

**Jim Schmit**  
Idaho Vice President

999 Main Street, 11th Floor  
Boise, Idaho 83702

jschmit@qwest.com  
208 385 2628  
208 385 8026 fax



December 30, 2002

**VIA HAND DELIVERY**

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

Idaho Public Utilities Commission  
Office of the Secretary

**RECEIVED**

**DEC 31 2002**

Boise, Idaho

**RE: PROPOSAL OF QWEST CORPORATION REQUESTING APPROVAL OF TECHNOLOGY PLUS PHASE III (TECH III) PROGRAM**

Dear Ms. Jewell:

By this letter, Qwest presents its "Tech III" proposal for disposition of funds generated by Qwest's predecessor's Revenue Sharing Plan. This proposal is consistent with previous directives of the Commission that encouraged consideration of infrastructure improvement projects.

In Commission Order 24267 the Commission stated the following on page 2:

"The Commission invites interested persons to submit written comments on alternative uses for sharing revenue subject to the Commission's disposition. In particular, the Commission invites comments on using sharing revenues to implement improvements to the public telecommunications network. Such comments should clearly identify the network improvement(s) and be reasonably related to the amount of funds available for disposition."

Qwest (then U S WEST Communications) responded to the above in 1992 and, ultimately, the Commission approved a three-year project called "Technology Plus Phase II" ("Tech II"). Tech II matched Commission-sponsored Revenue Sharing monies and Qwest investment to provide digital carrier and fiber optic cable installation in 45 Qwest southern Idaho wire centers to enable 9600 bps transmission speeds to at least 60% of the lines in those exchanges. The project was completed in 1995, following on the heels of

the Technology Plus project, which had resulted in the installation of digital switching systems in 52 Qwest wire centers in southern Idaho.

This Tech III proposal builds on this history of joint cooperation in improving the telecommunications network in Idaho. The Commission has stated several times that the use of Revenue Sharing proceeds must benefit Qwest's Title 61 customer base. The Tech III proposal will do exactly that.

Qwest proposes a three-year program for a broad-based and extensive service improvement program for the benefit of Qwest's southern Idaho customers. This program will focus on service improvement in the areas in Qwest's service territory with the highest trouble rates. Detailed engineering has not yet been completed to identify all of the wire centers and the exact pieces of Qwest's network infrastructure for inclusion in the service improvement program. However, the primary types of infrastructure improvements have been identified and are detailed later in this proposal. Upon approval of the Tech III program, the actual work list to be included for each successive quarter will be provided, in advance, for Commission review.

Qwest requests that \$4 million in Commission-held Revenue Sharing funds be earmarked for this proposal. Qwest will sponsor a matching amount of \$4 million to create an \$8 million dollar local exchange Tech III program. The \$8 million would be used over the three-year program through expending no more than \$3 million in 2003, \$3 million in 2004 and the balance in 2005. Qwest and Commission would equally contribute to each year's expenditures. Qwest requests the Commission remit each year's Revenue Sharing contribution to the Company in advance i.e., at the beginning of each construction year. Qwest also requests any monies not spent in a given year be rolled over to the following year, with the full project completing in 2005.

Before describing the proposed Tech III project in more detail, it is worth noting that the commitment by Qwest of funds for this project was carefully considered and debated at the highest levels in the Company. With capital markets and infrastructure budgets at

Qwest--and across the telecom industry--so heavily constrained, Qwest wishes the Commission to recognize that the commitment to an incremental increase to the Idaho network budget of \$4 million in southern Idaho is a major undertaking that signals Qwest's commitment to Idaho and firmly obligates the Company to this program for the next three years.

This project builds on the solid foundation found in Qwest's current telecommunications network in southern Idaho. The Tech III program will eliminate a significant amount of local exchange cabling and transmission systems that contribute to above-average repair reports and service problems. Specifically, the following four components are currently under consideration to be included in the Tech III program:

- 1) Replacement of lead sheath cabling in the local exchange network in selected wire centers
- 2) Replacement or rehabilitation of air core cabling in the local exchange network in selected wire centers
- 3) Replacement of control points/access points (i.e. terminal boxes or enclosures) in selected wire centers
- 4) Replacement of Anaconda analog carrier systems across southern Idaho

Rationale for identifying these four project components follow in the next several paragraphs.

