

WELDON B. STUTZMAN
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0318
IDAHO BAR NO. 3283

RECEIVED ☒
FILED ☐

2003 FEB 14 PM 2:23

IDAHO PUBLIC
UTILITIES COMMISSION

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, ID 83702-5983

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF QWEST'S PROPOSAL TO)	
USE REVENUE SHARING FUNDS TO MAKE)	CASE NO. QWE-T-03-4
NETWORK IMPROVEMENTS IN ITS SOUTHERN)	
IDAHO SERVICE AREA.)	
)	COMMENTS OF THE
)	COMMISSION STAFF
)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Weldon B. Stutzman, Deputy Attorney General, in response to the Notice of Proposal and Notice of Modified Procedure in Case No. QWE-T-03-4 issued on January 24, 2003, submits the following comments.

BACKGROUND

Before and since the termination of the Revenue Sharing Plan in 1997 (Order No. 26672), Staff, Qwest, and various other parties have sought to find equitable ways to use Revenue Sharing funds to benefit Title 61 customers. Previous uses for those funds have included customer credits, the reduction or elimination of rural zone charges, upgrading facilities for implementing extended area service (EAS) regions, and other capital improvements. Currently, there is approximately \$4 million in the Revenue Sharing fund available for use. During the past two years, several proposals

have been considered for the use of these funds. For example, connecting central offices with fiber optic cables, connecting the northern and southern portions of the state with a fiber optic cable over Whitebird Hill, line extension credits, and other credits or network improvements have been considered as uses for these dollars. For different reasons, however, none of the ideas have sufficiently matched the goals of using this fund to equitably benefit Qwest's southern Idaho Title 61 customers in a manner that would not be anti-competitive to other carriers.

DISCUSSION

On December 31, 2002, Qwest filed a proposal with the Commission to use Revenue Sharing funds to make network improvements in its southern Idaho service area over a three-year period. In its Application, the Company proposed replacing three categories of outside plant in an effort to reduce the number of cable-related repairs. Qwest plans to provide specific projects to the Commission on a quarterly basis over the next three years. The three categories of outside plant improvements are as follows:

- (1) Lead Sheath Cable and Air Core Cable - Lead Sheath and Air Core cabling are older generation cables that are more prone to cracking, water damage, and rodent damage. Qwest claims that customers served by these older cables require higher repair activity and replacing the cables with new material will improve service for thousands of customers.
- (2) Control Points and Access Points - Replacing older terminal boxes with new sealed boxes will protect cables and splices from the elements and allow Qwest to install cross-connect panels. These panels allow technicians to repair or install cabling with less interference to the other service cables in the box.
- (3) Anaconda Carrier Systems - These carrier systems are older analog systems that provide voice grade communications but cannot offer custom calling features such as Voice Mail and often struggle to offer dependable facsimile service and Internet access.

Staff is aware of Anaconda-related customer complaints from the Bruneau and Hailey areas of Idaho. Staff's understanding is that the Hailey Anaconda system upgrade is already under way while the Bruneau change-out is included in Qwest's Application. Qwest's proposal to replace the Anaconda systems would replace all such systems in southern Idaho. Staff also recognizes the cost per customer to replace these obsolete systems is very high. According to information submitted by Qwest, the estimated Anaconda replacement projects are as follows:

Project	Number of Customers	Estimated Cost	Cost Per Customer
Bruneau	14	\$70,000	\$5,000 per customer
Glenns Ferry	12	279,500	\$23,292 per customer
Ririe	6	75,000	\$12,500 per customer
Melba	17	70,000	\$4,118 per customer
Blackfoot	9	60,000	\$6,667 per customer
Shoshone	3	75,000	\$25,000 per customer
Total	61	\$629,500	\$10,320 per customer

Staff believes the most cost-effective projects should be undertaken first. Because the cost per customer to replace the Anaconda systems is so high, Staff believes that, if Qwest's proposal is approved, the Anaconda replacements should be done later or even last in the timeline in case other projects with more critical need, better cost effectiveness, or greater customer benefit emerge during the next few years.

Staff believes Qwest's proposal has merit for two reasons. First, given the high cost per customer and general reduction in capital budgets, Qwest would not make the proposed upgrades in the foreseeable future but would continue to maintain and repair the existing facilities. While these upgrades might be considered maintenance that should be done in the normal course of doing business, none of the proposed upgrades are currently scheduled for replacement within Qwest's capital budget. Under Qwest's proposal, Title 61 customers and those who call those customers would realize these network improvements much sooner than otherwise, as would competitors that may use these facilities. Second, all southern Idaho Title 61 customers benefit from Qwest's proposal because the \$4 million in Revenue Sharing project investment would not be included in Qwest's rate base. With Qwest's promise to contribute a matching \$4 million, Title 61 customers would realize \$8 million of improvements for essentially half the price. It is Staff's impression

from the Application that much of these upgrades would occur in relatively rural Idaho exchanges where lower demand has not historically required or attracted high network investment.

