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ride the light
Qwest

January 17, 2003

Jean Jewell
Secretary
Idaho Public Utilities Commission
P. O. Box 83720
Boise, ID 83720-0074

QWE-T-03-04

RE: QWEST SUPPLEMENTAL COMMENTS ON TECH III PROPOSAL

Dear Jean,

Qwest filed its Technology Plus Phase III (Tech III) proposal with the Commission on 12-30-02. This letter responds to questions raised in the Commission decision meeting held on 1-13-03 relating to certain aspects of the Tech III project. Specifically, I will provide additional detail regarding a) benefits to customers from Tech III, b) differences between regular maintenance work and Tech III, c) the challenge of spending Revenue Sharing monies on Title 61 enhancements and d) identification of the scope of replacing all Anaconda carrier systems in southern Idaho.

1. Benefits to Customers from Tech III

The proposal identifies four specific areas for investment in the Qwest local exchange network in southern Idaho. The key customer impact of all of these improvements is to increase service quality and reliability through the elimination of a) customer service problems related to damaged cable and b) older analog Anaconda carrier systems which are subject to a greater level of failure and which cannot handle signaling levels necessary to deliver advanced features. Customers who are served by lead sheathed and older air core cables are more likely to experience service interruptions or service-affecting conditions. For instance, when it rains, damage to these facilities caused by weather or rodents over the years allows moisture to enter the cable sheath causing service interruption. High winds and extreme heat also have adverse effects upon this older technology as heat expansion or wind movement cause a disruption in the electrical connectivity of the cable wires. While customers served via these older systems receive good basic telephone service, they also tend to experience a higher incidence of impaired service.

Thus, a significant and meaningful customer benefit for those directly impacted customers will be the cutover of their service to newer generation cable that will increase the reliability of their telephone service. This also benefits other customers who place in-coming calls to these customers. Improved cable plant also benefits CLEC service

providers who may be leasing cable pairs from Qwest to serve their end user customers. In essence, improving cable plant improves the overall reliability and performance of the network for all customers.

Another direct benefit to customers is the financial benefit realized by the matching of the revenue sharing monies by an additional Qwest investment of an equal amount. The Commission is able to double the scope of network improvements through this matching approach. In addition, the Company has agreed to eliminate from its rate base the investment of the Commission-sponsored $4 million which eliminates any future financial recovery of these funds from customers. Customers will realize actual, long-term benefit from revenue sharing funds in the form of improved service quality without any risk of having to pay higher rates associated with this investment.

Finally, the Tech III proposal brings a more rapid delivery of these benefits to customers than would business-as-usual network cable maintenance (to be discussed in the next section). If a section of cable is experiencing service problems, it is being repaired by field cable maintenance personnel until the problems become so severe that cable replacement is justified. The work being proposed in the Tech III program significantly advances the date for replacement of the identified cable sections in advance of the timeframe required to replace these cable under normal maintenance routines.

2. The Tech III Project goes Beyond Normal Maintenance Procedures by More Rapidly Improving Network Reliability

There are distinct differences between Qwest's cable maintenance activities and the Tech III proposal. In responding to a customer trouble report, the focus of the field technician is on getting the customer back in service as rapidly as possible – that is, repairing the service, as opposed to replacing the cable.

Qwest is faced with the same decisions regarding its capital investment as are other capital-intensive businesses. For Qwest, that decision involves when to repair cable plant and when to replace it. Aerial lead cable can continue to provide reasonable service despite having experienced some damage over time. Obviously, when the cost of repairing a cable, or the degree of service deterioration to customers, becomes so great that continued repair becomes imprudent, Qwest takes the necessary steps to engineer and install a replacement facility. Qwest takes pride in its commitment to service and will not allow a service-affecting network problem to go unattended. By the same token, if a cable can be repaired quickly and efficiently while still providing good customer service, Qwest will follow prudent business practices in maintaining its cabling despite the age of the facility.

