STATE OF IOWA

DEPARTMENT OF COMMERCE

UTILITIES BOARD

IN RE: QWEST CORPORATION	DOCKET NO. RPU-01-6

ORDER ISSUING QUESTIONS TO PARTIES

(Issued December 20, 2001)

On December 10, 2001, the parties requested that this case proceed without a hearing. The request was granted in an order issued December 11, 2001. A procedure was established that included questions being submitted to the parties. This order includes the list of questions to be answered by the parties. Although some questions are directed to a particular party or witness, any party who wishes to have any witness answer the question may do so, and must do so by the January 9, 2002 deadline established in the December 11, 2001 order.

The procedures established in the December 11, 2001 order were based on the parties stating they had no cross-examination. Any party wishing to cross-examine on the answers to the following questions should file a motion.

QUESTIONS FOR PARTIES

A. Proposed Recurring Line Sharing Rate

For All Parties:

1. Has any state established an interim or permanent price for the HFPL? If yes, please provide a copy of the order, the price, and whether the ILEC was Qwest or another provider.

For any Qwest witness:

1. What was the rationale for Qwest choosing $5 as the proposed price for the HFPL?

2. Has Qwest ever allocated a portion of loop costs to xDSL services when setting its interstate retail rates for those services? If yes, what was the amount and when was it done?

3. In Minnesota, what amount did Qwest impute to its own DSL services?

For Robert H. Brigham (Qwest):

1. In your direct testimony (p. 40), you cite paragraph 138 of the FCC's Line Sharing Order that says: "we must extend the TELRIC methodology to this situation and adopt a reasonable method for dividing the shared loop costs." What methodology did Qwest use to reach the $5 price for the HFPL? Please explain how Qwest's methodology applies and extends the TELRIC methodology.

2. Paragraph 138 of the FCC's Line Sharing Order also states, "In the case of line sharing, however, the facility in question is, by definition, also used for two incumbent LEC services (local exchange service and interstate access service).

We are thus presented with the question of how to establish the forward looking economic cost of unbundled bandwidth on a transmission facility when the full embedded cost of that facility is already being recovered through charges for jurisdictional services." Please explain how charging competitors $5.00 for the HFPL addresses the FCC's concern.

3. Qwest did not provide any specific cost studies to support its proposed price of $5.00 for the high frequency portion of the loop (HFPL). Please explain how the $5.00 price is actually based on the cost of providing the interconnection or network element, is nondiscriminatory, and only includes a reasonable profit, as prescribed by The Telecommunications Act of 1996 at 47 USC §252(d)(1).

4. In your rebuttal testimony (p. 2), you characterize witness Hunt's 15% allocation to the high frequency portion of the loop as an overstatement of demand for line sharing. Hunt's example is based on a proportional allocation of the statewide average $20.15 loop UNE cost. Given that Qwest is proposing a $5.00 or 24.8% allocation of the same $20.15 loop UNE cost, your statement is confusing. Will you please explain?

<u>For William L. Fitzsimmons (Qwest):</u>

1. In your rebuttal testimony (p. 27), you state that Hunt's approach to recommending an average price of $3.02 for the HFPL does not provide meaningful evidence that the market price is below the $5.00 proposed by Qwest. Please

provide any evidence you may have that the $5.00 proposed price is the actual market price of the HFPL.

2. In your direct testimony at page 10, you stated, "With the high-frequency spectrum of the loop designated as a UNE, most of the loop costs for shared lines are recast as joint costs." What part of the loop costs are not joint costs?

<u>For Carl E. Hunt (OCA):</u>

1. In your direct testimony (p.17, Exhibit CEH-5), you provide an Iowa-specific example of the proportional method for allocating local loop costs. In this example, you assign a 15% allocation to the high frequency portion of the loop (HFPL). How did you decide which services to include in your allocation? Why did you make an equal 15% allocation to each of these services? Why did you allocate 25% to interstate toll?

2. Does the proportional method of allocation for the local loop and the HFPL satisfy the requirements of the Telecommunications Act of 1996 and the FCC's rules governing UNE pricing? If yes, please explain.

3. Based on the statewide average $20.15 loop UNE cost, the 15% allocation results in a $3.02 price for the HFPL. Are you making a recommendation that $3.02 is a just and reasonable rate for the HFPL or is the example solely for illustrative purposes?