On the other hand, Staff is concerned with the cost effectiveness of the Anaconda replacement as well as the other proposed upgrades. To ensure maximum customer benefit from these dollars, the Commission needs more detail regarding the replacement of access points, air core cable and lead sheath cable in southern Idaho. Qwest included in its proposal a list of cable and access point replacement projects that would take place during the first ninety days after Commission approval of this program. The estimated cost of these first projects is \$488,997, but the individual breakout of project costs and the number of customers affected was not specified. Staff suggests that, if Qwest's proposal is approved, more specific information regarding individual projects be given and approved by the Commission before any Revenue Sharing funds are used.

CONSUMER PERSPECTIVE

Staff reviewed 330 Consumer Assistance records regarding repair issues involving Qwest's southern Idaho customers during the past three years (2000-2002). The records indicate that Qwest took care of the routine repairs involving individual customers in a timely manner upon receipt of a PUC complaint. Several major construction projects were completed during this three-year period or are in progress to address problems affecting multiple customers. These projects generally require more time to complete. Examples of two such projects are described below.

In 2000, Staff received several complaints from customers experiencing no dial tone or fast busy signals. The records identified four separate regions affected by overloaded circuits: Boise South/Meridian, Star, Kuna, and Robie Creek. Early in 2001, however, Qwest completed major construction jobs in all four areas, thereby resolving those complaints.

A persistent problem with telephone outages in the Star Ranch area near Placerville appears to be fixed. Approximately twenty-five customers would lose telephone service whenever there was an extended power outage. The remote terminal held one string of batteries that, when fully charged, would only last a four-hour period of time. Some complaints stated that the phone went out at the same time as the power, which prevented them from calling to report the power outage. In September 2002, a job was completed to retrofit the cabinets with two strings of batteries, which will provide a twenty-four hour charge for this area when the power is out. With mild weather conditions this winter, the new batteries have not been tested.

Staff has not identified in its review of records any indication that Qwest is not properly addressing routine or major repair issues following receipt of a PUC complaint. Staff notes, however, that 2002 was a relatively dry year. Underground line problems may not crop up until the ground stays wet for several days. Therefore, it is possible that maintenance problems have not yet revealed themselves. Also, Staff's review was confined to repair problems reported by customers to the Consumer Assistance Staff. Staff did not conduct an independent review of Qwest's repair records.

ACCOUNTING AND REVIEWS

Staff supports Qwest's recommendation to file more detailed construction information on a quarterly basis. This additional information will allow Staff to evaluate the proposed accounting to ensure that the capital investments made with the Revenue Sharing contributions are properly recorded so none of this investment will be included in rate base or rates. Staff is also concerned that the expense items Qwest intends to incur should not be funded with Revenue Sharing dollars. This detailed evaluation is appropriately left to the quarterly reviews when construction project budgets are evaluated. Payments from the Revenue Sharing Fund should be made on a quarterly basis following the project reviews. This will allow Qwest to receive the funds in a timely manner, allow the Fund Administrator to match fund investments with the expected withdrawals, and assure proper evaluation of the expenditures.

RECOMMENDATION

Staff generally supports Qwest's current proposal for the use of the approximately \$4 million remaining in the Revenue Sharing fund because the necessary upgrades of the mentioned obsolete plant will not occur in a timely manner without Revenue Sharing support. Staff recommends the process be closely monitored each quarter and that the Commission reserve the ability to review, modify or seek comment on other worthwhile projects that may emerge. Staff further recommends that payments from the Revenue Sharing fund and the corresponding matching Qwest investment be handled quarterly to coincide with the quarterly review and proposals of improvement projects. Staff also recommends that more details regarding access point, lead sheath and air core cables be provided so the most cost-effective projects can be accomplished before the

Anaconda projects are evaluated. Finally, Staff recommends that, if Qwest's proposal is approved, preference be given to projects in rural areas.

DATED at Boise, Idaho, this 14th day of February 2003.

A handwritten signature in black ink, appearing to read 'Weldon B. Stutzman', written over a horizontal line.

Weldon B. Stutzman
Deputy Attorney General

Technical Staff: Doug Cooley
Carol Cooper

i:umisc/comments/qwet03.4wsdccj

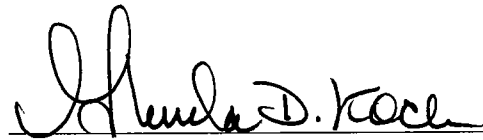
CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 14TH DAY OF FEBRUARY 2003, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. QWE-T-03-4, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

JOHN SOUBA
REGULATORY AFFAIRS MANAGER
QWEST CORPORATION
999 MAIN ST, 11TH FLOOR
BOISE, ID 83702
E-MAIL AND REGULAR MAIL

CONLEY WARD
GIVENS PURSLEY LLP
277 N. 6TH ST, SUITE 200
PO BOX 2720
BOISE ID 83701

CLAY R. STURGIS
MOSS ADAMS LLP
601 W RIVERSIDE, SUITE 1800
SPOKANE WA 99201-0063



SECRETARY