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IDAHO PUBLIC
UTILITIES COMMISSION

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL
LAWRENCE G. WASDEN

May 22, 2003

Re: Revised Pages to Staff Testimony, Case No. QWE-T-02-25

Dear Parties of Record:

Staff discovered an error in the Direct Testimony of Staff witness Wayne Hart dated March 19, 2003 on pages 9 through 13 and Staff Exhibit Nos. 101 and 102. Enclosed is Staff witness Wayne Hart's revised pages and exhibits to his Direct Testimony filed March 19, 2003

As a courtesy, a copy of the revised testimony in legislative format is enclosed.

Please note these changes in Mr. Hart's Direct Testimony. Also please note that Exhibit No. 101 is confidential. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "W. B. Stutzman".

Weldon B. Stutzman
Deputy Attorney General

cc: Jean Jewell, Commission Secretary

Enclosures

utes/letter to correct whart direct

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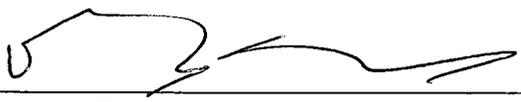
Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	CASE NO. QWE-T-02-25
QWEST CORPORATION FOR)	
DEREGULATION OF BASIC LOCAL)	COMMISSION STAFF'S
EXCHANGE RATES IN ITS BOISE, NAMPA,)	REVISED EXHIBITS 101 AND
CALDWELL, MERIDIAN, TWIN FALLS,)	102 AND RELATED
IDAHO FALLS, AND POCATELLO)	TESTIMONY
EXCHANGES.)	

The Commission Staff, through its attorney of record, files this revised Staff Exhibits 101 and 102 and pages 9 through 13 of Staff witness Wayne Hart dated March 19, 2003. Mr. Hart discovered an error in his calculation of minutes used in his price comparison in Exhibits 101 and 102. The changes made to his testimony are solely to reflect the correction to his calculations in Exhibits 101 and 102. The corrections to Staff Exhibits 101 and 102 and related testimony do not affect Staff's advocacy regarding the price differential between cellular service and Qwest's wire line service.

DATED at Boise, Idaho this *22nd* day of May 2003.



Weldon Stutzman
Deputy Attorney General

Vid/N:QWET0225_ws10

COMMISSION STAFF'S REVISED
EXHIBITS 101 AND 102 AND
RELATED TESTIMONY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 22TH DAY OF MAY 2003, SERVED THE FOREGOING **REVISED PAGES AND EXHIBITS TO DIRECT TESTIMONY OF WAYNE HART**, IN CASE NO. QWE-T-02-25, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

MARY S HOBSON
STOEL RIVES LLP
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101 S CAPITOL BLVD
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(Confidential Exhibit)

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MOSS ADAMS LLP
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SPOKANE, WA 99201-0663

DEAN J MILLER
McDEVITT & MILLER LLP
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PO BOX 2564 (83701)
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SEATTLE, WA 98109

SUSAN TRAVIS
WORLD.COM INC.
707 17TH STREET, SUITE 4200
DENVER, CO 80202

MARY JANE RASHER
AT&T COMMUNICATIONS OF THE
MOUNTAIN STATES INC.
10005 S GWENDELYN LANE
HIGHLANDS RANCH, CO 80129-6217

MARLIN D ARD
WILLARD L FORSYTH
HERSHNER, HUNTER, ET AL
180 E 11TH AVE, PO BOX 1475
EUGENE, OR 97440-1475
(Confidential Exhibit)

DEAN RANDALL
VERIZON NORTHWEST INC.
17933 NW EVERGREEN PKWY
BEAVERTON, OR 97006-7438
(Confidential Exhibit)

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ATTORNEY AT LAW
1101 W. RIVER, SUITE 110
BOISE, ID 83702

BEN JOHNSON
BEN JOHNSON ASSOCIATES INC.
2252 KILLEARN CENTER BLVD
TALLAHASSEE, FL 32308
(Confidential Exhibit)


