated that the fifteen percent level of contribution from E911 has been set at a level below the average contribution of 16.8 percent and therefore does not subsidize other services.

PNB Response to Outstanding Issues

<u>Issue</u>	<u>PNB Response</u>
1.b. <u>Rates of Inflation</u>	<p>The cost adjustment factors used by PNB to adjust actual historical equipment costs to current and then to future levels are the Telephone Plant Indexes (TPI). These indexes are compiled by the Bell System each year to determine the amount that telephone equipment increases in price from one year to the next for 32 different categories of equipment. The TPI's are like the Consumer Price Index (CPI) except that they are developed specifically for Telephone Equipment.</p> <p>These indexes were used in two ways. The first was to adjust historical actual costs to current 1984 costs. Actual or known rates of inflation were used in these factors. The second use of inflation factors was to estimate average levelized rates for the rate stabilized period from 1985 to 1990. These rates are realistic projections of what the TPI will increase over the second half of the 1980's.</p> <p>If King County does not accept these rates as realistic, PNB proposes an alternative rate schedule (Rate Schedule B) in which the inflation factors used to produce the five year levelized rates have been removed and rate increases are tied to increases in the Consumer Price Index as a surrogate measure of cost increases. The CPI adjustments are being applied to those costs that increase over time. Those costs that are fixed are not being adjusted. King County then assumes the liability for increases in costs over the life of the contract. King County must select Rate Schedule A (stabilized rates) or Rate Schedule B (CPI adjusted rates). Only the selected rate schedule will be included in the contract and there can be no change in rate plans for the life of the contract.</p>
1.c. <u>Administrative Overhead</u>	<p>Please reference pages 13 and 14 of the attachment to Mr. Pfeifer's letter of March 10, 1983, to Mr. R. A. DeFaccio. The cost methodology used by Pacific Northwest Bell for rate making purposes are based on micro economic principles in which only those costs that are directly attributable to providing a service are included. These include directly assignable expenses and capital costs (including return on equity) for the investments that are directly required to provide the service.</p>

PNB Response to Outstanding Issues

<u>Issue</u>	<u>PNB Response</u>
1.c. (cont.)	<p>The indirect costs of running the corporation cannot be directly assigned to any one service and are put into an unassignable pot called "Common Corporate Costs." These costs include Executive, Legal, Treasury and Personnel expenses as well as departmental staff and supervisory overheads above the District level.</p> <p>Common Corporate costs cannot be distributed to services using any kind of formula. However, an analysis of 1981 operations shows that if Common Corporate Costs would be allocated as a percent of the direct costs to those services (including E911) which are to contribute, the average level of contribution would be 16.8 percent instead of the 15.0 percent included in the proposal. PNB set the rate at 15.0 percent so that the E911 service offering would not subsidize other services.</p>
1.d. <u>Profit</u>	<p>See PNB's response to Issue 1.a. The only "Profit" is the return on equity portion of the capital costs.</p>
1.e. <u>Cost Estimate of the Independent Telephone Companies</u>	<p>The final charges attributable to the two independent telephone companies will be provided in a Price Schedule attached to the contract.</p>
1.f. <u>Lease versus Purchase of PSAP Terminal Equipment</u>	<p>PNB will address this issue in our proposed contract.</p>
2. <u>Contractual Policy Issues</u>	<p>PNB will address contractual policy issues in our proposed contract.</p>
3.a. <u>Emergency Call Volume Study</u>	<p>PNB will conduct an emergency call volume study for, all Public Safety Answering Points (PSAPs) presently serving King County. The study will be a minimum of one (1) year in length. PNB will establish volume registers that will record the following for each PSAP:</p> <ol style="list-style-type: none"><li>1) Attempt volume - the number of times in one (1) hour that the public attempts to reach the PSAP.</li></ol>

Issue

PNB Response

3.a. (cont.)

- 2) Overflow volume - the number of times in one (1) hour the public was unable to reach the PSAP.
- 3) Usage volume - the total holding time in one (1) hour for all completed calls to the PSAP during that hour.

The above data will be taken 24 hours a day for the length of the study. The data will then be examined and the current system trunking and number of PSAP positions will be studied. The County will provide the following additional data required to develop exact system requirements:

- 1) Definition of Emergency Service Zones (ESZ).
- 2) Consolidation of any PSAPs to provide Enhanced 911 service.
- 3) Answering procedures for all PSAPs - current and with enhanced 911.
- 4) The 7-digit telephone numbers of the PSAPs in that area where 911 is currently available. The county will help develop the correlation of 911 calls to 7-digit calls to the PSAPs.

Upon completion of the system requirements, PNB will conduct a formal review with representatives of King County government to reach agreement on the final system network and answering positions.

3.b. Contract Review  
by the WUTC

PNB will submit the signed contract to the Washington Utilities and Transportation Commission for review.

COST OF CAPITAL FOR PNB - 1984-1985

<u>CAPITAL SOURCE</u>	<u>WEIGHT (%)</u>	<u>COST RATE (%)</u>	<u>WEIGHTED COST (%)</u>
Long-term Debt	42.5	12.5	5.31
Equity	<u>57.5</u>	17.3	<u>9.95</u>
	100.00		15.26

CAPITAL STRUCTURE

PNB current debt ratio is 39.9% (3/31/83), however, PNB's early 1984 post divestiture debt ratio will be approximately 44.5%. PNB's financial objective is to achieve a 40% debt ratio. PNB's debt ratio is projected to be in the 42%-43% range in the late 1984-1985 time frame.

COST OF LONG-TERM DEBT

Presently, new long-term AA utility debt is yielding 11.5%. Two other Bell System companies with similar credit ratings as PNB have recently issued long-term bonds. The Southwestern Bell issue dated April 21 was priced with a cost to company of 11.752% and the Southern Bell issue of April 1 was priced with a cost to company of 11.992%.

The December, 1984 AA rated utility bonds are projected to yield 12.45% based on futures market data for U.S. government bonds and the historic relationship between U.S. government bond yields and AA utility bond yields.

COST OF EQUITY

The cost of equity is projected to be 17.3% based on the December 1984 futures market data and using a risk premium analysis. The analysis measures the investors' return requirement by calculating the spread between U.S. government bonds, AA utility bonds and corporate equity returns.



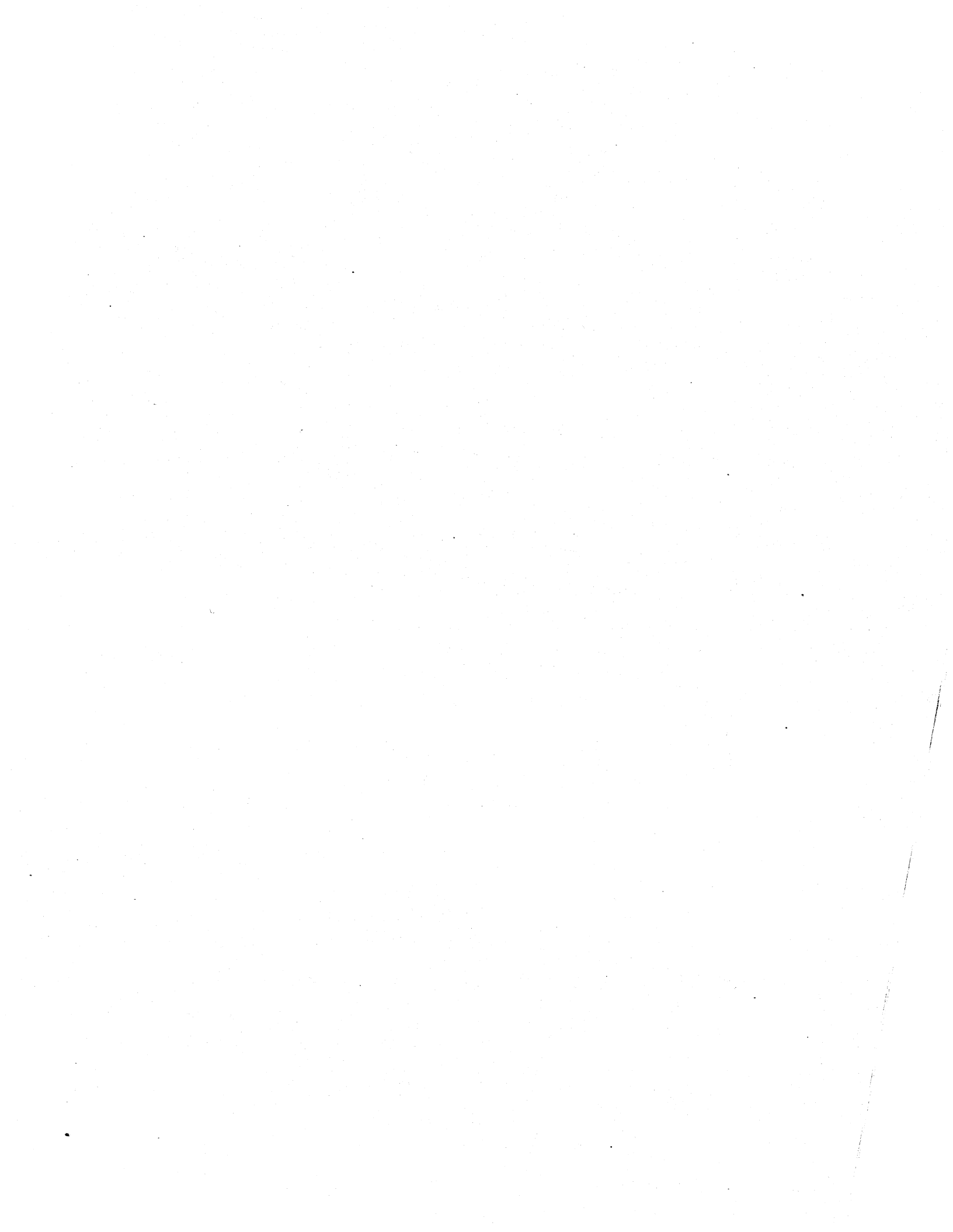
Exhibit C  
Price Schedule

Five Year Contract with CPI Adjusted Rate

The following pages outline E-911® costs for King County:

- PNB Unit Rates
- Telephone Utilities of Washington Unit Rates
- General Telephone of the Northwest Unit Rates
- Network/DMS Charges - General Telephone of the Northwest
- Terminal Equipment Charges by Unit
- Summary of Estimated Charges for Telephone System Modifications
- ALI for Rural Fire Stations
- Summary of King County E-911 charges
- Estimate of Start-up Costs for Excise Tax Collection

In general, recurring charges have been annualized to facilitate evaluation and budgeting. They actually will be billed monthly after cutover.



## E911 SERVICE

### Five Year Contract with CPI Adjusted Rates

1. Rate Adjustment Factors - The initial period rates will be adjusted effective every January First and July First following the cutover date to account for increases in the cost to provide the E911 Service. The inflation index to be used is the National Consumer Price Index for Urban Consumers (CPI-U) issued by the U.S. Bureau of Labor Statics. The Indexes will be used as follows:

CPI-U for the service cutover month (issued about four weeks after the end of the month) will form the benchmark index (CPI-UB) for computing increases in rates thereafter.

CPI-U for the month of May will be used to adjust the rates July First of each year for the life of the contract.

CPI-U for the month of November will be used to adjust the rates January First of each year for the life of the contract.

2. Rate Adjustment Factor Formulas:

#### FORMULA I

$$RN = RP * (CPIC \div CPIP)$$

where:

RN = Rates for the new period (rounded to nearest nickel).

RP = Rates for the previous period.

CPIC = CPI-U for the current period.

CPIC = CPI-U for the previous period.

- (a) PSAP Fixed monthly rate will not be adjusted.
- (b) PSAP Variable monthly rate will be adjusted according to Formula I.
- (c) Network Service Feature monthly charges will be adjusted according to Formula I.
- (d) Network Installation charge for access lines added to the E911 network each January will be adjusted each year by Formula I except that the CPI from the previous period will be the CPI from the previous December.
- (e) Subsequent Installations charge for PSAP Equipment will be computed according to Formula II following.

FORMULA II

$$SIC = IME * (CPIC - CPIB - 1) * 42.71231 + ISIC * (CPIC \div CPIB)$$

where:

SIC = Subsequent Installation Charge (rounded to nearest whole dollar).

IME = Initial Monthly Equipment Rate.

CPIC = CPI-U for the current period.

CPIB = CPI-U for the benchmark.

ISIC = Initial Period Subsequent Installation Charge.

3. The increase in rates for PSAP Equipment Variable and Network Service Features shall be limited to a minimum of two percent (2.0%) and a maximum of nine percent (9.0%) for any one six month period.
4. The increase in the annual Network Installation charge for access lines added to the network shall be limited to a minimum of four percent (4.0%) and a maximum of eighteen percent (18.0%) for any one annual period.
5. Subsequent Installation charges after the initial period ending December 31, 1985, shall be equal to or greater than the Subsequent Installation charges during the initial period.
6. PSAP Equipment rearrangements and Moves will be billed on a case by case basis for the actual costs involved.

