

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the 2003 Price Cap)
Compliance Filing of QWEST)
CORPORATION Pursuant to R746-352-)
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DOCKET NO. 03-049-30
ORDER

ISSUED: June 16, 2003

By The Commission:

HISTORY

On April 15, 2003, Qwest Corporation (Qwest) made its 2003 Price Cap Compliance filing. On May 30, 2003, the Division submitted its Comments on Qwest's filing. On June 6, 2003, Qwest responded to the Division's Comments. Prior to, and after making the filing, Qwest worked closely with the Division regarding the calculation of the needed reductions, as a result only a few outstanding issues remain.

DISCUSSION

The Division raises the following issues:

First, whether the current prices for EAS service are sufficiently above the price floor to absorb the reduction Qwest proposes;

Second, whether Qwest has used the correct price floor test for the Dial Tone Line in the Suburban Zone;

Third, whether the quantity Qwest reports for Wide Area Calling is correct.

As for the first issue, we note that neither the Division nor Qwest has undertaken a price floor analysis for any of the EAS rates. As a result, there is no evidence available to determine the level of the price floor. Until a party brings evidence that a price floor has been violated we are inclined to allow Qwest to continue to reduce EAS charges. An additional benefit of such targeted reductions is that, over time, Qwest can consolidate the many varying EAS rates into a smaller set. This consolidation of EAS rates is an objective for which the Division and Qwest have both expressed a desire. This intra-basket treatment is permitted under R746-352-6. Therefore we allow Qwest's proposed EAS reductions.

The Division's second point is that, according to its calculations, Qwest double-counts costs in determining the price floor for the Dial Tone Line. Specifically, the Division asserts that the port (also known as the switch port or NTS-COE) and the billing and collection charges are already included in the wholesale cost of a loop and drop.⁽¹⁾ Qwest's response is simply that the Division misunderstands both the procedure for calculating a price floor and the model used to calculate the component pieces of the price floor.

The HAI Model does include expenses for what may be billing and collection costs in the loop and drop calculations. However, an examination of the HAI Model documentation shows that this amount is the cost associated with administratively servicing a wholesale level account, not the retail level of costs for billing and collections that would be associated with the final retail service for which Qwest is calculating the price floor. Therefore, the Commission finds that retail level billing and collection costs are not included in the wholesale UNE prices of the loop and drop. Similarly, since the HAI Model calculates the cost of a port as a separate stand-alone item distinct from the loop and drop, the Commission also finds that the UNE loop and drop prices do not include the port cost. Therefore, the Commission finds

that Qwest's filing complies with the price floor test for Dial Tone Line, given the current UNE loop definition.

With respect to the quantity being zero for Wide Area Calling, the Commission notes that Qwest has committed to resolve this issue in a response filing to the Division's filing. Qwest states that the parties have already uncovered two other errors regarding basket three and basket four accounts and that those errors have been corrected. Qwest also committed to refile amendments to its initial filing to account for all identified errors, and to working with the Division to resolve the Wide Area Calling quantity issue. This course of action is acceptable to the Commission as a method for resolving the quantity dispute. If the Division and Qwest cannot reach agreement on this issue, the Commission will address it in a future Order.

Based on the filings of Qwest and the Division, and the discussion above, the Commission approves Qwest's 2003 Price Cap Compliance Filing, modified by the amended attachments accompanying Qwest's response filing, the previous erratum filing, and the final filing that will be associated with the resolution of the Wide Area Calling quantity issue.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The Commission accepts Qwest's amended 2003 Price Cap Compliance filing, subject to any further adjustment that may be required as detailed in Qwest's reply comments, and in this Order.

DATED at Salt Lake City, Utah, this 16th day of June 2003.

/s/ Richard M. Campbell, Chairman

/s/ Constance B. White, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary

¹The Division's underlying point is that the price of the UNE loop contains costs which are not part of the retail service. The Commission intends to separate out the distinct component pieces of the current UNE loop price, into separate UNE prices. Qwest's reply brief to the Division's Comments shows that this can be done. In Docket No. 01-049-85 (currently under reconsideration) the price of the "whole" loop UNE is currently set at \$12.95, of which \$0.11 is apparently billing and collections cost (assuming that the information in Qwest's reply is correct). Under the component piece unit pricing the stand-alone UNE loop would be \$12.84, and the UNE wholesale billing and collections UNE would be \$0.11.