SECRETARY

1 Qwest, I calculated an amount of peak usage minutes that
2 would correspond to a low, median and high usage customer
3 for both residential and business classes of service, and
4 for both measured and flat rated service. I then chose
5 the least cost wireless plan offered by each wireless
6 carrier that would provide enough minutes to satisfy the
7 amount of peak or anytime minutes for each customer
8 profile. I then compared the same carriers used in Dr.
9 Lincoln's testimony, but with more appropriate amounts of
10 usage. I consider the median amount of usage on a Qwest
11 measured service line to be the appropriate usage for a
12 comparison using Dr. Lincoln's "economy" plan. T-
13 Mobile's least expensive plan with enough minutes to
14 satisfy the peak usage of a median measured residential
15 user is its ~~Talk and Text~~National Basic plan, at \$219.95
16 per month. That is ~~more than \$13~~ nearly \$3.50 a month
17 more expensive than Qwest's measured residential rate of
18 \$16.51, which includes the base rate of \$10.51 and the
19 federal subscriber line charge of \$6.00. I don't believe
20 that to be competitively priced.

21 Q. What about Dr. Lincoln's "Standard Plan?"

22 A. In this case, the wireless carrier is AT&T, and
23 I believe the appropriate comparison is with a median
24 usage flat rated residential customer. AT&T's least
25 expensive plan that provides enough peak or anytime

1 minutes to satisfy the demands of a median usage flat
2 rated residential customer during the peak period is it's
3 Local 14000 plan, ~~with extra minutes~~. The monthly cost of
4 this plan would be \$~~117~~4.99, or a whopping \$951.49 more
5 than Qwest's flat rated service at \$23.50, which includes
6 the base rate of \$17.50 plus \$6.00 for the subscriber line
7 charge. This is clearly not cost competitive.

8 Q. And what about the "Premium Plan?"

9 A. For this comparison, the profile of a high
10 usage customer is appropriate, and both plans in Qwest's
11 comparison are flat rated and come with unlimited
12 minutes. Cricket's lowest price plan is \$32.99 per
13 month, or nearly \$10 a month more than Qwest's flat rated
14 residential service at \$23.50. Again, I do not consider
15 that to be price competitive.

16 Q. Are these the only plans you have analyzed?

17 A. No. My analysis of the myriad of packages of
18 the various wireless carriers shows that for vast
19 majority of users, there remains a considerable
20 difference between Qwest's rates and those of all of the
21 available wireless carriers.

22 Q. What are the specific results of your analysis?

23 A. Confidential Exhibit No. 101 shows the rates
24 for lowest price plans from each of the nine carriers
25 serving these seven exchanges for six patterns of local

1 usage for both residential and business customers. The
2 methods that I used for determining the usage patterns
3 and other aspects of the analysis are also included in
4 Confidential Exhibit No. 101. In more than three
5 quarters of the cases for residential users, the cost of
6 the lowest cost comparable wireless plan is more than
7 \$210 greater than Qwest's rates. In ~~seven~~three cases,
8 the difference is more than one hundred dollars. There
9 is only one case where the wireless rates are not
10 significantly higher than the corresponding Qwest rates,
11 the case with no local usage. The results for all the
12 carriers in that column, however, and the similar column
13 for businesses must be qualified. The information upon
14 which my analysis was based only included originating
15 local minutes, customers with terminating or long
16 distance minutes would have been categorized as having no
17 local usage. If the customer actually does not have any
18 local terminating or long distance usage, an unusual
19 occurrence, the results in the two columns are accurate.
20 However, if they did have terminating or long distance
21 usage, they would have incurred minutes that would have
22 increased wireless costs, increasing the difference
23 between wireless and Qwest's costs even more.

24 Q. What about business customers?

25 A. Even with Qwest's higher business rates,

1 wireless rates are higher than the Qwest rates for more
2 ~~than 80~~70% of the usage categories. Wireless carriers'
3 rates are less only when the usage is low, or in the case
4 of the lowest priced flat rated wireless plans.

5 Q. What are the results for the cases that
6 represent the majority of residential customers?

7 A. The calling patterns that represent the
8 majority of residential customers are the last two
9 columns of Confidential Exhibit No. 101. These are
10 typically the columns with the greatest disparities. The
11 smallest differences, at just under \$10 per month, are
12 those of the wireless plans with unlimited local minutes
13 that are available only in the Treasure and Magic
14 Valleys. The smallest difference for customers in
15 Pocatello or Idaho Falls is \$16.45. The plans of the
16 major nationwide carriers are clearly much more
17 expensive, with differences that ~~often~~ can exceed one
18 hundred dollars a month.

