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July 28, 2006

VIA HAND DELIVERY

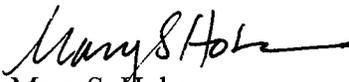
Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington
Boise, ID 83702-5983

RE: Docket No. DCS-T-05-01

Dear Ms. Jewell:

Enclosed for filing with this Commission are an original and seven (7) copies of **QWEST CORPORATION'S COMMENTS** to the Application of Direct Communications Star West, Inc. for a certificate of public convenience and necessity. If you have any questions, please contact me. Thank you for your cooperation in this matter.

Very truly yours,


Mary S. Hobson

Enclosures
cc: Service List

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

<p>IN RE THE APPLICATION OF DIRECT COMMUNICATIONS STAR WEST, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO PROVIDE BASIC LOCAL EXCHANGE SERVICE IN IDAHO</p>	<p>Docket No. DCS-T-05-01</p>
<p>COMMENTS OF QWEST CORPORATION</p>	

Qwest Corporation (Qwest), by and through its undersigned attorneys and pursuant to the Commission's Order No. 30094, files the following comments concerning the Application of Direct Communications Star West, Inc. (Star West) for a certificate of public convenience and necessity.

BACKGROUND

Star West is closely held corporation that is owned and operated by individuals who also own and operate Direct Communications Rockland (Rockland). Rockland is a Commission-regulated incumbent provider of basic local exchange service serving the Rockland, Arbon and Paris exchanges in southeastern Idaho. Rockland draws high cost support from the Idaho Universal Service Fund (Idaho USF) and also receives federal funds to support its intrastate telecommunications operations.

According to its application, Star West is an Internet service provider that is now seeking a certificate to operate as a competitive local exchange carrier (CLEC). Star West's application states that it intends to provide VoIP-based services in the service territories operated by Qwest and Rockland.

COMMENTS

Qwest submits that Star West's application raises questions that previously have not been addressed by this Commission. As a result, Qwest suggests that it is appropriate that some of these questions be raised in this comment period.

Because of the relationship between Star West and Rockland, Qwest believes that it may be appropriate for this Commission to impose additional financial reporting and cost accounting requirements on the regulated company and on the present applicant to assure that requirements of Idaho Code § 62-613 are being met as Star West begins operations as a CLEC. The possibility of cross subsidization of non-rate-regulated operations by rate-regulated telecommunications services is of particular concern where the regulated company's operations are themselves subsidized by telecommunications

customers statewide through the Idaho USF. Qwest's customers pay a substantial share of the dollars distributed under the Idaho USF.

In addition, Rockland's apparent acquiescence in Star West's plan to provide VoIP services in Rockland's territory ushers in a new era of competitive expansion in Idaho. Historically Idaho's rural telephone companies, including Rockland, have been reluctant to open their doors to competition. This historical reluctance is commemorated in Idaho Code § 62-602(6), which allows rural companies to seek suspension of the requirements of section 251(c) of the federal telecommunications act of 1996 to avoid, among other things, "significant impact on users of telecommunications services. . . in areas served by rural companies." If rural companies such as Rockland are now open to competition from non-regulated affiliates, Qwest submits that the time has come to withdraw all special competitive protections that have sheltered these companies. While Qwest understands that the Legislature is responsible for the enactment and repeal of Idaho statute, this Commission will have an important role in implementing competition in rural areas.

The Commission's role in implementing competition is already evident in this case. Assuming that Star West's application is granted, it intends to offer VoIP services to customers in Rockland's service territory. Since that territory remains rural and is experiencing only modest growth, there is little doubt that when customers choose Star West, they will be abandoning telecommunications services provided by Rockland. As Rockland loses customers, its revenues will decrease and it will need to seek new revenue sources to meet its regulated revenue requirement. Since Star West asserts that it is "facilities based" and since it has not entered interconnection agreements with any

incumbent company, including Rockland, there is no reason to believe that Rockland's retail revenue loss will be offset, even in part, by wholesale service payments from Star West. While this is the plight of incumbent companies in a competitive market, including Qwest, Rockland is relatively unique in three ways: 1) it remains fully rate-regulated; 2) it already relies on the Idaho USF to meet its revenue requirement; and 3) the source of its competitive threat is a closely-related company.

The two most obvious avenues for Rockland to follow to remain financially viable in the face of competitive loss are to seek rate increases from remaining customers or an increased draw from the Idaho USF. Thus, granting Star West's application presents potentially significant issues for Rockland customers and for all Idaho customers who pay into the Idaho USF.

Qwest respectfully requests that the Commission consider these issues as it determines whether to grant the CLEC certificate to Star West and as it considers whether safeguards may be required for the new-entrant and its regulated counterpart to assure Idaho law is followed and competition is implemented in manner that benefits Idaho customers.

DATED this 28th day of July, 2006.

Respectfully submitted,

QWEST CORPORATION

By: 
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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing **COMMENTS of QWEST CORPORATION** was served on the 28th day of July, 2006 on the following individuals:

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