#### Lead Sheath and Air Core Cabling

Simple aging may cause lead cable sheath to crystallize and crack. In addition, rodents and squirrels, which seem to delight in chewing on the lead sheath, can damage the lead sheath. Air core cables are typically used in aerial plant because of their ability to withstand oppressive heat. If the sheath of such cable is pierced, water may enter the cable, allowing electrolysis to slowly erode the cable pairs, and ultimately causing cable failure. The proposed Tech III program will replace older generation air core cable with a newer generation that has a superior plastic covering over a steel sheath that surrounds the cable pairs, making the cable much more resistant to water and rodents.

In Qwest's network in southern Idaho lead sheathed or air core cables are connected to digital central offices that provide an array of modern services. Customers who are served by these cabling facilities generally experience a higher level of repair activity than those served by later generation cabling facilities. These improvements come from new materials and, in many underground applications, through use of gel-filled cables, which are highly resistant to water intrusion. The proposed Tech III program will impact thousands of Qwest customers who, as a result of the program, will be connected by current-generation cabling to their serving digital central office.

#### Control Points and Access Points

Control points and access points are terminal boxes in the distribution plant at which cables are direct-spliced inside an enclosure. When technicians need to make rearrangements to the pairs within these terminal boxes to perform repair/installation work, they are more likely to cause additional cable trouble due to disturbance of the deteriorated insulation covering the conductors. When replaced with updated sealed enclosures, the new boxes will have a cross connect field so that future cable rearrangements will minimize the impact on other customers' service. The design of the new enclosures allows rearrangements by punching down jumper wires from one cable appearance terminal block across to the other, thereby reducing the incidence of trouble.

#### Anaconda Systems

Anaconda systems are analog carrier systems that use a single cable pair to serve up to seven customer lines. Unfortunately, these Anaconda systems are discontinued by their manufacturer, which makes repair very costly in terms of time and resources. In many cases the replacement digital carrier systems are fed by two cable pairs and have the ability to serve up to 24 customer lines. Anaconda-served customer lines cannot utilize custom calling features, voice mail, answering machines, and other optional services. When complete, the Tech III program is anticipated to eliminate all Anaconda systems in southern Idaho from the Qwest network.

Qwest engineers will identify the specific Tech III projects to be completed on a quarterly basis and present them to the Commission for review prior to ordering material or scheduling work. The creation of the project list will focus on those projects that are identified as having the maximum impact on improving the basic local exchange network in areas that would fall outside of current Qwest rehabilitation/capital budgets. The key criteria for identifying projects within any of the four areas of service improvement is reduction in the number of cable-related repair reports.

On an annual basis, the Company will provide the Staff with a presentation of the actual dollars spent on each project job, including all appropriate detail for Commission verification. Attachment 1 to this proposal is the list of projects the Company proposes to complete in the first 90 days of the project. For the initial year of Tech III the Company will begin actual construction as soon as approval is received. Qwest will attempt to complete as much of the \$3 million 2003 goal as practicable. For the second year of the program (2004) the Company plans to spend \$750K per quarter. During the third year (2005) the Company will adjust its quarterly expenditures to adjust for any shortfall experienced due to the shortened construction period in year 2003.

In accordance with the practice in past "Tech" projects, Qwest will work with the Commission Staff to make accounting entries that reflect that funds contributed by the Commission from the Revenue Sharing Plan will not be included in Qwest's intrastate rate base. The matching funds provided by Qwest would flow to the rate base in the normal course of business. While past Tech programs separated projects by whether they were funded by Revenue Sharing or Company matching dollars, for Tech III Qwest proposes to simplify this process by funding each completed job with 50% Commission dollars and 50% Company match. Similarly, Qwest proposes that the Company and Commission share equally in funding each category where a particular project involves both capital and expense dollars.

To ensure that Title 61 customers receive credit for Revenue Sharing dollars used for the expense component of the program, Qwest commits to make appropriate proforma

adjustments in any future rate proceeding to capture the cumulative amount of the Tech III expenses paid using Revenue Sharing funds. Qwest looks forward to working with the Commission Staff to work out the details associated with the accounting reports and formats for the program.

The Tech III proposal builds on the strengths of the existing voice network, improves portions of the local exchange network and upgrades the capabilities of the network to meet emerging needs of residential, small business, government, and large business retail customers, in addition to competitive local exchange carriers located in various Qwest wire centers across southern Idaho. The proposed Tech III project improves on the common resource of the public network in southern Idaho, benefiting all Qwest southern Idaho customers.