The Tech III program goes well beyond simple cable maintenance and repair routines. Tech III replaces entire sections of the most deteriorated cable. The typical Tech III cable replacement job will involve replacement of a minimum of 300 feet, and more typically 1000 foot sections, of cable plant which is beyond the capacity of routine repair work. The Tech III work will be engineered, a cable job print will be prepared and a

piece of modern cabling will be installed to replace the deteriorating section of plant. Finally, the new cable plant will be entered into Qwest engineering records which facilitates faster identification and response to potential future cable troubles. None of these tasks are associated with a simple, individual, cable repair dispatch associated with a single customer repair report. Tech III is a more orchestrated, holistic approach to modernizing the basic network in a fashion which benefits all users, including possible CLEC service providers, who rely on the network. Tech III advances this work more rapidly and with greater network integrity than would otherwise occur under "one-at-a-time" service repair activity.

This leads to a far more difficult question, that is, when would the identified sections of cable be replaced through Qwest's regular cable replacement budget. Qwest replaces cable that has failed on an ongoing basis and will continue this work during the pendency of the Tech III project. However, the size of the cable replacement budget can fluctuate on an annual basis and, in the current capital-constrained telecom environment, this budget will not allow the scope of cable replacement offered under Tech III. Recognizing today's limited budget, the Company's commitment to increase its Idaho investment to include matching Tech III funding underscores its commitment to providing Idahoans with a modern network infrastructure.

The replacement of the Anaconda analog carrier systems goes beyond maintenance in that all systems will be eliminated in southern Idaho through the Tech III program. These older systems continue to operate in the network and would not be scheduled for replacement unless growth beyond the capacity of the existing Anaconda systems required their replacement. Further detail will follow in section 4 of this letter.

3. The Challenge of Spending Revenue Sharing Monies on Title 61 Enhancements

It is worth mentioning that identifying Title 61 projects for use of the residual Revenue Sharing monies is not a simple prospect. There is a narrow window to identify improvements which benefit the POTS (plain old telephone service) customer and their basic local exchange service. Qwest believes Tech III represents a good balanced use of Revenue Sharing funds in that it improves the network for basic local exchange service and is willing to leverage this benefit by matching the Commission's investment. The resulting combined investment benefits everyone (including competitors) who make calls to or receive calls from the POTS network in southern Idaho.

4. Identification of the Scope of Replacing all Anaconda Carrier Systems in Southern Idaho

The Anaconda analog carrier replacement aspect of the Tech III proposal lends itself to rather simple identification and broad gauge replacement cost analysis even though detail engineering has not been done to date. Attachment A to this letter identifies the six remaining Anaconda carrier systems in Qwest's southern Idaho network. The combined anticipated cost for their replacement is $629,500. While these systems continue to

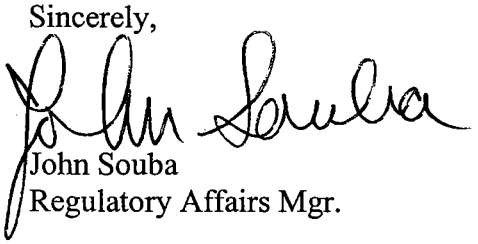
deliver a basic level of adequate telephone service, the customers served by them can expect improved service from their replacement.

Qwest hopes these additional clarifications will trigger the Commission to formally open a Tech III docket to be considered for processing under modified procedure. The Company wishes to begin detail engineering and ordering of new facilities under the program as soon as possible. The proposal would signal the final chapter for a number of significant improvements to Idaho's telecommunications network funded by the Revenue Sharing Plan.

Finally, capital and expense budgets ultimately translate to needing people to do the work associated with those budgets. This proposal will allow Qwest to retain several employees who will be focused on completion of the project over the next three years.

Qwest urges the Commission to move this application forward.

Sincerely,



John Souba
Regulatory Affairs Mgr.

Attachment

January 14, 2003

IDAHO ANACONDA REPLACEMENTS

1. Indian Cove/Brueau Glenns Ferry
   # of systems 2
   # of customers 14

2. Grindstone Butte Glenns Ferry
   # of systems 4
   # of customers 12

3. Kelly Canyon Ririe
   # of systems 1
   # of customers 6

4. Reynold's Creek Melba
   # of systems 3
   # of customers 17

5. Rising River Blackfoot
   # of systems 2
   # of customers 9

6. Moonstone Shoshone
   # of systems 1
   # of customers 3

Total Cost for all 6 locations= $629,500

Assumptions: replace Anaconda with new carrier, place cable only to the closest grouping of subscribers for relief in conjunction with the carrier replacement and not to rebuild the entire route.