E-911 Service  
PNB Unit Rates

Monthly Rate*	Installation Charge*
Per 1000 Access Lines	Per 1000 Access Lines
\$ 150.00	\$2,375.00

1. Network Service Features

With ANI, ALI, and SR

Monthly rates to be applied to Access Lines in service and adjusted annually based on End of Year Access Lines in service. The Non-Recurring Charge applies to all Access Lines added to the service area.

2. PSAP Equipment

Initial Installation\*      Subsequent Additions\*

	Monthly Rate		Initial Period		Non-Recurring Charge	
	Fixed	Variable	Initial	Period	Charge	Charge
ANI Master Controller	\$ 335.50	\$ 29.50	\$ 18,032.00		\$ NA	
ANI Auxiliary Controller	90.20	2.80	4,752.00		5,010.00	
Trunk Equipment/Per 4 Trunks	25.20	2.80	1,113.00		1,495.00	
ANI Display & Transfer Unit	22.10	.90	950.00		1,030.00	
Commercial Power Converter	34.20	20.80	2,954.00		3,430.00	
ALI Master Controller	425.40	29.60	5,819.00		NA	
ALI Auxiliary Controller	44.60	3.40	410.00		495.00	
ALI Interior Wiring	.40	.60	46.00		88.00	
ALI Display Unit	34.50	25.50	2,128.00		2,680.00	
**Data Set	36.00	NA	65.00		65.00	
**43 Teleprinter	77.50	NA	105.00		105.00	
Job Opening Charges	NA	NA	NA		478.00 Per Request	

3. Moves, Changes, and Rearrangements

Will be billed on a case by case basis for the actual costs involved.

\* These initial period rates are effective until December 31, 1985.

\*\* Data sets and teleprinters currently are tariffed items and are not a part of our rate stability offering. These rates could change before installation. Also, the installation charges for these two items are based on the actual time and materials required. Their non-recurring charges are estimates.

E-911 Service  
Telephone Utilities of Washington Unit Rates

	<u>Monthly Rate</u>	<u>Installation Charge</u>
	<u>Per 1000 Access Lines</u>	<u>Per 1000 Access Lines</u>

1. Network Service Features  
(In Addition to PNB Rates)

With ANI, ALI, and SR                      \$1,065.00                      \$13,117.00

Monthly rates to be applied to Access Lines in service and adjusted annually based on End of Year Access Lines in service. The Non-Recurring charge applies to all Access Lines added to the service area.

2. PSAP Equipment

	<u>Initial Installation</u>		<u>Subsequent Additions</u>
	<u>Monthly Rate</u>	<u>Non-Recurring Charge</u>	<u>Non-Recurring Charge</u>

ANI Master Controller	\$ 365.00	\$ 18,400.00	\$ NA
ANI Auxiliary Controller	93.00	4,800.00	5,010.00
Trunk Equipment/Per 4 Trunks	28.00	1,135.00	1,495.00
ANI Display & Transfer Unit	23.00	959.00	1,030.00
Commercial Power Converter	55.00	3,210.00	3,430.00
ALI Master Controller	455.00	19,050.00	NA
ALI Interior Wiring	1.00	49.90	88.00
ALI Display Unit	60.00	2,660.00	2,680.00
Data Set	36.00	65.00	65.00
43 Teleprinter	77.50	105.00	105.00
Job Opening Charges	NA	NA	478.00 Per Request

3. Moves, Changes, and Rearrangements

Will be billed on a case by case basis for the actual costs involved.

E-911 Service  
General Telephone Unit Rates

1. Network Service Features  
(In Addition to PNB Rates)

With ANI, ALI, and SR

GTNW will charge for the actual hardware used in providing this service rather than on a cost averaging basis. The following page provides a breakdown of their Network/DMS charge.

2. PSAP Equipment

	<u>Monthly Rate</u>	<u>Non-Recurring Charge</u>
ANI Master Controller	\$725.60	\$3,085.00
ANI Display & Transfer Unit	45.90	155.00
Commercial Power Converter	121.60	495.00
ALI Master Controller	660.60	3,010.00
ALI Interior Wiring	5.50	7.50
ALI Display Unit	64.20	330.00
Repair Kit	264.50	320.00
Data Set	23.67	74.75
43 Teleprinter	55.56	175.50

3. Moves, Changes, and Rearrangements

Will be billed on a case by case basis for the actual costs involved.

Network/DMS Charges - General Telephone of the Northwest

Description	Quantity	Annual Charges Per Unit	Total Annual Charges	Nonrecurring Charges Per Unit	Total Nonrecurring Charges (Based on 100% Nonrecoverables)
<u>Network</u>					
COE and Trunking to Seattle Main	21 Trunks		\$ 49,344.00		\$ 67,142.00
Primary PSAPs:	15 Trunks		4,440.00		2,637.00
Interoffice Circuits	9 Loops	\$237.60	2,138.40	\$148.40	1,335.60
Local Loops (2-Wire)	6 Loops	463.20	2,779.20	171.70	1,030.20
Local Loops (4-Wire)	3 Units	330.00	990.00	215.00	645.00
Data Interface					
Secondary PSAPs:	7 Trunks		4,944.00		2,935.00
Interoffice Circuits	7 Loops	237.60	1,663.20	148.40	1,038.80
Local Loops (2-Wire)					
Data Base: Setup			36,636.00		11,684.00
Updates			7,332.00		
Administration	7 Central				
Service Rearrangements	Offices		<u>\$110,266.80</u>	3,429.00	<u>24,003.00</u>
					<u>\$112,450.60</u>

Note - GTNW will adjust network billing when trunks are added or removed.



PNB Service Feature Pricing Estimate\*

King County Access Line Forecast for 1-1-85 = 865,085 (Lines)

Service Feature Costs (ANI, ALI, SR)

Non-Recurring Charges:

865,085 Access Lines x \$2,375/1000 Access Lines = \$2,054,577

Annual Recurring Charges:

865,085 Access Lines x \$150/1000 Access Lines/Month x 12 = \$1,557,153

\* These rates will be adjusted annually by the CPI factor.

Service Feature Pricing Estimate  
Telephone Utilities of Washington

Telephone Utilities Access Line Forecast for 1-1-85 = 11,000

Service Feature Costs

Non-Recurring Charges:

11,000 Access Lines x \$13,117/1000 Access Lines = \$144,287

Annual Recurring Charges

11,000 Access Lines x \$1,065/1000 Access Lines/Month x 12 = \$140,580

Total Terminal Equipment Charges by Unit\*

PNB Serving Area

Qty	Item	Unit		Total Non-Recurring Charge	Unit Annual Charge		Total Annual Charge				
		Non-Recurring Charge	950.00		Fixed	Variable	Fixed	Variable			
63	ANI Display & Transfer Unit	\$	18,032.00	\$	265.00	\$	10.80	\$	16,707.60	\$	680.40
20	ANI Master Controller		4,752.00		4,026.00		354.00		20,520.00		7,080.00
5	ANI Auxiliary Controller		1,113.00		1,082.40		33.60		5,412.00		168.00
9	Trunk Equipment		2,954.00		302.40		33.60		2,721.60		302.40
20	Commercial Power Converter		5,819.00		410.40		249.60		8,208.00		4,992.00
20	ALI Master Controller		410.00		5,104.80		355.20		102,096.00		7,104.00
8	ALI Auxiliary Controller		46.00		535.20		40.80		4,281.60		326.40
63	ALI Interior Wiring		2,128.00		4.80		7.20		302.40		453.60
63	ALI Display Unit		65.00		414.00		306.00		26,082.00		19,278.00
40	Data Set		105.00		--		432.00		--		17,280.00
20	43 Teleprinter				--		930.00		--		18,600.00
	<b>PNB Total</b>										
				\$774,669.00					\$246,331.20		\$ 76,264.80

Total First Year Recurring

\$322,596.00

\* These rates will be adjusted annually by the CPI factor.

Total Terminal Equipment Charges by Unit

T.U. Serving Area

<u>Qty</u>	<u>Item</u>	<u>Unit Non-Recurring Charge</u>	<u>Total Non-Recurring Charge</u>	<u>Unit Annual Charge</u>	<u>Total Annual Charge</u>
1	ANI Display & Transfer Unit	\$ 959.00	\$ 959.00	\$ 276.00	\$ 276.00
1	ANI Master Controller	18,400.00	18,400.00	4,380.00	4,380.00
1	Commercial Power Converter	3,210.00	3,210.00	660.00	660.00
1	ALI Master Controller	19,050.00	19,050.00	5,460.00	5,460.00
1	ALI Interior Wiring	49.90	49.90	12.00	12.00
1	ALI Display Unit	2,660.00	2,660.00	720.00	720.00
2	Data Set	65.00	130.00	432.00	864.00
1	43 Teleprinter	105.00	105.00	930.00	930.00
	<b>T.U. Total</b>		<b>\$ 44,563.90</b>		<b>\$ 13,302.00</b>

Total Terminal Equipment Charges by Unit

GTNW Serving Area

Qty	Item	Unit		Total		Unit		Total	
		Non-Recurring Charge	Non-Recurring Charge	Non-Recurring Charge	Non-Recurring Charge	Annual Charge	Annual Charge	Annual Charge	Annual Charge
6	ANI Display & Transfer Unit	\$ 155.00	\$ 930.00	\$ 550.80	\$ 3,304.80				
3	ANI Master Controller	3,085.00	9,255.00	8,707.20	26,121.60				
3	Commercial Power Converter	495.00	1,485.00	1,459.20	4,377.60				
3	ALI Master Controller	3,010.00	9,030.00	7,927.20	23,781.60				
6	ALI Interior Wiring	7.50	45.00	66.00	396.00				
6	ALI Display Unit	330.00	1,980.00	770.40	4,622.40				
6	Data Set	74.75	448.50	284.04	1,704.24				
3	43 Teleprinter	175.50	526.50	666.72	2,000.16				
3	Repair Kit	320.00	960.00	3,174.00	9,522.00				
	<b>GTNW Total</b>		<b>\$ 24,660.00</b>		<b>\$ 75,830.40</b>				

TOTAL TERMINAL EQUIPMENT =  
ALL TELEPHONE COMPANIES

\$843,892.90

\$411,728.40\*

\* PNB's portion of these charges will be adjusted annually by the CPI factor.

Summary of Estimated Charges for Telephone System Modification

	<u>Total Non-Recurring Charges</u>	<u>Net Annual Increase</u>
<u>Seattle Police Department:</u>		
ECD-16 with E-911 Interface	\$294,450.00	-
<u>King County Police Department:</u>		
E-911 Interface for Existing ECD-16	\$ 18,900.00	\$3,960.00
<u>Enumclaw Police Department:</u>		
Two (2) Six-Button Telephones	<u>200.00</u>	<u>\$ 267.00</u>
<u>TOTAL MODIFICATION AND REPLACEMENT COSTS:</u>	<u>\$313,550.00</u>	<u>\$4,227.00</u>

ALI for Rural Fire Stations (Approximate Charges)

	<u>Non-Recurring Charge</u>	<u>Annual Charge</u>
<u>PRIMARY PSAP</u>		
<u>King County Police Department</u>		
Misc. Software Changes & Additional Hardware	\$ 35,000.00	\$ 7,200.00
1 Automatic Calling Unit	65.00	360.00
1 212 Data Set	65.00	432.00
1 Flat Rate Business Line	*109.00	350.00
<u>Total</u>	<u>\$ 35,239.00</u>	<u>\$ 8,342.40</u>
 <u>SECONDARY PSAPs</u>		
<u>King County Fire Dept #17 (Black Diamond)</u>		
1 R.O. Teleprinter	\$ 105.00	\$ 930.00
1 Flat Rate Business Line	*109.00	259.20
<u>Total</u>	<u>\$ 214.00</u>	<u>\$ 1,189.20</u>
 <u>King County Fire Dept #27 (Fall City)</u>		
1 R.O. Teleprinter	\$ 105.00	\$ 930.00
1 Flat Rate Business Line	40.00	128.40
<u>Total</u>	<u>\$ 145.00</u>	<u>\$ 1,058.40</u>
 <u>King County Fire Dept #45 (Duvall)</u>		
1 R.O. Teleprinter	\$ 210.00	\$ 668.40
1 Flat Rate Business Line	96.85	430.80
<u>Total</u>	<u>\$ 306.85</u>	<u>\$ 1,099.20</u>
 <u>**King County Fire Dept #49 (Snoqualmie Pass)</u>		
1 R.O. Teleprinter	\$ 105.00	\$ 930.00
1 Flat Rate Business Line	40.00	128.40
<u>Total</u>	<u>\$ 145.00</u>	<u>\$ 1,058.40</u>
 <u>King County Fire Dept #50 (Skykomish)</u>		
1 R.O. Teleprinter	\$ 210.00	\$ 668.40
1 Flat Rate Business Line	96.85	167.28
<u>Total</u>	<u>\$ 306.85</u>	<u>\$ 835.68</u>
 <u>TOTAL COST OF ALI FOR RURAL FIRE STATIONS</u>	 <u>\$ 36,356.70</u>	 <u>\$13,529.28</u>

\* \$43.00 of the \$109.00 are estimated labor charges. This portion of the installation charge is billed according to the actual time and materials involved.