Qwest appreciates the opportunity to once again partner with the Commission to further develop the Idaho telecommunications network. The Company desires to fully cooperate with the Commission and any other interested parties to develop an appropriate record regarding disposition of the final Revenue Sharing funds. Qwest suggests that the Tech III proposal be considered under modified procedure to allow for speedy review and to allow Tech III construction to begin during the first quarter 2003.

Questions regarding the Tech III program can be directed to John Souba at (208)385-8666.

Sincerely,



Jim Schmit

Qwest Idaho President

	QWEST TECH III INITIAL 90 DAY WORK LIST	Attachment 1 page 1 of 2
	Lead Cable Replacement Projects	
CLLI	Job description	CABLE COUNTS
IDFLIDMA	Rep cables at Sunset Dr & Rose Ave.	110SUNSET,1551-1600+ ,1626-1650
IDFLIDMA	Rep cable 803 Saturn to 1573 Beverly	803S,451-500
IDFLIDMA	Rep cable on Lincoln Rd,P.30 to P.54, RL4A	1546N25E,101-125
IDFLIDMA	Rep cables on Wadsworth Ave.	110SUNSET,651-700
IDFLIDMA	Rep cable W 17th and Mill Road	3482WB,51-250
IDFLIDMA	Rep cable bet 10th and 11th, Cranmer to Division	940CRNMR,301-400
IDFLIDMA	Rep cable 597 E 9th to 985 E 9th	740CRNMR,1-125
IDFLIDMA	Rep cables at Elva and Emerson	110SUNSET,1201-1225+ ,1251-1575
IDFLIDMA	Rep cable 1385 E 1st to 485 NW Bonneville	140T,101-150
IDFLIDMA	Rep cable Anderson and Wadsworth	110SUNSET,601-650
IDFLIDMA	Rep cables at Vine Dr & Rose Ave.	110SUNSET,1726-1750+ ,1776-1800
BUHLIDMA	Rep lead 26-26 aerial cable	429, 151-250
GDNGIDMA	Rep lead cable rodent damage	324W4 626-650
GDNGIDMA	Rep lead cable rodent damage	214E4 51-75
TWFLIDMA	Rep lead cable rodent damage	1120sp 1-100
TWFLIDMA	Rep lead cable severe rodent damage	1147FE 301-450
TWFLIDMA	Rep lead cable	109wise 51-100
WNDLIDMA	Rep lead cable rodent damage	256B 1001-1025
WNDLIDMA	Rep lead cable rodent damage	402 651-675
PYTTIDMA	Rep lead cable	111N8th XXTL-101
PYTTIDMA	Rep lead cable	2 1351-1400
PYTTIDMA	Rep lead cable	2 1201-1250
WESTIDMA	Rep lead cable	23g 401-450
PYTTIDMA	Rep lead cable	2 51-100
NMPAIDMA	Rep lead cable	1312s 901-1100
BOISIDWE	Rep cable 26-26 lead cable (1912) rodent damage	1707, 101-300
BOISIDMA	Rep cable between 15th & 18th	223C317
BOISIDMA	Rep cable owyhee & camrose ln rodent damage	50N0, 1301-1350
BOIDIDMA	Rep cable 15th between irenie & dewey	223C321
BOISIDMA	Rep cable ralroy & taggart rodent damage	2212O 701-750
BOISIDMA	Rep cable bannock & pierce	223C316
BOISIDMA	Rep cable roberts st	223c319
	Estimated total	\$362,997

**QWEST TECH III INITIAL 90 WORK LIST**

Replacement of Access Points at following locations:

<b>WIRE CENTER</b>	<b>LOCATION</b>
BLFTIDMA	603 AIRPORT ROAD
BUHLIDMA	117 12TH
PYTTIDMA	1124 7TH AV
EMMTIDMA	1408 MAIN

ESTIMATED TOTAL \$126,000

<b>TECH III 90 Day Work List Total</b>	
<b>Cabling Work</b>	<b>\$362,997.00</b>
<b>Access Point Replacements</b>	<b>\$126,000.00</b>
<b>Total 90 Day</b>	<b>\$488,997.00</b>