19 Q. Are there other concerns about the service of
20 the carrier's offering unlimited local calling?

21 A. Yes. As Dr. Johnson points out, the financial
22 viability of these plans carriers is questionable. In
23 addition, as I will outline later, we have concerns about
24 the quality of service provided by these carriers.

25 Q. Many wireless plans include bundles of long

1 distance minutes. Wouldn't the availability of such
2 bundles of minutes make a difference to the analysis?

3 A. For some consumers, it might, but for the
4 average user, wireless is still more expensive.

5 Q. How can that be the case?

6 A. The plans chosen for the local usage comparison
7 were the cheapest plans available from the wireless
8 carriers, and those often don't include long distance.
9 Wireless plans with long distance are more expensive, so
10 the difference between Qwest's rates and wireless rates
11 gets even greater. With wireline long distance rates as
12 low as they are, the average customer does not spend
13 enough on long distance to make up the difference.
14 Exhibit No. 102 shows the comparison in prices using both
15 Qwest's long distance and local rates with the wireless
16 plans that offer free nationwide long distance. As shown
17 in Exhibit No. 102, wireless rates for every carrier
18 exceed Qwest's residential rates, while only the flat
19 rated wireless plans and Nextel offer a savings for the
20 average business customer.

21 Q. What happens when a wireless customer exceeds
22 the included free long distance minutes?

23 A. Wireless carriers charge a relatively high per
24 minute rate for long distance, typically twenty cents or
25 more per minute, for all long distance calls in excess of

1 Qwest, I calculated an amount of peak usage minutes that
2 would correspond to a low, median and high usage customer
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4 for both measured and flat rated service. I then chose
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9 Lincoln's testimony, but with more appropriate amounts of
10 usage. I consider the median amount of usage on a Qwest
11 measured service line to be the appropriate usage for a
12 comparison using Dr. Lincoln's "economy" plan. T-
13 Mobile's least expensive plan with enough minutes to
14 satisfy the peak usage of a median measured residential
15 user is its National Basicplan, at \$19.95 per month.
16 That is nearly \$3.50 a month more expensive than Qwest's
17 measured residential rate of \$16.51, which includes the
18 base rate of \$10.51 and the federal subscriber line
19 charge of \$6.00. I don't believe that to be
20 competitively priced.

21 Q. What about Dr. Lincoln's "Standard Plan?"

22 A. In this case, the wireless carrier is AT&T, and
23 I believe the appropriate comparison is with a median
24 usage flat rated residential customer. AT&T's least
25 expensive plan that provides enough peak or anytime

1 minutes to satisfy the demands of a median usage flat
2 rated residential customer during the peak period is it's
3 Local 1000 plan. The monthly cost of this plan would be
4 \$74.99, or a whopping \$51.49 more than Qwest's flat rated
5 service at \$23.50, which includes the base rate of \$17.50
6 plus \$6.00 for the subscriber line charge. This is
7 clearly not cost competitive.

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9 A. For this comparison, the profile of a high
10 usage customer is appropriate, and both plans in Qwest's
11 comparison are flat rated and come with unlimited
12 minutes. Cricket's lowest price plan is \$32.99 per
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17 A. No. My analysis of the myriad of packages of
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19 majority of users, there remains a considerable
20 difference between Qwest's rates and those of all of the
21 available wireless carriers.

22 Q. What are the specific results of your analysis?

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1 usage for both residential and business customers. The
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5 quarters of the cases for residential users, the cost of
6 the lowest cost comparable wireless plan is more than \$10
7 greater than Qwest's rates. In three cases, the
8 difference is more than one hundred dollars. There is
9 only one case where the wireless rates are not
10 significantly higher than the corresponding Qwest rates,
11 the case with no local usage. The results for all the
12 carriers in that column, however, and the similar column
13 for businesses must be qualified. The information upon
14 which my analysis was based only included originating
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16 distance minutes would have been categorized as having no
17 local usage. If the customer actually does not have any
18 local terminating or long distance usage, an unusual
19 occurrence, the results in the two columns are accurate.
20 However, if they did have terminating or long distance
21 usage, they would have incurred minutes that would have
22 increased wireless costs, increasing the difference
23 between wireless and Qwest's costs even more.