\*\* Snoqualmie Pass is not expected to be equipped for ANI until six to twelve months after system cutover. These charges will not apply until then.

Summary of King County E-911 Estimated Charges

	<u>Non-Recurring Charges</u>	<u>Recurring Charges (Annualized)</u>
<u>Services Feature Charges (Network/DMS)</u>		
PNB	\$2,054,577	\$1,557,153*
General Telephone	112,451	110,267
Telephone Utilities	<u>144,287</u>	<u>140,580</u>
Sub-Total	\$2,311,315	\$1,808,000
<u>Terminal Equipment Charges</u>		
PSAP Terminal Equipment (All Companies)	843,893	411,728*
Modification and Replacement of Telephone Equipment	313,550	4,227
ALI for Rural Fire Stations	<u>36,357</u>	<u>13,529</u>
Sub-Total	1,193,800	429,484*
Total E-911 Estimated Charges	<u>\$3,505,115</u>	<u>\$2,237,486*</u>

\* To be adjusted annually by the CPI factor.



Estimate of Start-up Costs for Excise Tax Collection

PNB and the Independent Telephone Companies each will charge King County a non-recurring amount for developing and modifying their respective accounting systems to collect the Excise Tax. While no detailed costs have been developed yet, the following order of magnitude estimates may be used for budgeting purposes and should be considered ceiling costs:

Pacific Northwest Bell	\$ 50,000
General Telephone of the Northwest	25,000
Telephone Utilities of Washington	<u>25,000</u>
Total	\$100,000



CERTIFICATE OF INSURANCE

EXHIBIT D\*

This is to certify to the County of King, Seattle, Washington, that the following policies are in force for:

Name of Insured \_\_\_\_\_

Address \_\_\_\_\_

To be returned to: King County Purchasing Agency, 620 King County Admin. Bldg. Seattle, WA. 98104, Telephone - 344-4210

Contract Title and/or Description of Job \_\_\_\_\_

Contract No. \_\_\_\_\_

Public Liability (including General Liability) \$2,500,000 Combined Single Limit

King County, its officials and employees are named as additional insureds for this project only.

The Following Special Coverages are included:

- 1) Broad Form Property Damage Including Care, Custody and Control Coverage YES XX NO
2) Blanket Broad Form Contractual YES XX
3) Products - Completed Operations YES XX
4) Stop-Gap - Employers Contingent Liability YES XX NO
5) Explosion, Collapse, Underground Damage YES XX NO
6) Contractor's Protective YES XX
7) Non-Owned and Hired Car Coverage YES XX

In the event of cancellation of or material change in the coverage provided, thirty (30) days written notice will be furnished the County of King prior to date of cancellation or change.

Insurance Company(ies) Policy No. Effective Expires

Name of Agency: \_\_\_\_\_

Address: \_\_\_\_\_ Tel. \_\_\_\_\_

AUTHORIZED REPRESENTATIVE

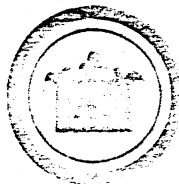
Workman's Compensation - STATE OF WASHINGTON Account No. \_\_\_\_\_

The undersigned hereby certifies that his operations are covered by Washington State Compensation Fund.

Signature of Contractor

\* PNB WILL COMPLETE AND APPEND TO CONTRACT PRIOR TO ITS EXECUTION. Revised





King County Executive  
Randy Revelle  
**E 911 Program**  
Richard A. DeFaccio, *Manager*

June, 1983

EVALUATION OF PROPOSED CONTRACT  
FOR AN ENHANCED 911 EMERGENCY  
COMMUNICATIONS SYSTEM FOR  
KING COUNTY, WASHINGTON

INTRODUCTION

On March 24, 1983, the King County Executive requested the King County Council to authorize him to sign a letter of intent and negotiate a contract with Pacific Northwest Bell (PNB) to implement and operate a County-wide Enhanced 911 (E-911) Emergency Communication System. The Council responded affirmatively and provided guidance on several points of negotiation by adopting Motion 5728 (Attachment 1) on April 25, 1983.

Pursuant to that Motion, the Executive assigned the County's E-911 Program Manager to lead a County contract negotiating team composed of E-911 Program Office Staff and representatives of the County's Finance Office and Budget Office. This team was supported by staff from the Program Development Office, the Purchasing Section of the Department of Executive Administration, and the Prosecuting Attorney's office.

E-911 contract negotiations proceeded as follows:

<u>Activity</u>	<u>Date</u>
Executive signs letter of intent to execute a contract with PNB (Attachment 2).	May 2, 1983
E-911 Program Office transmits outstanding issues for negotiation to PNB (Attachment 3).	May 2, 1983
PNB responds to letter of intent; indicates willingness to negotiate (Attachment 4).	May 4, 1983
Contract negotiations begin.	May 4, 1983
County presents proposed contract to PNB.	May 6, 1983

Activity	Date
PNB responds to County's May 2, 1983 outstanding issues letter (Attachment 5).	May 12, 1983
PNB presents proposed contract to County.	May 23, 1983
County and PNB complete negotiated draft contract.	June 1, 1983
PNB reviews draft contract.	June 1-27, 1983
County and PNB reach final agreement on contract terms.	July 7, 1983

CONTRACT EVALUATION

The final proposed contract (Attachment 6) complies with general County contractual policy, legal form, and the County's Functional and Performance Specifications for an Enhanced 911 Emergency Telephone System. The Washington Utilities and Transportation Commission (WUTC) staff informally reviewed the proposed contract, and it will be reviewed on a formal basis by the Commission after it is signed by PNB and the County. The WUTC staff report is Attachment 7.

This evaluation focusses primarily on the negotiating issues identified by the Executive in his March 24, 1983 letter to the Chairman of the County Council and by the Council in Motion 5728. These issues, their resolutions, and the recommendations of the County negotiating team are discussed below.

1. Cost Issues

PNB has offered several general adjustments to their February, 1983 pricing that impact the following discussion of cost issues. First, PNB has offered service feature and terminal equipment rates based on the Consumer Price Index Urban (CPIU) which produce potential terminal equipment savings of \$255,068 over a five-year contract period, and potential five-year service feature savings of \$1,232,958 over the February, 1983 price proposal. Second, the independent telephone companies have submitted their formal sub-contract pricing to PNB; their charges are \$685,652 lower than those estimated by PNB in February, 1983. These savings offset the charges for excise tax collection and liability insurance discussed below, for potential net savings of \$2,073,678 over the February, 1983 proposal.

PNB also adjusted their rate stable pricing for terminal equipment downward by \$219,256. These terminal equipment savings combined with the other adjustments produce actual rate stable price savings of \$649,194.

The following specific cost issues were evaluated in light of these general price adjustments.

- a. Cost of Money -- The County requested additional justification regarding the 16.5% Cost of Money (COM) rate proposed by PNB. Specific concerns were:
- (1) The rate appeared high in terms of the cost of long term debt and marketable return on equity currently available in the utilities industry.
  - (2) The application of COM in terms of specific System elements, particularly in regard to the period of application and the total dollar impact, was not defined.
  - (3) The derivation of the proposed COM in terms of methodology and timing was not defined.
  - (4) The forecasting of the rate of COM in terms of methodology and sensitivity was not defined.
  - (5) The actual methodology to be employed by PNB to finance the capitalization of the System was not defined.

Negotiated Resolution -- PNB provided justification for the rate and application of their COM in their May 12, 1983 letter. During negotiations, the negotiating team pressed PNB for a more in-depth justification of their COM. PNB declined to do so, stating that further disclosure of its proprietary pricing methodology would jeopardize its position in the new competitive environment created by the divestiture of the Bell Operating Companies from AT&T. They therefore indicated that the rate is not negotiable and represents their best estimate of the COM to PNB during the period in which E-911 costs are capitalized. PNB further indicates that the acquisition of capital required during any given period is done in the aggregate on a company-wide basis; the specific capital required for each specific project is not separately identified. Therefore, COM as a company-wide aggregated rate is applied to the capitalized portion of each project. Exhibit A of PNB's May 12, 1982 letter describes the derivation of that rate. PNB argues that the current rate of 15.25% coupled with other factors that have escalated their capital costs since the E-911 pricing study was conducted in 1982 justifies their proposed rate of 16.5%.

The County Council, in Motion 5728, questions the assumption that capital can only be obtained through long term debt acquired by PNB. In fact, long term debt accounts only for about 40% of PNB's cost of capital with the remainder being acquired through sale of equity. The return on equity as a portion of COM represents PNB's only source of profit on the System. Therefore, any alternative form of financing would also have to provide an alternative form of profitability for PNB.

County Council staff, during the proposal evaluation phase, suggested that County financing of the capitalized portion of the System could defer PNB's COM or a portion thereof. PNB has provided a contractual

guarantee that, pending decisions from the Justice Department regarding AT&T's divestiture and from the Federal Communications Commission (FCC) regarding the sale of equipment by Bell operating companies, an option for the purchase of all PSAP terminal equipment will be provided to the County. If the County chooses to exercise such an option, the PNB COM applied to PSAP terminal equipment will be eliminated. Since the remaining capital equipment required to provide E-911 service is integral to PNB's general network facilities, the County would be financing PNB-owned facilities if it used its tax exempt borrowing capability to finance that equipment. The County negotiating team questioned the legality and propriety of such a process. The negotiating team made informal inquiries of the Prosecuting Attorney's Office and outside bond counsel regarding such a process. All parties concurred that it would be inappropriate to pursue County financing. A memo from the Office of Finance dated May 6, 1983, regarding this issue is provided as Attachment 8.

PNB has provided a guarantee in Article 25 of the proposed contract which grants the County "most favored nation" status. This means that if a lower rate of COM results in lower rates and charges to any future PNB E-911 customer, the County will thereafter pay the same lower rates and charges.

Recommendation -- Based on the justification provided, and given that the County has "most favored nation" status and that PNB indicates the rate of COM is not negotiable, the negotiating team recommends that the County accept the COM proposed by PNB and that the County consider the purchase option for PSAP terminal equipment when it becomes available.

- b. Inflation Assumptions -- The County requested additional justification regarding inflation rates ranging up to 11.5% as proposed by PNB. Specific concerns were:

- (1) The rates appeared high in terms of current published inflation indices.
- (2) The application of inflation in terms of specific System elements, the period of application, and the total dollar impact of inflation were not defined.
- (3) The derivation of the inflation rates in terms of methodology and timing was not defined.
- (4) The forecasting of the rates of inflation in terms of methodology and sensitivity was not defined.

Negotiated Resolution -- PNB offered a new rate schedule which eliminates all inflation assumptions beyond System Cutover for the life of the contract. The price schedule attached to the contract defines those rates.



PNB proposes that the rates be adjusted every six months based on the Consumer Price Index-Urban (CPIU) for this region with parameters established at not less than four percent (4%) nor greater than eighteen percent (18%) annually.

The King County Budget Office provided their projection of the CPI for urban wage earners and clerical workers (CPIW) through 1986. This index historically is within one percent of the CPIU. Their projection reaches a maximum of 6.3% in 1986. The E-911 Program Office also queried the SeaFirst Corporation, Boeing, Rainier Bank, Puget Power, and Seattle City Light. SeaFirst uses forecasts provided by Data Resources, Inc., and Boeing uses forecasts provided by Chase Econometrics. None of the agencies queried projected a CPIU exceeding seven percent (7%) through 1990.

Tables 1 and 2 demonstrate savings generated from the CPIU-adjusted rates for varying inflation forecasts and circumstances of no growth in the number of access lines as well as growth in the number of access lines based on PNB's projected access line growth rate of 3.42%. Tables 3, 4, 5, and 6 illustrate the derivation of five-year charges under those varying assumptions, and demonstrate the impact of Washington State Sales Tax about 7.8%. E-911 excise tax revenues will be sufficient to cover all PNB charges and County administration and revenue-sharing costs under the worst-case inflation assumption.

Recommendation -- Since all of the inflation projections gathered by the E-911 Program Office are lower than PNB's projected rate of inflation under rate stable pricing, the negotiating team recommends that the County select the CPIU-adjusted rate structure.

- c. Administrative Overhead (Contribution to Common Corporate Costs) -- The County requested additional justification regarding the 15% Contribution to Common Corporate Costs proposed by PNB. Specific concerns were:

- (1) The application of the contribution to common corporate costs in terms of the total dollar impact was not defined.
- (2) The derivation of the rate of contribution to common corporate costs in terms of methodology was not defined.