4. If your exercise was for illustrative purposes only and you do not believe the $3.02 rate is a just and reasonable rate for the HFPL, please provide a price recommendation for the HFPL, if you have one, and support it.

B. Recurring Wholesale Rate on OSS for Line Sharing

For All Parties:

1. In Hunt's direct testimony on page 25, he stated, "The OSS modification is in effect a common cost between Qwest and the CLECs/DLECs. Because the OSS modification benefits are shared in common by both Qwest and the CLECs/DLECs, the costs of the OSS modification also should be shared by Qwest and the CLECs/DLECs." Please provide example(s) of the state commission(s) that have found it appropriate to share OSS costs (associated with line sharing) between the ILEC and the CLEC(s). Please include a copy of the relevant order(s) with your answer.

2. For the Qwest 14-state region, has any state established an interim or permanent recurring rate to recover the costs of OSS modifications made to support line sharing? If so, please provide the rate (even if set at $0) and a copy of the relevant order.

For any Qwest witness:

1. OCA data request 02-035 stated, "Please provide a detailed explanation of how Telcordia determined that 85 percent of the cost of OSS modifications were attributable to line sharing." In confidential exhibit CEH-19, the

first sentence of Ms. Albersheim's response is: "Telcordia provided this information over the telephone." Please provide all information Telcordia provided to Qwest over the telephone.

2. Given that Qwest is a regulated company and must provide support for its proposed prices to the Board, please explain the relationship between Telcordia and Qwest that apparently allowed Telcordia to refuse to respond to the following quoted information request by its customer: "How did Telcordia develop the estimate that 85% of the contracted effort related to Line Sharing, and that 15% did not? What resulted from the 15% effort? Is it possible to get a copy of the documentation of the 15% estimate?" Why was Qwest satisfied with the answer it received? If proprietary concerns support the refusal to provide the necessary information, have protective agreements been explored?

3. Please provide a detailed explanation with supporting documentation of the work performed by Telcordia that was attributed to line sharing (the 85%).

4. Please provide a detailed explanation with supporting documentation of the work performed by Telcordia that was not attributed to line sharing (the 15%).

5. Please provide a detailed explanation with supporting documentation for the $870,720 Ms. Albersheim testified were Qwest's internal costs for OSS line-sharing modifications, including how the amount relates to the necessary OSS modifications testified to by Ms. Albersheim and the cost for each required change.

6. Please provide a detailed explanation with supporting documentation for the $56,000 project management cost Ms. Albersheim testified to at page 22 of her direct testimony.

7. Did Telcordia or Qwest staff perform any OSS changes required for line sharing not listed in the Albersheim testimony? If yes, please provide an explanation of the tasks and the cost for each.

8. Please provide a detailed breakdown of how the $14 million paid to Telcordia relates to the necessary OSS modifications testified to by Ms. Albersheim (including the amount billed by Telcordia for each identified required change).

9. In its letter (confidential exhibit CEH-19), Telcordia stated that its line-sharing architects identified the work on each component required to support line sharing, regardless of whether or not unbundling was supported. Please provide a detailed explanation and breakdown of the tasks that were necessary only for line sharing, those that were necessary for both line sharing and unbundling, and those that were necessary only for unbundling. If there were any other OSS changes not related to either line sharing or unbundling, please provide a detailed explanation including costs.

10. Does Qwest know if any other ILECs besides Qwest have purchased or would have purchased the same software modifications from Telcordia? If yes, who?

11. Dr. Hunt raises a concern with the potential for double recovery, referring to the add-on of common overhead costs and the inclusion of $56,000 in project management costs. (Hunt direct at page 33.) Please respond.

For John R. Curtis (Qwest):

1. In your rebuttal testimony, page 4, you discuss the appropriateness of Dr. Hunt’s comparison of Qwest to Verizon in the state of Washington and conclude that this comparison does not serve as a basis for a measure of reasonableness for the proposed line sharing OSS modification costs in Iowa. Have you provided the WUTC any additional information not provided in this docket regarding OSS modification costs for line sharing? If so, please provide this additional information.

2. In your rebuttal testimony at page 6, you testified that "Furthermore, the volume of software that Qwest leases from Telcordia gives rise to significant discounts from Telcordia to Qwest, including a substantial discount for the shared loop modifications."

a. What discount did Qwest receive from Telcordia for the line sharing OSS modifications?

b. Provide evidence of the discount and show how it was calculated.

c. Is the $11.9 million before or after the discount?

d. What was the percent of the discount, and what was its total amount?

e. What was the base amount to which the discount was applied?