24 Q. What about business customers?

25 A. Even with Qwest's higher business rates,

1 wireless rates are higher than the Qwest rates for 70% of
2 the usage categories. Wireless carriers' rates are less
3 only when the usage is low, or in the case of the lowest
4 priced flat rated wireless plans.

5 Q. What are the results for the cases that
6 represent the majority of residential customers?

7 A. The calling patterns that represent the
8 majority of residential customers are the last two
9 columns of Confidential Exhibit No. 101. These are
10 typically the columns with the greatest disparities. The
11 smallest differences, at just under \$10 per month, are
12 those of the wireless plans with unlimited local minutes
13 that are available only in the Treasure and Magic
14 Valleys. The smallest difference for customers in
15 Pocatello or Idaho Falls is \$16.45. The plans of the
16 major nationwide carriers are clearly much more
17 expensive, with differences that can exceed one hundred
18 dollars a month.

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20 the carrier's offering unlimited local calling?

21 A. Yes. As Dr. Johnson points out, the financial
22 viability of these plans carriers is questionable. In
23 addition, as I will outline later, we have concerns about
24 the quality of service provided by these carriers.

25 Q. Many wireless plans include bundles of long

1 distance minutes. Wouldn't the availability of such
2 bundles of minutes make a difference to the analysis?

3 A. For some consumers, it might, but for the
4 average user, wireless is still more expensive.

5 Q. How can that be the case?

6 A. The plans chosen for the local usage comparison
7 were the cheapest plans available from the wireless
8 carriers, and those often don't include long distance.
9 Wireless plans with long distance are more expensive, so
10 the difference between Qwest's rates and wireless rates
11 gets even greater. With wireline long distance rates as
12 low as they are, the average customer does not spend
13 enough on long distance to make up the difference.
14 Exhibit No. 102 shows the comparison in prices using both
15 Qwest's long distance and local rates with the wireless
16 plans that offer free nationwide long distance. As shown
17 in Exhibit No. 102, wireless rates for every carrier
18 exceed Qwest's residential rates, while only the flat
19 rated wireless plans and Nextel offer a savings for the
20 average business customer.

21 Q. What happens when a wireless customer exceeds
22 the included free long distance minutes?

23 A. Wireless carriers charge a relatively high per
24 minute rate for long distance, typically twenty cents or
25 more per minute, for all long distance calls in excess of

Difference Between Qwest and Wireless Service

Long Distance Comparison

Average Residential Customer, with 28 Intralata and 36 Interstate Minutes Average Business Customer with 117 Intralata and 151 Interstate minutes

	Qwest Monthly Charges	Wireless Monthly Charges	Difference	Qwest Monthly Charges	Wireless Monthly Charges	Difference
Edge Wireless	\$31.30	\$119.99	\$88.69	\$71.16	\$119.99	\$48.83
US Cellular	\$31.30	\$119.20	\$87.90	\$71.16	\$127.00	\$55.84
Sprint PCS	\$31.30	\$100.00	\$68.70	\$71.16	\$100.00	\$28.84
Verizon Wireless	\$31.30	\$79.99	\$48.69	\$71.16	\$79.99	\$8.83
AT&T Wireless	\$31.30	\$74.99	\$43.69	\$71.16	\$74.99	\$3.83
T-Mobile	\$31.30	99.99	\$68.69	\$71.16	\$99.99	\$28.83
Nextel	\$31.30	69.99	\$38.69	\$71.16	\$69.99	-\$1.17
Cricket	\$31.30	39.99	\$8.69	\$71.16	\$39.99	-\$31.17
ClearTalk (Magic Valley)	\$31.30	39.39	\$8.09	\$71.16	\$59.79	-\$11.37
ClearTalk (Eastern Idaho)	\$31.30	\$46.35	\$15.05	\$71.16	\$66.75	-\$4.41