Negotiated Resolution -- PNB provided justification for their contribution to administrative overhead (Common Corporate Costs) in their May 12, 1983 letter. They have indicated that the rate (15%) is not negotiable and is actually less than the rate of 16.8% derived from their "Embedded Direct Analysis" of 1981 operations. That analysis was the basis of the derivation of the rate of contribution to common corporate costs used in the E-911 pricing study. PNB argues that any lower contribution to common corporate costs would cause the System to be subsidized by PNB ratepayers not receiving E-911 services. We have been assured by the staff of the WUTC that contracts of this nature must stand alone and not be subsidized in any way by other rate payers.

PNB's methodology for determining the contribution to common corporate costs is used in all rate and tariff filings and the WUTC is familiar with and accepts that methodology. All members of the negotiating team concur that it is reasonable that a contribution to common corporate costs be derived in the aggregate and applied as a rate to any offerings made by PNB.

Recommendation -- The negotiating team recommends that the County accept the contribution to common corporate costs proposed by PNB.

- d. Profit -- PNB's E-911 Proposal for King County did not identify the percent or dollar amount of PNB's overall charges that is profit.

Negotiated Resolution -- In its May 12, 1983 letter, PNB explained that it does not account for profit on individual products or services, but measures an overall corporate profit by the increase in shareowner equity due to operation of the business. If that measure is applied to the County's E-911 proposal, only the return on equity portion of the cost of money for capitalization (57.5% of the 16.5% COM) can be deemed profit.

As discussed in 1.a above, PNB has not and will not indicate the dollar amount of the contract price that is attributable to Cost of Money, so actual dollar profit cannot be computed and is not negotiable. However, PNB has provided some justification on this issue. As discussed in more detail in PNB's March 10 and May 12, 1983 letters, the WUTC sets an Approved Rate of Return (AROR) for PNB that limits its aggregate corporate Cost of Money. Each individual PNB service must contribute its share of PNB's AROR in an amount that neither subsidizes nor requires a subsidy from other services. In addition PNB's stockholders must receive a fair return on their investments in order for PNB to continue to attract investor capital.

Recommendation -- Based on the justification provided, and given that PNB indicates that profit as an increment of COM is not negotiable, the negotiating team recommends that the County accept PNB's explanation regarding their "profit" on this System.

- e. Cost Estimates of Independent Telephone Companies -- When Motion 5728 was adopted by the Council, PNB's independent telephone company subcontractors -- Telephone Utilities and General Telephone Company of the Northwest -- had not provided firm estimates of their costs nor any explanation of how they were derived.

Negotiated Resolution -- Rates and prices for independent telephone company services and equipment are outlined in Exhibit C of the attached contract. Telephone Utilities employed the same pricing format and assumptions regarding cost of money, inflation, administrative overhead, and profit as did PNB. General Telephone used a different pricing format and will not indicate in writing how its costs were derived, although its representatives will testify orally before the County Council, if so required.

It should also be noted that overall independent telephone company charges have been reduced by about \$685,652 over the February 14, 1983 proposal.

Recommendation -- The negotiating team recommends that the County accept the independent telephone company charges as outlined in the Price Schedule attached to the contract as Exhibit C.

- f. Lease versus outright purchase of capital equipment -- The County requested information regarding the potential purchase of equipment from PNB, if such purchase becomes legal.

Resolution -- Article 4.b.(1) of the proposed contract requires PNB to provide a purchase price schedule and offer the County the option of purchasing PSAP terminal equipment if and when such an offer is legal under the terms of the AT&T Divestiture Agreement. PSAP equipment is the only element of the system that may reasonably be purchased by the County. As discussed in the County's March, 1983 evaluation of PNB's E-911 Proposal, since other elements are installed as an integral part of PNB facilities for the provision of common services, are priced on the basis of the entire projected PNB market for E-911, and are leased to the County as a service rather than as discrete items of equipment, those elements could not reasonably be purchased.

Recommendation -- The negotiating team recommends that the County accept the language included in Article 4.b.(1) of the proposed contract as the resolution of this issue.

## 2. Contractual Policy Issues

- a. Maintenance -- The County requested a clear definition of PNB's responsibility for maintaining and monitoring the performance of the E-911 System.

Negotiated Resolution -- Article 10 of the proposed contract specifies that PNB will provide round-the-clock maintenance and restore System failures that result in misrouted calls within an average period of four hours from the time a failure is reported. If such failures are not remedied within six hours, PNB must pay monetary damages to the County.

Article 7 of the proposed contract specifies System acceptance criteria and the joint maintenance of a record to monitor the System's compliance with those criteria. This record is proposed in accordance with the County's Specifications.

Recommendation -- The negotiating team recommends that the County accept the language included in Articles 7 and 10 of the proposed contract as the resolution of these issues.

- b. E-911 Excise Tax Collection -- The County requested inclusion of procedures regarding E-911 excise tax collection and remittance in the terms of the proposed contract.

Negotiated Resolution -- Article 5 of the proposed contract outlines excise tax collection and remittance procedures to be followed by the telephone companies in King County; the contract price schedule includes charges not to exceed \$100,000 for performing these procedures.

Recommendation -- The negotiating team recommends that the County accept the language included in Article 5 of the proposed contract as the resolution of this issue.

- c. Liability -- The County requested a contractual statement of each party's liability for the System.

Negotiated Resolution -- Article 17 of the proposed contract specifies that each party agrees to defend and hold the other harmless from claims arising out of sole negligence and that the parties will jointly defend against third party suits due to an assertion of concurrent negligence or fault, and negotiate or arbitrate proportionate responsibility for any subsequent award of damages. Article 18 requires PNB to maintain general liability insurance to cover the liabilities and obligations of Article 17. PNB's charges to the County for such insurance are three dollars per month per thousand access lines added to recurring service feature charges under rate stable pricing, or two dollars per month per thousand access lines added to variable recurring service feature charges under CPIU-adjusted pricing.

Recommendation -- The negotiating team recommends that the County accept the language included in Article 17 of the proposed contract as the resolution of this issue.

- d. Commonality of Contract Terms -- The County requested a guarantee that no other PNB E-911 customer will receive more favored consideration in any of the terms of an E-911 contract.

Negotiated Resolution -- Article 25 of the proposed contract is a "most favored nation" clause that guarantees that if PNB offers lower rates to any future E-911 customer, the County will be offered the same lower rates. This guarantee is a negotiated compromise and does not extend to all contract terms.

Recommendation -- The negotiating team recommends that the County accept the language included in Article 25 of the proposed contract as the resolution of this issue.

- e. Option to Extend E-911 Service -- The County requested a guarantee that it will have the option of securing E-911 services from PNB after the proposed contract expires.

Resolution -- Article 8 of the proposed contract guarantees that the County may extend the proposed contract, subject to renegotiation of charges, for two five-year periods.

Recommendation -- The negotiating team recommends that the County accept the language of Article 8 of the proposed contract as the resolution of this issue.

- f. Emergency Traffic Loading -- The County sought PNB's guarantee that it will conduct an emergency traffic loading study and base its final trunking design and the number of answering positions on the results of the study.

Resolution -- PNB's May 12, 1983 letter guarantees that PNB will perform the requested emergency traffic loading study and use the results as requested by the County.

Recommendation -- The negotiating team recommends that the County accept the guarantee provided in PNB's May 12, 1983 letter as the resolution of this issue.

- g. Contract Review by the WUTC -- The County requested PNB's assurance that it will submit King County's E-911 contract to the WUTC immediately after it is signed by both parties.

Negotiated Resolution -- In its May 12, 1983 letter, PNB stated it will submit the signed contract to the WUTC for review.

Recommendation -- The negotiating team recommends that the County accept the assurance provided by PNB in their March 12, 1983 letter as the resolution of this issue.

- h. Remedies -- In the course of negotiations, the County requested guaranteed remedies for PNB's failure to meet the conditions of the contract.

Resolution -- Article 26 of the proposed contract defines material breaches and other performance failures and the subsequent monetary damages payable by PNB to the County.

Recommendation -- The negotiating team recommends that the County accept the language included in Article 26 of the proposed contract as the resolution of this issue.

#### SUMMARY

When the County entered E-911 contract negotiations with PNB, several issues were unresolved. During the course of negotiations, all such issues were defined and resolved in terms of the proposed contract, or by acceptance of PNB's further written justification of their position.

Negotiations produced potential net savings over pricing proposed in February, 1983 of up to \$2,073,678 resulting from pricing based on actual growth in the

CPIU; this includes potential net savings of \$585,652 due to revised independent telephone company pricing. In terms of rate stable pricing, negotiations produced actual net savings of \$649,194. In addition, the proposed contract provides "most favored nation" status, strong liability protection, maintenance requirements, and remedies to the County if the System fails to perform in an acceptable manner.

RECOMMENDATION

It is the unanimous recommendation of all members of the County's E-911 negotiating team that the County adopt the attached contract as written including the inflation adjusted price schedule.

DD:JD:ew

TABLE 1

COMPARISON OF E-911 PRICING PROPOSALS -- FEBRUARY, 1983 AND MAY, 1983

	FEBRUARY, 1983		MAY, 1983 - RATE STABLE		MAY, 1983 - CPIU-ADJUSTED 2% Inflation/6 Mo.		MAY, 1983 - CPIU-ADJUSTED 4% Inflation/6 Mo.		MAY, 1983 - CPIU-ADJUSTED 9% Inflation/6 Mo.	
	No Growth*	Growth**	No Growth	Growth	No Growth	Growth	No Growth	Growth	No Growth	Growth
<b>NB SERVICE FEATURE CHARGES</b> -Non-recurring (NR) -Recurring (R) -- 5 yr. -NR -- Access Line (A.L.) Growth YEAR TOTAL	\$ 2,054,577 9,758,160 ----- \$11,812,737	\$ 2,089,710 10,644,201 341,067 ----- \$13,074,978	\$ 2,054,577 9,913,874 ----- \$11,968,451	\$ 2,089,710 10,814,054 341,067 ----- \$13,244,831	\$ 2,054,577 8,525,202 ----- \$10,579,779	\$ 2,089,710 9,324,590 388,458 ----- \$11,802,758	\$ 2,054,577 9,347,678 ----- \$11,402,255	\$ 2,089,710 10,250,817 441,235 ----- \$12,781,762	\$ 2,054,577 11,028,865 ----- \$13,083,442	\$ 2,089,710 13,053,235 600,714 ----- \$15,743,659
<b>SAP EQUIPMENT</b> -NR -R -- 5 yr. YEAR TOTAL	\$1,282,638 <u>1,894,140</u> \$3,176,778		\$ 898,880 <u>2,058,642</u> \$2,957,522		\$ 843,893 <u>2,077,817</u> \$2,921,710		\$ 843,893 <u>2,099,152</u> \$2,943,045		\$ 843,893 <u>2,163,496</u> \$3,007,389	
<b>MODIFICATION/REPLACEMENT OF TELEPHONE EQUIPMENT</b> YEAR TOTAL	\$ 334,685		334,685 100,000 ----- 104,002		334,685 100,000 ----- 104,002		334,685 100,000 ----- 104,002		334,685 100,000 ----- 104,002	
<b>EXCISE TAX COLLECTION</b> ALL FOR RURAL PSAPs -- YEAR TOTAL	\$ 104,002		104,002		104,002		104,002		104,002	
<b>GENERAL TELEPHONE CHARGES</b> -NR -R -- 5 yr. -NR A.L. Growth TELEPHONE UTILITIES CHARGES -NR -R -- 5 yr. -NR A.L. Growth 5 YEAR TOTAL	\$ 111,806 (est.) 546,420 (est.) ----- \$2,196,625	\$ 112,451 598,490 19,230 ----- 144,287 (est.) 1,486,125 (est.) ----- \$2,196,625	\$ 112,451 551,335 ----- \$1,510,973	\$ 112,451 598,490 19,230 ----- 144,287 765,489 26,405 ----- \$1,666,352	\$ 112,451 551,335 ----- \$1,510,973	\$ 112,451 598,490 19,230 ----- 144,287 765,489 26,405 ----- \$1,666,352	\$ 112,451 551,335 ----- \$1,510,973	\$ 112,451 598,490 19,230 ----- 144,287 765,489 26,405 ----- \$1,666,352	\$ 112,451 551,335 ----- \$1,510,973	\$ 112,451 598,490 19,230 ----- 144,287 765,489 26,405 ----- \$1,666,352
<b>TOTAL 5 YEAR CHARGES</b>	\$17,624,827	\$18,887,068	\$16,975,633	\$18,407,392	\$15,551,149	\$16,929,507	\$16,394,960	\$17,929,846	\$18,940,491	\$20,956,087

\* No growth -- no increase in access lines over life of contract; NR charges based on January 1, 1985 access line projection, as estimated in 2/14/83 Proposal.  
 \*\* Growth -- NR charges based on access lines projected at July, 1985 cutover date; other charges based on 3.42% annual growth.

