STATE OF IOWA

DEPARTMENT OF COMMERCE

UTILITIES BOARD

IN RE: U S WEST COMMUNICATIONS, INC., AND QWEST INC.	DOCKET NO. SPU-99-27

ORDER DENYING APPLICATION FOR REHEARING

(Issued February 6, 2002)

On March 17, 2000, the Utilities Board (Board) issued an order in this docket approving a proposed settlement and requiring that Qwest Corporation (Qwest) file monthly service quality reports. On July 2, 2001, Qwest filed a proposal to modify the service reporting requirements. On January 8, 2002, the Board issued an order denying Qwest's proposal and ordering a staff audit of Qwest's monthly service reports. On January 25, 2002, Qwest filed an application for rehearing of the Board's order.

Qwest seeks rehearing of all three ordering clauses in the Board's January 8, 2002, order. Qwest asks that the Board reconsider Ordering Clause No. 1, which denies Qwest's proposal to modify the monthly service quality reports, and asks that the Board direct its staff to coordinate joint meetings with Qwest and the Consumer Advocate Division of the Department of Justice (Consumer Advocate) regarding Qwest's proposal. Qwest argues that the joint meeting process is required by the Board's prior orders in this docket.

Qwest also asks that the Board reconsider Ordering Clause No. 2, which directs Board staff to perform an audit of Qwest’s service quality results and to file an audit report. Qwest asks that the Board eliminate the audit requirement. Qwest argues that "unless there is evidence warranting concern regarding the accuracy of submitted information or reports, an audit is unnecessary." (App. for Rehearing at paragraph 14.) Qwest argues there is no such evidence to justify an audit.

Finally, Qwest seeks reconsideration of Ordering Clause No. 3, which requires that Qwest shall file quarterly reports concerning announced service employee reductions. Qwest argues these reports should not be required because "[t]here will be no employee reductions that negatively affect Iowa service." (App. for Rehearing at paragraph 15.)

The Board will deny Qwest’s application for rehearing. Initially, the Board disagrees with Qwest’s argument that a public utility regulatory agency can only conduct an audit when it already has evidence that an audit is necessary. Iowa Code § 476.31 gives the Board clear authority to conduct continuing audits of public utility operations. Iowa Code § 476.2(4) authorizes the Board to inquire into the management of the business of all public utilities, including a duty to keep itself informed as to the manner and method in which public utilities conduct their business. The same statute provides that the Board "may obtain from any public utility all necessary information to enable the Board to perform its duties." Further, § 476.3 authorizes the Board to conduct investigations of "anything done or omitted to be done by a public utility subject to [chapter 476] in contravention of this chapter" and specifically contemplates Board review pursuant to §§ 476.31 and 476.32, special audits, staff investigations, or Consumer Advocate investigations. These statutes do not limit the Board to investigating only when it already has evidence that an audit is necessary; instead, they authorize (and in fact require) the Board to conduct a reasonable investigation at any time, in order to "keep itself informed as to the manner and method in which" public utilities conduct their business. The Board can order an audit to find out whether a public utility has done something wrong, or even just to satisfy itself that nothing wrong has been done.

However, in the present circumstances the Board has reason to investigate Qwest's service quality reports. Staff review of Qwest's reports raises questions that indicate an audit is appropriate at this time. For example, one of the required reports is the number of customer trouble reports per 100 customers in each exchange. When calculating that number, Qwest is permitted to exclude certain trouble reports that arise from circumstances beyond Qwest's control, such as trouble reports caused by fire. As a result, Qwest's report for a particular month will show that a certain number of trouble reports in a specific exchange were excluded because they resulted from fires. However, when Board staff called the fire marshal in the identified community, staff learned that there were no reported structure fires in that community during the referenced month. By itself, these facts do not prove anything about Qwest's reports; it is possible that the trouble reports were the result of an unreported fire or a fire from a prior month. There are other discrepancies in reporting but to detail them in this order would diminish the effectiveness of the audit.

The facts are sufficient to support a closer look at Qwest's reports, if only to clarify and answer questions about the reports.

Qwest has been vocal in its opposition to this audit. It views it as punishment for making investment in the state and as distrust of its numbers. Its service quality reports do support a high level of compliance with Board rules and a turn-around from persistent and lingering problems of several years ago. But these figures do not relieve the Board of its obligation to check behind the numbers. Audits are not an extreme measure nor will this particular audit be "unlimited" in its scope. This audit is an obligation under the statute as well as to the customers of Qwest. The Board has every hope that it will be able to report, <u>with assurance</u>, that Qwest's service quality reports are accurate and reflective of fine service.

Thus, the Board will deny Qwest's application for reconsideration of the audit requirement (Ordering Clause No. 2 in the January 8, 2002, order). The Board will not eliminate the audit requirement.

For the same reason, the Board will deny Qwest's application for reconsideration of Ordering Clause No. 1 and will not direct Board staff to conduct joint meetings with Qwest and Consumer Advocate at this time. Joint meetings may be useful in the future, but they would serve no purpose until staff has completed the audit and submitted a report to the Board. Instead, such meetings could adversely affect the audit. The Board may reconsider the question of joint meetings after the audit is completed.

Finally, the Board will deny Qwest's request for reconsideration of Ordering Clause No. 3, requiring quarterly reports concerning future employee reductions.

Qwest asserts that any employee reductions will not negatively affect Iowa service quality and that its future monthly service reports will support this assertion. It appears to argue the number of employees is not related to delivery of service, an assertion with which the Board cannot agree. Reliance on nothing but the monthly service reports would mean that service quality would have to actually deteriorate before any corrective action could be taken. By establishing a benchmark for current quality of service and monitoring Qwest's employee reductions as they occur, it is possible that any potential adverse consequences can be addressed before they result in actual customer harm. The Board will not eliminate the reporting requirement of Ordering Clause No. 3.

IT IS THEREFORE ORDERED:

The "Application for Rehearing" filed by Qwest Corporation on January 25, 2002, is denied.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

Dated at Des Moines, Iowa, this 6th day of February, 2002.