For the long distance comparison, I used information from Qwest's report to the Administrator of the Idaho Universal Service Fund (IUSF) and the May 22nd, 2002, *Trends in Telephone Usage* (Trends) published by the FCC Industry Analysis and Technology Division. Using the data from Table 10.3 of the Trend's report, I divided the total number of Intrastate minutes from the IUSF report into residential and business customer classes. I then divided that by the number of customers in each class to determine an average number of intrastate minutes for an average residential and business customer. I then used the ratio of intrastate and interstate minutes from Table 11.2 of the Trends report to determine an amount of interstate minutes. The intrastate and interstate minutes were added to the peak local minutes from revised Exhibit 101 of the median flat rate customer for both residential and business customers.

For the calculation of wireless costs, I used the lowest cost "national" plan, to obtain the "free" long distance. For Clear Talk, which does not provide a "free" long distance plan, I simply used the per minute long distance rates published on their web site. The analysis assumes all long distance calls, both intrastate and interstate, are from locations within the Carriers network, but to locations outside the carrier's home area. However, except in the case of ClearTalk, the bundled long distance minutes exceeded the average toll usage, so this assumption did not materially impact the analysis.

For the calculation of Qwest's costs, I used 10 cents a minute for interstate calls and 15 cents a minute for intrastate calls, and added this to the local costs from Confidential Exhibit 101.

Difference Between Qwest and Wireless Service

Long Distance Comparison with Directory Listing

Average Residential Customer, with 28 Intralata and 36 Interstate Minutes Average Business Customer with 117 Intralata and 151 Interstate minutes

	Qwest Monthly Charges	Wireless Monthly Charges	Difference	Qwest Monthly Charges	Wireless Monthly Charges	Difference
Edge Wireless	\$31.30	\$121.49	\$90.19	\$71.16	\$125.99	\$54.83
US Cellular	\$31.30	\$120.70	\$89.40	\$71.16	\$133.00	\$61.84
Sprint PCS	\$31.30	\$101.50	\$70.20	\$71.16	\$106.00	\$34.84
Verizon Wireless	\$31.30	\$81.49	\$50.19	\$71.16	\$85.99	\$14.83
AT&T Wireless	\$31.30	\$76.49	\$45.19	\$71.16	\$80.99	\$9.83
T-Mobile	\$31.30	\$101.49	\$70.19	\$71.16	\$105.99	\$34.83
Nextel	\$31.30	\$71.49	\$40.19	\$71.16	\$75.99	\$4.83
Cricket	\$31.30	\$41.49	\$10.19	\$71.16	\$45.99	-\$25.17
ClearTalk (Magic Valley)	\$31.30	\$40.89	\$9.59	\$71.16	\$65.79	-\$5.37
ClearTalk (Eastern Idaho)	\$31.30	\$47.85	\$16.55	\$71.16	\$72.75	\$1.59

For the long distance comparison, I used information from Qwest's report to the Administrator of the Idaho Universal Service Fund (IUSF) and the May 22nd, 2002, *Trends in Telephone Usage* (Trends) published by the FCC Industry Analysis and Technology Division. Using the data from Table 10.3 of the Trend's report, I divided the total number of Intrastate minutes from the IUSF report into residential and business customer classes. I then divided that by the number of customers in each class to determine an average number of intrastate minutes for an average residential and business customer. I then used the ratio of intrastate and interstate minutes from Table 11.2 of the Trends report to determine an amount of interstate minutes. The intrastate and interstate minutes were added to the peak local minutes from revised Exhibit 101 of the median flat rate customer for both residential and business customers.

For the calculation of wireless costs, I used the lowest cost "national" plan, to obtain the "free" long distance. For Clear Talk, which does not provide a "free" long distance plan, I simply used the per minute long distance rates published on their web site. The analysis assumes all long distance calls, both intrastate and interstate, are from locations within the Carriers network, but to locations outside the carrier's home area. However, except in the case of ClearTalk, the bundled long distance minutes exceeded the average toll usage, so this assumption did not materially impact the analysis.

For the calculation of Qwest's costs, I used 10 cents a minute for interstate calls and 15 cents a minute for intrastate calls, and added this to the local costs from Confidential Exhibit 101.