TABLE 2  
 COMPARISON OF POTENTIAL FIVE-YEAR CONTRACT SAVINGS  
 MAY, 1983 PRICING VS. FEBRUARY, 1983 PRICING  
 NO GROWTH IN ACCESS LINES

CATEGORY OF SAVINGS (LOSS)	INFLATION-ADJUSTED PRICING <sup>2</sup>									
	RATE STABLE <sup>1</sup> PRICING		CPIU @ 2%/6 Mo.		CPIU @ 4%/6 Mo.		CPIU @ 6%/6 Mo.		CPIU @ 9%/6 Mo.	
	N/R <sup>3</sup>	R <sup>4</sup>	N/R	R	N/R	R	N/R	R	N/R	R
PND Service Feature Charges	---	(\$155,714)	---	\$1,232,958	---	\$410,482	---	---	---	(\$2,070,705)
PSAP Terminal Equipment Charges	\$383,758	(\$164,502)	\$438,745	(\$ 183,677)	\$438,745	(\$205,012)	\$438,745	---	\$438,745	(\$ 269,356)
Independent Telephone Company Charges	(\$ 92,658)	\$778,310	(\$ 92,658)	\$ 778,310	(\$ 92,658)	\$778,310	(\$ 92,658)	---	(\$ 92,658)	\$ 778,310
E-911 Excise Tax Collection	(\$100,000)	---	(\$100,000)	---	(\$100,000)	---	(\$100,000)	---	(\$100,000)	---
Net Savings (Loss) Over February, 1983 Proposal	\$ 649,194		\$ 2,073,678		\$ 1,229,867		(\$ 1,315,664)			
Total Five-Year Contract Price	\$16,975,633		\$15,551,149		\$16,394,960		\$18,940,491			

1. Rates are stable over five year contract period.
2. Rates are adjusted every six months based on assumed percent changes in the CPIU -- Consumer Price Index for Urban Consumers.
3. Savings (loss) on nonrecurring charges.
4. Savings (loss) on recurring charges over five year contract period.



ESTIMATED E-911 CONTRACT CHARGES - RATE STABLE OPTION

6 MONTH PERIOD	ACCESS LINES	PACIFIC NORTHWEST BELL		PSAP EQUIPMENT	GENERAL TELEPHONE		TELEPHONE UTILITIES		OTHER <sup>4</sup>	TOTAL
		NR <sup>2</sup> (RATE)	R <sup>3</sup> (RATE)		NR	R	NR (RATE)	R (RATE)		
7/85	879,878	\$2,089,710 (2375)	\$1,008,340 (191)	NR 898,880 R 205,866 \$1,104,746	\$112,451	\$55,134	\$144,287 (13,117)	\$70,290 (1,065)	NR \$449,907 R 8,878 \$458,785	\$5,043,743
1/86	894,671	35,133	1,025,293	205,864	3,846 <sup>5</sup>	57,020 <sup>6</sup>		72,693	8,878	1,408,727
7/86	894,671		1,025,293	205,864		57,020		72,693	8,878	1,369,748
1/87	925,269	72,670	1,060,358	205,864	3,846	58,906		75,178	8,878	1,485,700
7/87	925,269		1,060,358	205,864		58,906		75,178	8,878	1,409,184
1/88	956,913	75,155	1,096,622	205,864	3,846	60,792	15,308	77,747	8,878	1,544,212
7/88	956,913		1,096,622	205,864		60,792		77,747	8,878	1,449,903
1/89	989,640	77,727	1,134,127	205,864	3,846	62,678		80,405	8,878	1,573,525
7/89	989,640		1,134,127	205,864		62,678		80,405	8,878	1,491,952
1/90	1,023,485	80,382	1,172,914	205,864	3,846	64,564	11,097	83,153	8,878	1,630,698
TOTAL		\$2,430,777	\$10,814,054	\$2,957,522	\$131,681	\$598,490	\$170,692	\$765,489	\$538,687 WA SALES TAX <sup>7</sup>	\$18,407,392 \$19,843,169

JD:dmd

1. Access line growth is projected by PNB at 3.42% per year.
2. Non-recurring (NR) charges -- one time access line charges computed by applying rate to each 1000 access lines in service at outover in the first contract year, and on January 1 of each subsequent contract year, by applying the rate to each 1000 access lines added to service in the previous contract year.
3. Recurring (R) charges -- monthly charges computed by applying rate to each 1000 access lines in service at outover in the first contract year and on January 1 of each subsequent contract year.
4. Includes charges for providing ALI to rural fire-phone PSAPs and for modifying and replacing telephone equipment.
5. Annual NR charges for additional access lines are estimated at 3.42% of base NR charges.
6. R charges are estimated to increase annually by 3.42% of the R charges for the first 6 month period.

NOTES TO TABLES 4-6

1. CPIU-adjusted rates at the beginning of E-911 service will be adjusted January 1 and July 1 of every contract year by the increase in the National Consumer Price Index for Urban Consumers (CPIU), not to exceed 9% per 6 months. These tables show estimated charges assuming the CPIU rate indicated.
2. Access line growth is projected by PNB at 3.42% per year.
3. Non-recurring (NR) charges -- computed by applying base rate to each 1000 access lines in service at cutover in the first contract year, and on January 1 of each subsequent contract year by applying the CPIU-adjusted base rate to each 1000 access lines added to service in the previous contract year.
4. Recurring (R) charges -- computed by applying CPIU-adjusted rates to each 1000 access lines in service on January 1 of each contract year.
5. Variable recurring (VR) charges -- computed by applying CPIU-adjusted rates to a portion of the PSAP equipment rates.
6. Includes charges for providing ALI to rural fire-phone PSAPs, for modifying and re-placing telephone equipment, and for collecting the E-911 excise tax.
7. Annual NR charges for additional access lines are estimated at 3.42% of base NR charges.
8. R charges are estimated to increase annually by 3.42% of the R charges for the first 6 month period.
9. Washington State Sales Tax on telephone services -- enacted June, 1983.

ESTIMATED E-911 CONTRACT CHARGES - CPIU-ADJUSTED (2x/6 Mo.)<sup>1</sup>

TABLE 4

6 MONTH PERIOD	ACCESS LINES <sup>2</sup>	PACIFIC NORTHWEST BELL		PSAP EQUIPMENT <sup>5</sup> (RATE) (VR)	GENERAL TELEPHONE		TELEPHONE UTILITIES		OTHER <sup>6</sup>	TOTAL
		NR <sup>3</sup> (RATE)	R <sup>4</sup> (RATE)		NR	R	NR (RATE)	R (RATE)		
1985 (3 & 4)	879, 878	\$2,089,710 (2375)	\$ 791,890 (150)	NR 843,893 R 205,864 \$1,049,757 (20,192 VR)	\$112,451	\$ 55,134	\$144,287 (13,117)	\$ 70,290 (1,065)	NR \$449,907 R 8,878 \$458,785	\$ 4,772,304
1986 (1 & 2)	894, 671	36,539 (2470)	821,308 (153)	206,268 (20,596 VR)	3,046 <sup>7</sup>	57,020 <sup>8</sup>		72,693	8,878	\$ 1,206,552
1986 (3 & 4)	894, 671		837,734 (156)	206,600 (21,008 VR)		57,020		72,693	8,878	\$ 1,183,005
1987 (1 & 2)	925,269	78,606 (2569)	883,706 (159)	207,100 (21,428 VR)	3,846	58,906		75,178	8,878	\$ 1,316,220
1987 (3 & 4)	925,269		901,711 (162)	207,528 (21,856 VR)		58,906		75,178	8,878	\$ 1,252,201
1988 (1 & 2)	956,913	84,553 (2672)	950,846 (166)	207,966 (22,294 VR)	3,846	60,792	15,308	77,747	8,878	\$ 1,409,936
1988 (3 & 4)	956,913		969,850 (169)	208,411 (22,739 VR)		60,792		77,747	8,878	\$ 1,325,678
1989 (1 & 2)	989,640	90,948 (2779)	1,023,089 (172)	208,866 (23,194 VR)	3,846	62,678		80,405	8,878	\$ 1,478,710
1989 (3 & 4)	989,640		1,043,575 (176)	209,330 (23,658 VR)		62,678		80,405	8,878	\$ 1,404,866
1990 (1 & 2)	1,023,485	97,812 (2890)	1,100,881 (179)	209,804 (24,132 VR)	3,846	64,564	11,097	83,153	8,878	\$ 1,580,035
		\$2,478,168	\$9,324,590	\$2,921,710	\$131,681	\$598,490	\$170,692	\$765,489	\$538,687 WA SALES TAX <sup>9</sup> @ 7.8%	\$16,929,507 \$1,320,502 \$18,250,009

TABLE 5

ESTIMATED E-911 CONTRACT CHARGES - CPIU ADJUSTED (4%/6 Mo.)<sup>1</sup>

6 MONTH PERIOD	ACCESS LINES <sup>2</sup>	PACIFIC NORTHWEST BELL		PSAP EQUIPMENT (VR) <sup>5</sup>	GENERAL TELEPHONE		TELEPHONE UTILITIES		OTHER <sup>6</sup>	TOTAL
		NR. <sup>3</sup> (RATE)	R <sup>4</sup> (RATE)		NR	R	NR (RATE)	R (RATE)		
7/85	879,878	\$2,089,710 (2375)	\$ 791,890 (150)	NR 843,893 R 205,864 \$1,049,757 (20,192 VR)	\$ 112,451	\$ 55,134	\$ 144,287 (13,117)	\$ 70,290 (1,065)	NR 419,907 R 8,878 \$158,785	\$ 4,772,304
1/86	894,671	37,944 (2565)	837,412 (156)	206,672 (21,000 VR)	3,846 <sup>7</sup>	57,020 <sup>8</sup>		72,693	8,878	1,224,465
7/86	894,671		870,909 (162)	207,512 (21,840 VR)		57,020		72,693	8,878	1,217,012
1/87	925,269	84,763 (2770)	936,724 (169)	208,386 (22,714 VR)	3,846	58,906		75,178	8,878	1,376,681
7/87	925,269		974,197 (175)	209,294 (23,622 VR)		58,906		75,178	8,878	1,326,453
1/88	956,913	94,673 (2992)	1,047,820 (182)	210,239 (24,567 VR)	3,846	60,792	15,308	77,747	8,878	1,519,303
7/88	956,913		1,089,732 (190)	211,222 (25,550 VR)		60,792		77,747	8,878	1,448,371
1/89	989,640	105,747 (3231)	1,172,070 (197)	212,244 (26,572 VR)	3,846	62,678		80,405	8,878	1,645,868
7/89	989,640		1,218,979 (205)	213,307 (27,635 VR)		62,678		80,405	8,878	1,584,247
1/90	1,023,485	118,108 (3490)	1,311,084 (213)	214,412 (28,740 VR)	3,846	64,564	11,097	83,153	8,878	1,815,442
		\$2,530,945	\$10,250,817	\$2,943,045	\$ 131,681	\$ 598,490	\$ 170,692	\$ 765,489	\$538,687 WA SALES TAX <sup>9</sup>	\$17,929,846 1,398,520 \$19,328,374

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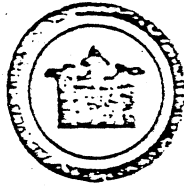
TABLE 6

ESTIMATED E-911 CONTRACT CHARGES - CPTU-ADJUSTED (9%/6 Mo.)<sup>1</sup>

6 MONTH PERIOD	ACCESS LINES 2	PACIFIC NORTHWEST BELL		PSAP EQUIPMENT (VR) <sup>5</sup>	GENERAL TELEPHONE		TELEPHONE UTILITIES		OTHER 6	TOTAL
		NR 3 (RATE)	R 4 (RATE)		NR	R	NR (RATE)	R (RATE)		
7/85	879,878	\$2,089,710 (2375)	\$ 791,890 (150)	NR 843,893 R 205,864 \$ 1,049,757 (20,192 VR)	\$112,451	\$ 55,134	\$144,287 (13,117)	\$ 70,290 (1,065)	NR \$399,907 8,878 \$1158,785	\$ 4,772,304
1/86	894,671	41,458 (2803)	877,672 (164)	207,681 (22,009 VR)	3,846	57,020		72,693	8,878	1,304,943
7/86	894,671		956,690 (178)	209,662 (23,990 VR)		58,906		75,178	8,878	1,538,216
1/87	925,269	101,186 (3307)	1,078,401 (194)	211,821 (26,149 VR)	3,846	58,906		75,178	8,878	1,532,636
7/87	925,269		1,175,499 (212)	214,175 (28,503 VR)		60,792	15,308	77,747	8,878	1,831,868
1/88	956,913	123,481 (3902)	1,325,076 (231)	216,740 (31,068 VR)	3,846	60,792		77,747	8,878	1,811,337
7/88	956,913		1,444,384 (252)	219,536 (33,864 VR)		62,678		80,405	8,878	2,157,301
1/89	989,640	150,695 (4605)	1,628,215 (274)	222,584 (36,912 VR)	3,846	62,678		80,405	8,878	2,152,628
7/89	989,640		1,774,761 (299)	225,906 (40,234 VR)		64,564	11,097	83,153	8,878	2,505,606
1/90	1,023,485	183,894 (5433)	2,000,647 (326)	229,527 (43,855 VR)	3,846	64,564		83,153	8,878	2,505,606
		\$2,690,424	\$13,053,235	\$ 3,007,389	\$131,681	\$598,490	\$170,692	\$765,489	\$538,687 WA SALES TAX @ 7.8%	\$20,956,087 1,634,575 \$22,590,662

RAD: cxd





King County Executive  
Randy Revelle

May 2, 1983

Mr. A. V. Smith  
President  
Mr. E. L. Pfeifer  
Vice President  
Pacific Northwest Bell  
1500 Bell Plaza  
Seattle, WA 98191

RE: Enhanced 911 Emergency Communications System

Dear Mr. Smith and Mr. Pfeifer:

Pursuant to King County Council Motion 5728, I am pleased to notify you officially of King County's intent to negotiate and execute a contract with Pacific Northwest Bell (PNB) for implementing and operating an Enhanced 911 (E-911) Emergency Communications System. A copy of Motion 5728 is enclosed for your reference.