<u>For Robert H. Brigham (Qwest):</u>

1. Does Qwest offer xDSL service through a separate subsidiary or affiliate? If so, do these entities utilize the OSS's that have been modified to support line sharing? How does the affiliate or subsidiary compensate Qwest for these services? Does Qwest have any future plans to offer xDSL via a subsidiary or affiliate during any of the recovery periods suggested in this proceeding (i.e., 5, 10, or 15 years)? If so, how will the subsidiary or affiliate compensate Qwest for these services?

2. Regarding Renee Albersheim's direct testimony regarding the description of OSS modifications necessary for line sharing at pages 14 through 24 (both those made by Telcordia, and those made by Qwest internally): Please provide a more detailed explanation of why these changes did not benefit Qwest's ability to sell xDSL services itself or through a subsidiary.

3. On page 51 of your direct testimony, you state that Qwest is willing to consider alternative inputs (regarding estimated demand for line sharing) if the CLECs are willing to provide them. Has Qwest received any demand related inputs from CLECs since this testimony was filed? If so, please provide them.

4. Please explain the method used to arrive at Qwest's demand estimates for the HFPL.

For John R. Curtis (Qwest):

1. On page 22 of Renee Albersheim's direct testimony, footnote 15 states the following, "The total cost for the Telcordia solution is $14 million. According to Telcordia, 15% of the Telcordia modifications are applicable to other UNEs, but 85% are solely attributable to the line sharing requirements agreed to between Qwest and the CLECs. The 85% share represents Telcordia's proprietary estimate of the percent of their total estimated costs that can be attributed solely to line sharing – 85% of $14 million is $11.9 million." Please provide a detailed explanation of how Telcordia derived the 85% allocation attributable to the line sharing OSS modification costs.

C. Other Issues

For Barbara Brohl (Qwest):

1. You testified at pages 15 through 18 of your direct testimony that a number of Qwest's proposed prices were market based. What is the market, and who are Qwest's competitors for these UNEs and services? Please explain how you determined your proposed market-based prices.

For Rachel Torrence (Qwest):

1. In your direct testimony at page 37, you refer to exhibit RT-3. We do not have this exhibit. Please provide it.

<u>For any Qwest witness:</u>

1. For the proposed prices that are market-based, is Qwest stating that these proposed prices are TELRIC-based? If yes, please explain.

2. Did Qwest perform any cost studies to support the proposed market-based prices? If yes, please provide and explain them.

3. Is Qwest stating that the proposed market-based prices are consistent with the FCC's TELRIC rules? If yes, please explain.

D. Depreciation, Hatfield Model, and the UNE Prices of Power Feeds

<u>For Robert H. Brigham (Qwest):</u>

1. In Docket No. RPU-01-6, are all inputs for the Hatfield Model 3.1 set exactly to the values ordered by the Board in Docket No. RPU-96-9 and in compliance filings TF- 98-167 and TF-98-268? If not, which inputs are different? Why are they different?

2. In your direct testimony, you state that Qwest's TELRIC studies utilize the depreciation rates prescribed by the Board in Docket No. RPU-96-9. (Brigham, Direct, p. 16) However, when comparing the Board-ordered rates to the rates listed in the Capital Cost Factors Module Version 00V2, Expense Factors Module.xls, CAPCOST, page 1, there are discrepancies in many of the rates. (Please refer to staff confidential Exhibit 1.) Please explain these discrepancies.

For Robert F. Kennedy (Qwest):

1. Page 2 of Exhibit IEW-1 lists UNEs for cageless and caged physical collocation. Please explain the 20-plus percent cost increases in the 20-, 30-, and 40-amp power feeds from the cageless to caged categories. Please explain the 60.38 percent cost increase in the 60-amp power feed from the cageless to caged categories.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The parties must submit answers to the questions contained in this order by Wednesday, January 9, 2002.

2. All orders contained in the December 11, 2001 order remain in effect.

UTILITIES BOARD

/s/ Amy L. Christensen
Amy L. Christensen
Administrative Law Judge

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

Dated at Des Moines, Iowa this 20th day of December, 2001.