King County is generally satisfied with the progress of our discussions with PNB. We found PNB's February 14, 1983 E-911 Proposal for King County quite responsive to the County's Functional and Performance Specifications. Subsequent correspondence has resolved the majority of the outstanding issues identified by the County. Nevertheless, successful negotiation and execution of a County/PNB contract depend upon resolving the following issues:

1. Cost of Money

The County is concerned about the rate and forecast of the cost of new debt and return on stockholders' equity (profit) that comprise PNB's cost of money for the County's E-911 System. The County is also concerned about the impacts of the rate and forecast assumptions on the price of the E-911 System.

2. Inflation Assumptions

The County questions the derivation and forecast of PNB's labor and other inflation factors.

Mr. A. V. Smith  
Mr. E. L. Pfeifer  
May 2, 1983  
Page Two

3. Contribution to Overhead

The County is concerned about how PNB derived its markup to cover common corporate costs attributable to the County's E-911 System.

4. Emergency Call Volume Study

The County requires PNB's commitment to study actual emergency call loading at each Public Safety Answering Point and base the final design of System trunking and the number of E-911 equipped answering positions on the results of that study.

Final execution of the County/PNB contract also depends upon resolving several other minor concerns identified in Motion 5728. The contract is subject to approval by the King County Council.

I have assigned Richard DeFaccio, King County's E-911 Program Manager, to represent the County in contract negotiations with PNB. Our proposed schedule for the negotiations is as follows:

<u>Activity</u>	<u>Date</u>
County submits letter outlining issues for negotiation	May 2, 1983
County and PNB negotiate draft of contract	May 3-12, 1983
Utilities and Transportation Commission reviews draft of contract	May 17-27, 1983
King County Executive submits proposed contract to King County Council	June 2, 1983
County Council reviews and acts on contract	June 2-30, 1983
Contract signing ceremony	July 6, 1983

This is an ambitious schedule. With the help of all involved, however, we should be able to meet it. In the meantime, I respectfully request PNB begin preparing the data management system. You indicated at our July 28, 1982 meeting this work would occur upon receipt of this letter of intent. Anything we can do to shorten the time needed to implement the E-911 System will be greatly appreciated by the residents of King County.

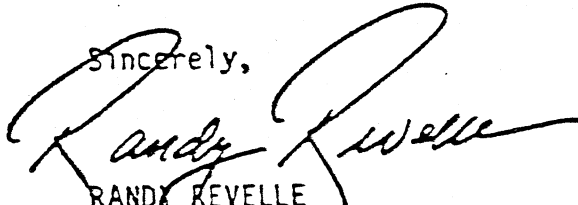
We appreciate the able and courteous assistance provided by your staff throughout the proposal process and look forward to the successful implementation of a cost-effective E-911 System for King County.



Mr. A. V. Smith  
Mr. E. L. Pfeifer  
May 2, 1983  
Page Three

If you have any questions about this official letter of intent or the contract negotiations in general, please call me at 344-4040. If you have specific negotiating questions, please direct them to Richard DeFaccio at 344-3885, or Tom Fitzsimmons at 344-4040.

Sincerely,

  
RANDA REVELLE  
King County Executive

RR:JD:ew

Enclosure

cc: King County Councilmembers

ATTN: Jerry Peterson, Council Administrator

Norm Maleng, King County Prosecuting Attorney

ATTN: Sandy Cohen, Deputy

Lauraine Brekke, Director, Department of Executive Administration

Vern Thomas, Sheriff-Director, Department of Public Safety

Shelly Yapp, Director, Budget Office

Tom Fitzsimmons, Program Development Manager

ATTN: Richard DeFaccio, E-911 Program Manager

E-911 Task Force Members

E-911 User Committee Members

John Gaedke, PNB Marketing Manager

ATTN: Michael Jordan, E-911 Project Manager





King County Executive  
Randy Revelle  
E 911 Program  
Richard A. DeFaccio, Manager

May 2, 1983

Mr. E.L. Pfeifer  
Vice President  
Pacific Northwest Bell  
1600 Bell Plaza  
Seattle, Washington 98191

RE: Enhanced 911 (E-911) Emergency Communications System

Dear Mr. Pfeifer:

The purposes of this letter are to: (1) describe the E-911 contract negotiation process and schedule; (2) state the outstanding issues to be negotiated prior to the signing of a contract between Pacific Northwest Bell (PNB) and King County and the County's positions and suggested resolutions regarding those issues; and (3) request a written response to those issues and the County's suggested resolutions.

NEGOTIATION PROCESS AND SCHEDULE

King County has assembled a negotiation team which shall participate in all negotiation meetings with your representatives. The negotiation team includes: (1) myself, as lead negotiator; (2) Jane Donheffner, Assistant Manager, King County E-911 Program Office; (3) Bill Wilson, Budget Analyst, King County Budget Office; and (4) Lee Dedrick, Finance Manager, King County Office of Finance.

We expect negotiations to proceed as follows:

<u>DATE</u>	<u>ACTIVITY</u>
May 2 - 6	The King County negotiating team will work with PNB's representatives to achieve mutually agreeable resolutions to the issues addressed in this letter. We anticipate that negotiation meetings will be scheduled daily, Tuesday, May 3 through Friday, May 6.
May 9 - 11	PNB will respond in writing to the issues defined in this letter and the resolutions agreed to in negotiations. This letter response should be received by the E-911 Program Office by Wednesday, May 11, 1983.

<u>DATE</u>	<u>ACTIVITY</u>
May 12 - 16	The County negotiating team will review PNB's letter of response and negotiate resolutions of any residual issues with PNB to prepare a mutually agreeable draft contract.
May 17 - 27	The jointly prepared draft contract will be reviewed by the Washington Utilities and Transportation Commission staff and the King County Prosecuting Attorney.
June 3 - 30	The King County Council will review and act on the contract.

#### OUTSTANDING ISSUES AND SUGGESTED RESOLUTIONS

King County Council Motion 5728 lists several outstanding issues in two categories: (1) "Cost Issues"; and (2) "Contractual Policy Issues." A copy of Motion 5728 is enclosed. For convenience, these outstanding issues and our suggested resolutions are identified and described below in the same categories and sequence as they appear in the Motion. We added a third category, "Other Outstanding Issues."

Many of the issues listed below have been addressed with your staff during the proposal process and the resolutions need only be formally documented.

#### 1. Cost Issues

- a. Cost of Money - The County is concerned with the validity of the 16.5% Cost of Money rate proposed by PNB. Specific concerns are:
  - (1) The rate is high in terms of the cost of long term debt and marketable return on equity currently available in the utilities industry.
  - (2) The application of the cost of money in terms of specific System elements particularly in regard to the period of application and the total dollar impact is not defined.
  - (3) The derivation of the proposed cost of money in terms of methodology and timing is not defined.
  - (4) The forecasting of the rate of cost of money in terms of methodology and sensitivity is not defined.
  - (5) The actual methodology to be employed by PNB to finance the capitalization of the System is not defined.
  - (6) The percent and actual dollars reflected against overall PNB charges that is "Profit"; i.e., the return on equity increment of cost of money are not defined.

Suggested Resolution - PNB and the County will negotiate an adjustment to the rate of cost of money and PNB will apply that adjusted rate to appropriate charges and/or PNB will provide complete written justification for the proposed rate in terms of the specific issues defined above.

- b. Inflation Assumptions - The County is concerned with the validity of the inflation rates ranging up to 11.5% as proposed by PNB. Specific concerns are:
- (1) The rates are high in terms of current published inflation indices.
  - (2) The application of inflation in terms of specific System elements, the period of application, and the total dollar impact of inflation are not defined.
  - (3) The derivation of the inflation rates in terms of methodology and timing is not defined.
  - (4) The forecasting of the rates of inflation in terms of methodology and sensitivity is not defined.

Suggested Resolution - PNB and the County will negotiate an adjustment to the rates of inflation and PNB will apply that adjusted rate to appropriate charges and/or PNB will provide complete written justification for the proposed rates in terms of the specific issues defined above.

- c. Administrative Overhead (Contribution to Common Corporate Costs) - The County is concerned with the validity of the 15% Contribution to Common Corporate Costs proposed by PNB. Specific concerns are:
- (1) The application of the contribution to common corporate costs in terms of the total dollar impact is not defined.
  - (2) The derivation of the rate of contribution to common corporate costs in terms of methodology is not defined.

Suggested Resolution - PNB will provide complete written justification for the proposed contribution to common corporate costs in terms of the specific issues defined above.

- d. Profit, or Return on Stockholders Equity - This issue is defined in Paragraph a. above.
- e. Cost Estimates of Independent Telephone Companies - The charges associated with the two independent telephone companies serving as subcontractors to PNB are not finalized.

Suggested Resolution - The final charges attributable to the two independent telephone companies serving as sub-contractors to PNB will be provided by PNB in a Price Schedule which shall be included in the contract.

- f. Lease versus Outright Purchase of Capital Equipment - The County requests a definition of what equipment elements of the System will be purchaseable in terms of the legal implications of the ATT divestiture and the FCC "Computer II" rulings and what their purchase cost will be.

Suggested Resolution - The County proposes the following contract language for the resolution of this issue:

PNB shall provide to the County a revised price schedule outlining the purchase price for PSAP terminal equipment as outlined in Section 6, page 59 of the Proposal not later than six (6) months from the date of the contract. Said revised price schedule shall include revisions to the recurring charges for PSAP terminal equipment that will result from the purchase versus lease of said equipment and appropriate revisions to the installation charges for subsequent additions of PSAP terminal equipment as outlined in Section 6, page 59 of the Proposal.

The County shall have the option of purchasing all PSAP terminal equipment and paying the revised PSAP terminal equipment Recurring charges as outlined in a revised Price Schedule in lieu of Non-recurring and Recurring charges for PSAP terminal equipment as outlined in the Proposal and the Price Schedule. The County shall have the right to exercise this option at any time during the term of the contract.

## 2. Contractual Policy Issues

- a. Maintenance of the System - PNB's responsibilities for the maintenance of the System need to be clearly defined. The responsibilities of PNB and the County for monitoring the performance of the System need to be clearly defined.

Suggested Resolution - The County proposes the following contract language for the resolution of these issues:

### Maintenance

PNB shall provide preventive and remedial maintenance for the System to include Equipment, Software, and the voice transmission network through the termination date of the contract as defined in Article 2 herein.

- (i) PNB shall provide prompt remedial maintenance for

The County shall notify PNB of the rate of the Excise Tax to be imposed not less than sixty (60) days prior to the imposition of the Excise Tax and not less than sixty (60) days prior to any and all changes in the Excise Tax rate thereafter.

PNB shall remit all Excise Tax revenues to the County on a monthly basis no later than thirty (30) days after the billing due date or collection date as indicated on the regular monthly bills submitted to their access line subscribers. The regular monthly billing due dates or collection dates for the other telephone companies acting as subcontractors to PNB shall be applicable to the remittance of Excise Tax revenues produced within their serving areas. The Excise Tax portion of all late access line subscriber payments shall be remitted to the County with the next regular monthly Excise Tax revenue remittance. In the case of partial access line subscriber payments, the County shall receive the amount of the Excise Tax Levy or the amount of the payment if less than the amount of the Excise Tax.

PNB shall provide the County with a monthly report submitted with the Excise Tax remittance which shall include the following information:

- (i) Number of access lines billed.
- (ii) Number of overdue access line bill payments.
- (iii) Number of uncollectible access line bill payments.

The costs to PNB of collecting, administering, and distributing the Excise Tax are included in the fifteen (15) percent contribution toward common overhead costs stipulated in the Proposal, Appendix A, page A4.

- c. Liability - The liability of the County and PNB in terms of the implementation and operation of the System need to be defined.

Suggested Resolution - The King County Prosecutor's Office is developing proposed contract language for the resolution of this issue. This proposed language will be available for negotiation by Thursday, May 4.

- d. Commonality of Contractual Terms Throughout PNB's Estimated Eight County E-911 Market - The County requires a guarantee that no other PNB E-911 customer will receive more favored consideration in any of the terms of an E-911 contract.

the System in compliance with the contract seven (7) days a week, twenty-four (24) hours a day, including holidays.

- (ii) PNB shall respond to failures of the System or any components thereof within a period not to exceed two (2) hours from the time of notification by the County, barring circumstances beyond the control of PNB to be defined in the contract, but as soon as is reasonably possible under any circumstances.
- (iii) PNB shall restore the System or any components thereof to full operation within a period not to exceed two (2) hours from the time of arrival on site of service personnel, barring circumstances beyond the control of PNB to be defined in the contract, but as soon as is reasonably possible under any circumstances.
- (iv) Failure to meet the above conditions is subject to the remedies provided in the contract.

#### Performance Monitoring

The PSAPs and PNB shall maintain an appropriate record to monitor the compliance of the System on the basis of the acceptance criteria as defined in the Specifications. This compliance monitoring record shall be maintained by PNB and the PSAPs for the duration of the contract and this record shall be compliant with Section IV.I of the Specifications.

- b. Procedures for PNB's Collection and Remittance to the County of the E-911 Excise Tax - The procedures to be employed by PNB and the responsibilities of PNB for the collection of the E-911 Excise Tax and the remittance of those revenues to the County need to be clearly defined.

Suggested Resolution - The County proposes the following contract language for the resolution of this issue:

PNB shall add an E-911 Excise Tax Levy (Excise Tax) to every bill for access lines located in King County in an amount as prescribed by the County not to exceed forty-five (45) cents per month as stipulated in King County Ordinance 5680 and said excise tax shall be billed against each and every access line in King County including those provided by the telephone companies other than PNB serving as sub-contractors to PNB for implementation and operation of the System.

Telephone bills shall specify that the Excise Tax is a King County E-911 Excise Tax Levy and said statement and the amount of the Excise Tax shall appear on a line separate from any other statement and amount on the bills.

The Excise Tax shall be imposed beginning twelve (12) months after the signing of the contract and remain in effect for a period of seventy-two (72) consecutive months thereafter.



Suggested Resolution - The County proposes the following contract language for the resolution of this issue:

All of the prices, rates, terms, warranties and benefits granted to the County are comparable to or better than the equivalent terms being offered by PNB to any present customer. If PNB shall, during the term of the contract, enter into arrangements with any other customer providing greater benefits or more favorable rates, prices, terms and warranties, the contract shall thereupon be deemed amended to provide the same to the County.

- e. Option to Extend E-911 Service - The County requires a guarantee that the County will have the option of securing E-911 services from PNB beyond the termination of the contract.

Suggested Resolution - The County proposes the following contract language for the resolution of this issue:

PNB hereby extends to the County an option to contract for continued E-911 service for a minimum of two (2) five (5) year contract periods after the term of the contract expires. Such option allows the County at its will to retain Equipment in place at the expiration of the term of the contract and shall offer the continuation of all PNB-provided services described herein as necessary for continued System performance at the standards prescribed in the contract at a price based on the pricing methodology described in the Proposal and as approved by the Washington Utilities and Transportation Commission.

3. Other Outstanding Issues

- a. Emergency Traffic Loading Study - The County requires a written guarantee that the final trunking for the System and the number of ANI/ALI equipped operator positions at the PSAPs will be determined on the basis of an emergency traffic loading study to be conducted by PNB subject to the approval of the County.

Suggested Resolution - PNB shall propose an emergency traffic loading study in their formal written response to this letter including a comprehensive description of the methodology and duration of such a study.

- b. Contract Review by the Washington Utilities and Transportation Commission - The County requires PNB's assurance that the contract shall be submitted to the Washington Utilities and Transportation Commission immediately after signing.

Suggested Resolution - PNB shall provide assurance to the County in their formal written response to this letter that they will submit the signed contract to the Washington Utilities and Transportation Commission for review and approval.

Mr. E.L. Pfeifer  
May 2, 1983  
Page Eight

REQUEST FOR RESPONSE

King County requests that PNB prepare a written response to the issues defined in this letter by May 11, 1983 so that we can jointly prepare a mutually agreeable draft contract to be submitted to the King County Executive and the King County Prosecutor's Office by May 13, 1983. When signed by an officer of PNE this response will be incorporated by reference into the February 14, 1983 Proposal and into the contract.

We look forward to successful negotiations producing a mutually agreeable draft contract by May 13, 1983.

Thank you for your continued cooperation in this matter. If you have any questions regarding this letter or negotiations, please call me at 344-3885.

Sincerely,



Richard A. DeFaccio  
Manager, E-911 Program Office

Enclosure

RAD:dmd

cc: Jon Gaedke, Marketing Manager  
ATTN: Michael Jordan, E-911 Project Manager

Tom Fitzsimmons, King County Program Development Manager

MAY 11 REC'D

Pacific Northwest Bell

Sixteen Hundred Bell Plaza  
Seattle, Washington 98191  
Phone (206) 345-4220

E. L. Pfeifer  
Vice President

MAY 10 1983

Received \_\_\_\_\_  
 KING COUNTY EXECUTIVE OFFICE  
 To DKK DeFaccio  
 Due Date \_\_\_\_\_  
 Author \_\_\_\_\_  
 Subject \_\_\_\_\_

ACTION

Response For Exec. Sig.

Response For Executive

Review By \_\_\_\_\_

X F.Y.I. *Shelley Sutton*

May 4, 1983

The Honorable Randy Revelle  
King County Executive  
400 King County Courthouse  
516 Third Avenue  
Seattle, Washington 98104

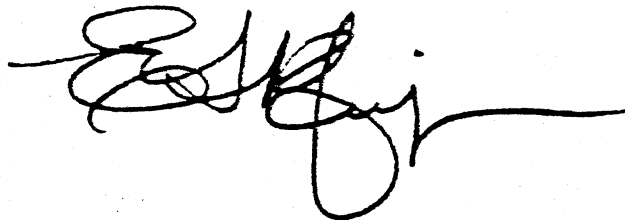
Dear Mr. Revelle:

Thank you for your letter indicating King County's intent to execute a contract with Pacific Northwest Bell for the provision of E-911 service. I have assigned Michael Jordan, E-911 Project Manager, to represent PNB in contract negotiations with King County.

Barring the unforeseen, it is our intent to adhere to King County's proposed negotiation schedule. We will have to review with General Telephone and Telephone Utilities those portions of the contract which impact them, but we should be able to accomplish this before May 17.

If you have any questions or concerns as the negotiations proceed, please call me at 345-4220.

Sincerely,





Pacific Northwest Bell

E. L. Pfeifer  
Vice President

5000 Third Avenue Bell Plaza  
Seattle, Washington 98191  
Phone (206) 345-4220

May 12, 1983

Mr. Richard A. DeFaccio  
E-911 Program Manager  
Floor 4, Grand Central on the Park  
216 First Avenue South  
Seattle, WA 98104

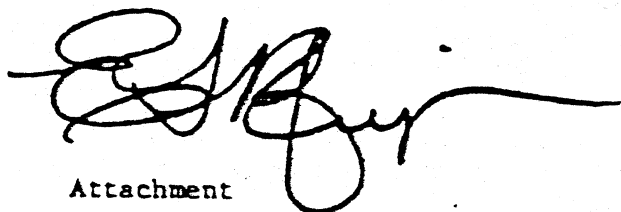
Dear Mr. DeFaccio:

We are currently reviewing the proposed E-911 contract between King County and PNB. While we had hoped to be able to present our comments on all of its articles prior to May 17, it now appears we will need until the 23rd to complete our response. I realize this may cause some delays to the negotiating schedule, but I'm sure you will agree it is important for all parties to understand the commitments that must be met if E-911 is to be implemented successfully.

The attached document responds to those issues outlined in your May 2 letter which are not incorporated in the body of the proposed E-911 contract between Pacific Northwest Bell and King County. Specifically, we are addressing under Items 1. a. Cost of Money, 1. b. Inflation Assumptions, 1. c. Administrative Overhead, 1. d. Return on Stockholders Equity, and 3. Other Outstanding Issues. All other issues will be addressed in the body of the contract.

I too look forward to completing contract negotiations as soon as possible. I assure you that Pacific Northwest Bell is committed to providing King County with the best possible emergency communications system at a reasonable price under terms and conditions that will be mutually acceptable by all parties concerned.

Sincerely,



Attachment

cc: Randy Revelle

PNB Response to Outstanding Issues

Issue

PNB Response

1.a. Cost of Money

Many factors affect capital costs, i.e., the costs of a capitalized asset. Cost of money, i.e., the cost of obtaining the money to finance the capital asset is only one of these. Pacific Northwest Bell obtains part of this money by selling long term debentures (about 40 percent) and the remainder by selling equity. An appropriate combination of debt and equity financing is necessary in order to maintain a credit rating that will permit ready availability of capital at reasonable rates. Other factors that affect the capital cost portion of the monthly recurring charge include (1) Purchase price, (2) changes in Federal income tax laws, (3) changes in FCC and IRS depreciation laws, and (4) PNB's loss of the Western Electric deferred profit credit due to divestiture.

PNB did not anticipate that the State of Washington would increase the sales tax by more than 16 percent, an increase so large that it has a substantial impact on the cost of equipment purchased from PNB's suppliers. This has caused an increase in the purchase price of equipment beyond the original projections contained in the proposal. Since the study was completed, the FCC has represcribed the book depreciation rate and the IRS has changed to the Accelerated Cost Recovery System (ACRS) method of tax depreciation. When these effects are combined with a reduction in the cost of capital to 15.25%, the capital cost portion of recurring charges cannot be reduced nor can the recurring charges.

1.a.(1)

The cost of money rate is directly related to, and measured by, the competitive cost of money in the market place. The present return of 15.25% represents the return required by investors to invest in PNB or any firm of comparable risk. It is a composite of 12.5% return requirement on long-term bonds and a 17.3% return on equity weighted by the appropriate components of debt and equity projected in PNB's capital structure. Other major utilities in the State of Washington would require higher returns commensurate with higher levels of risk because their credit ratings are lower than PNB's AA rating.

PNB Response to Outstanding Issues

Issue

PNB Response

1.a.(2)(6)

Cost of money is applied as part of the capital costs on investments. The cost of money shows up only in the monthly recurring service feature charge, the recurring PSAP equipment charges and in the capitalized portion of the PSAP-Installation charges. The cost of money is applied against invested capital and is ongoing so long as the asset remains in service.

Pacific Northwest Bell does not make a "Profit" on single products nor do other businesses. "Profits" are defined in most accounting books as an increase in shareowner equity due to operation of the business. When this definition is applied to the King County E911 proposal, only the return on equity portion of capital recovery part of the charges can be termed "Profit." The actual dollar "Profit" is not normally of interest to PNB and is not computed as a separate part of developing rates.

1.a.(3)(4)(5)

For the derivation of cost of capital, see the attached exhibit A.

In summary, it has been explained on several occasions that the bottom line charges are fair and that adjustments cannot be made in only one of many factors that affect the charges. The only real test of the appropriateness of PNB's charges is to see if other rate payers who do not benefit from E911 service are subsidizing the King County E911 service. PNB has sufficiently demonstrated that this service is not a burden on other rate payers. A reduction in the charges could make E911 a burden and it is therefore not appropriate to make any adjustments in the charges. The only other test that is appropriate is whether E911 subsidizes other services. Again, PNB has demonstrated that the fifteen percent level of contribution from E911 has been set at a level below the average contribution of 16.8 percent and therefore does not subsidize other services.

PNB Response to Outstanding Issues

Issue

PNB Response

1.b. Rates of Inflation

The cost adjustment factors used by PNB to adjust actual historical equipment costs to current and then to future levels are the Telephone Plant Indexes (TPI). These indexes are compiled by the Bell System each year to determine the amount that telephone equipment increases in price from one year to the next for 32 different categories of equipment. The TPI's are like the Consumer Price Index (CPI) except that they are developed specifically for Telephone Equipment.

These indexes were used in two ways. The first was to adjust historical actual costs to current 1984 costs. Actual or known rates of inflation were used in these factors. The second use of inflation factors was to estimate average levelized rates for the rate stabilized period from 1985 to 1990. These rates are realistic projections of what the TPI will increase over the second half of the 1980's.

If King County does not accept these rates as realistic, PNB proposes an alternative rate schedule (Rate Schedule B) in which the inflation factors used to produce the five year levelized rates have been removed and rate increases are tied to increases in the Consumer Price Index as a surrogate measure of cost increases. The CPI adjustments are being applied to those costs that increase over time. Those costs that are fixed are not being adjusted. King County then assumes the liability for increases in costs over the life of the contract. King County must select Rate Schedule A (stabilized rates) or Rate Schedule B (CPI adjusted rates). Only the selected rate schedule will be included in the contract and there can be no change in rate plans for the life of the contract.

1.c. Administrative Overhead

Please reference pages 13 and 14 of the attachment to Mr. Pfeifer's letter of March 10, 1983, to Mr. R. A. DeFaccio. The cost methodology used by Pacific Northwest Bell for rate making purposes are based on micro economic principles in which only those costs that are directly attributable to providing a service are included. These include directly assignable expenses and capital costs (including return on equity) for the investments that are directly required to provide the service.



PNB Response to Outstanding Issues

<u>Issue</u>	<u>PNB Response</u>
1.c. (cont.)	<p>The indirect costs of running the corporation cannot be directly assigned to any one service and are put into an unassignable pot called "Common Corporate Costs." These costs include Executive, Legal, Treasury and Personnel expenses as well as departmental staff and supervisory overheads above the District level.</p> <p>Common Corporate costs cannot be distributed to services using any kind of formula. However, an analysis of 1981 operations shows that if Common Corporate Costs would be allocated as a percent of the direct costs to those services (including E911) which are to contribute, the average level of contribution would be 16.8 percent instead of the 15.0 percent included in the proposal. PNB set the rate at 15.0 percent so that the E911 service offering would not subsidize other services.</p>
1.d. <u>Profit</u>	<p>See PNB's response to Issue 1.a. The only "Profit" is the return on equity portion of the capital costs.</p>
1.e. <u>Cost Estimate of the Independent Telephone Companies</u>	<p>The final charges attributable to the two independent telephone companies will be provided in a Price Schedule attached to the contract.</p>
1.f. <u>Lease versus Purchase of PSAP Terminal Equipment</u>	<p>PNB will address this issue in our proposed contract.</p>
2. <u>Contractual Policy Issues</u>	<p>PNB will address contractual policy issues in our proposed contract.</p>
3.a. <u>Emergency Call Volume Study</u>	<p>PNB will conduct an emergency call volume study for, all Public Safety Answering Points (PSAPs) presently serving King County. The study will be a minimum of one (1) year in length. PNB will establish volume registers that will record the following for each PSAP:</p> <ol style="list-style-type: none"><li>1) Attempt volume - the number of times in one (1) hour that the public attempts to reach the PSAP.</li></ol>

Issue

PNB Response

3.a. (cont.)

- 2) Overflow volume - the number of times in one (1) hour the public was unable to reach the PSAP.
- 3) Usage volume - the total holding time in one (1) hour for all completed calls to the PSAP during that hour.

The above data will be taken 24 hours a day for the length of the study. The data will then be examined and the current system trunking and number of PSAP positions will be studied. The County will provide the following additional data required to develop exact system requirements:

- 1) Definition of Emergency Service Zones (ESZ).
- 2) Consolidation of any PSAPs to provide Enhanced 911 service.
- 3) Answering procedures for all PSAPs - current and with enhanced 911.
- 4) The 7-digit telephone numbers of the PSAPs in that area where 911 is currently available. The county will help develop the correlation of 911 calls to 7-digit calls to the PSAPs.

Upon completion of the system requirements, PNB will conduct a formal review with representatives of King County government to reach agreement on the final system network and answering positions.

3.b. Contract Review  
by the WUTC

PNB will submit the signed contract to the Washington Utilities and Transportation Commission for review.

E911 SERVICE

WASHINGTON RATE SCHEDULE B

Five Year Contract with CPI Adjusted Rates

FORMULA II

$$\text{SIC} = \text{IME} * (\text{CPIC} \div \text{CPIB} - 1) * 42.71231 + \text{ISIC} * (\text{CPIC} \div \text{CPIB})$$

where:

- SIC = Subsequent Installation Charge (rounded to nearest whole dollar).
- IME = Initial Monthly Equipment Rate.
- CPIC = CPI-U for the current period.
- CPIB = CPI-U for the benchmark.
- ISIC = Initial Period Subsequent Installation Charge.

4. The increase in rates for PSAP Equipment Variable and Network Service Features shall be limited to a minimum of two percent (2.0%) and a maximum of nine percent (9.0%) for any one six month period.
5. The increase in the annual Network Installation charge for access lines added to the network shall be limited to a minimum of four percent (4.0%) and a maximum of eighteen percent (18.0%) for any one annual period.
6. Subsequent Installation charges after the initial period ending December 31, 1985, shall be equal to or greater than the Subsequent Installation charges during the initial period.
7. PSAP Equipment rearrangements and Moves will be billed on a case by case basis for the actual costs involved.

COST OF CAPITAL FOR PNB - 1984-1985

<u>CAPITAL SOURCE</u>	<u>WEIGHT (%)</u>	<u>COST RATE (%)</u>	<u>WEIGHTED COST (%)</u>
Long-term Debt	42.5	12.5	5.31
Equity	<u>57.5</u>	17.3	<u>9.95</u>
	100.00		15.26

CAPITAL STRUCTURE

PNB current debt ratio is 39.9% (3/31/83), however, PNB's early 1984 post divestiture debt ratio will be approximately 44.5%. PNB's financial objective is to achieve a 40% debt ratio. PNB's debt ratio is projected to be in the 42%-43% range in the late 1984-1985 time frame.

COST OF LONG-TERM DEBT

Presently, new long-term AA utility debt is yielding 11.5%. Two other Bell System companies with similar credit ratings as PNB have recently issued long-term bonds. The Southwestern Bell issue dated April 21 was priced with a cost to company of 11.752% and the Southern Bell issue of April 1 was priced with a cost to company of 11.992%.

The December, 1984 AA rated utility bonds are projected to yield 12.45% based on futures market data for U.S. government bonds and the historic relationship between U.S. government bond yields and AA utility bond yields.

COST OF EQUITY

The cost of equity is projected to be 17.3% based on the December 1984 futures market data and using a risk premium analysis. The analysis measures the investors' return requirement by calculating the spread between U.S. government bonds, AA utility bonds and corporate equity returns.

E911 SERVICE

WASHINGTON RATE SCHEDULE A

Five Year Contract with Rate Stability

		<u>INITIAL INSTALLATION</u>		<u>SUBSEQUENT</u>
<u>1. PSAP Equipment</u>		<u>MONTHLY RATE</u>	<u>INSTALLATION CHARGE</u>	<u>INSTALLATION CHARGE</u>
<u>USOC</u>	<u>Description</u>	<u>(Per Unit)</u>	<u>(Per Unit)</u>	<u>(Per Unit)</u>
E9S	ANI Master Controller	\$365.00	\$18,400.00	NA
E9E	ANI Auxiliary Controller	93.00	4,800.00	5,010.00
E9Y	Trunk Equipment/Per 4 Trunks	28.00	1,135.00	1,495.00
E9U	ANI Display and Transfer Unit	23.00	959.00	1,030.00
E9P	Commercial Power Unit	55.00	3,210.00	3,430.00
E8L	ALI Master Controller	455.00	6,190.00	NA
E8N	ALI Auxiliary Controller	48.00	450.00	495.00
E8P	ALI Display Unit	60.00	2,660.00	2,680.00
E8Q	ALI Interior Wiring	1.00	49.90	88.00
NRO	Job Opening Charge	NA	NA	478.00
<u>2. Network Service Features</u>		<u>MONTHLY RATE</u>	<u>INSTALLATION CHARGE</u>	<u>INSTALLATION CHARGE</u>
		<u>(PER 1000 ACCESS LINES)</u>	<u>(PER 1000 A.L.)</u>	<u>(PER 1000 A.L.)</u>
With ANI, ALI, SR &		\$188.00	\$ 2,375.00	\$ 2,375.00

Monthly rates to be applied to Access Lines in service and adjusted annually based on End of Year count of Access Lines in service. The Non Recurring charge applies to all Access Lines added to the service area.

3. PSAP Equipment Rearrangements and Moves will be billed on a case by case basis for the actual costs involved.

E911 SERVICE

WASHINGTON RATE SCHEDULE B

Five Year Contract with CPI Adjusted Rates

		<u>INITIAL INSTALLATION*</u>		<u>SUBSEQUENT*</u>
<u>1. PSAP Equipment</u>		MONTHLY RATE INITIAL PERIOD (Per Unit)		INSTALLATION CHARGE (Per Unit)
<u>USOC</u>	<u>Description</u>	<u>FIXED</u>	<u>VARIABLE</u>	<u>(Per Unit)</u>
E9S	ANI Master Controller	\$345.80	\$19.20	\$18,032.00 NA
E9E	ANI Auxiliary Controller	90.20	2.80	4,752.00 5,010.00
E9Y	Trunk Equipment/Per 4 Trunks	25.20	2.80	1,113.00 1,495.00
E9U	ANI Display and Transfer Unit	22.10	.90	950.00 1,030.00
E9P	Commercial Power Unit	34.20	20.80	2,954.00 3,430.00
E8L	ALI Master Controller	432.30	22.70	5,819.00 NA
E8N	ALI Auxiliary Controller	44.60	3.40	410.00 495.00
E8P	ALI Display Unit	34.50	25.50	2,128.00 2,680.00
E8Q	ALI Interior Wiring	.40	.60	46.00 88.00
NRO	Job Opening Charge	NA	NA	NA 478.00
<u>2. Network Service Feature</u>		MONTHLY RATE* INITIAL PERIOD (PER 1000 ACCESS LINES)		INSTALLATION* CHARGE (PER 1000 A.L.)
With ANI, ALI, SR		\$148.00	\$ 2,375.00	\$ 2,375.00

These rates are effective until December 31, 1985.

E911 SERVICE

WASHINGTON RATE SCHEDULE B

Five Year Contract with CPI Adjusted Rates

3. Rate Adjustment Factors - The initial period rates will be adjusted effective every January First and July First following the cutover date to account for increases in the cost to provide the E911 Service. The inflation index to be used is the National Consumer Price Index for Urban Consumers (CPI-U) issued by the U.S. Bureau of Labor Statics. The Indexes will be used as follows:

CPI-U for the service cutover month (issued about four weeks after the end of the month) will form the benchmark index (CPI-UB) for computing increases in rates thereafter.

CPI-U for the month of May will be used to adjust the rates July First of each year for the life of the contract.

CPI-U for the month of November will be used to adjust the rates January First of each year for the life of the contract.

Rate Adjustment Factor Formulas:

FORMULA I

$$RN = RP * (CPIC - CPIP)$$

where:

RN = Rates for the new period (rounded to nearest nickel).

RP = Rates for the previous period.

CPIC = CPI-U for the current period.

CPIP = CPI-U for the previous period.

- (a) PSAP Fixed monthly rate will not be adjusted.
- (b) PSAP Variable monthly rate will be adjusted according to Formula I.
- (c) Network Service Feature monthly charges will be adjusted according to Formula I.
- (d) Network Installation charge for access lines added to the E911 network each January will be adjusted each year by Formula I except that the CPI from the previous period will be the CPI from the previous December.
- (e) Subsequent Installations charge for PSAP Equipment will be computed according to Formula II following.





THE E-911 CONTRACT IS INCLUDED AS EXHIBIT 2 TO THE JULY 21, 1983 LETTER FROM EXECUTIVE REVELLE TO COUNCIL CHAIRMAN LAING.



JOHN SPELLMAN  
Governor



Robert W. Bratton, Chairman  
Mary D. Hall, Commissioner  
A. J. "Bud" Pardini, Commissioner

STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Highways-Licenses Building • Olympia, Washington 98504 • (206) 753-6423 • (SCAN) 234-6423

July 19, 1983

Ref: UT-2234

Mr. Richard A. DeFaccio  
E-911 Program Manager  
Floor 4 Grand Central on the Park  
216 First Avenue South  
Seattle, WA 98104

Dear Mr. DeFaccio:

As you know we have been evaluating the E-911 proposal and discussing the appropriate analytical factors with your office as well as King County Council Staff for several weeks.

Because this E-911 system is going to be offered on a special assembly contract basis rather than through a tariff, exact costs cannot be discerned. However, after close review we do not feel ratepayers residing outside the E-911 service area will be subsidizing the project.

Sincerely,

A handwritten signature in black ink, appearing to read "Barry M. Mar", with a long horizontal flourish extending to the right.

Barry M. Mar  
Secretary





King County Executive  
Randy Revelle  
**Office of Finance**  
Robert V. Cowan, Jr., *Director*

May 6, 1983

TO: Richard A. DeFaccio,  
Manager E-911 Program

FROM: Lee Dedrick,  
Finance Manager

RE: Financing of E-911 Capital Costs

I have made informal inquiries to the Prosecuting Attorney's office and to outside bond counsel regarding the possibility of the County using its tax exempt borrowing capability to provide PNB with the capital they require to implement and operate the E-911 system. The response from both sources was that this proposal raises serious legal questions and their "off the cuff" response was that it could not be done.

Specific areas of concern were the constitutional prohibition regarding lending of credit and the concern that the purpose for which the borrowing would be done would not meet statutory requirements.

LD:ks

