

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 7, 2002**

REGULAR **CONSENT** **EFFECTIVE DATE** _____

DATE: April 30, 2002

TO: John Savage

FROM: Irvin Emmons through Phil Nyegaard and Lance Ball

SUBJECT: QWEST: (Docket No. UM 1049) Complaint against Qwest Communications International, Inc. (Qwest) for violation of statutory Service Quality Standards between January and December 2001.

STAFF RECOMMENDATION:

Staff recommends that the Qwest/Staff memorandum of understanding (MOU) be accepted and penalties accumulated by Qwest between January and December 2001 be distributed to the targeted investment of increasing the remote testing capabilities at selected digital loop carrier (DLC) locations listed below.

DISCUSSION:

Qwest is in violation of ORS 759.450, Section 30 service quality standards between January and December 2001. Summaries of these violations are provided in Attachment 1. Options for use of \$255,000 in statutory financial penalties resulting from the violations were presented to the Commission at the March 21, 2002 Public Meeting. The Commission directed the penalties to the targeted investment of increasing the remote testing capabilities at selected DLC locations. Staff was directed to identify the DLCs that would be modified.

DLC is equipment that bundles a number of individual phone line signals into a single digital signal for traffic between a telephone company remote field unit and the serving central office. At the central office, the combined signal is separated back into the original signals. The Commission-approved project will add a card to allow each DLC subscriber line to be tested with a Remote Test Unit (RTU) from a centralized location. The RTU provides accurate and in-depth loop testing and can scan an entire DLC customer base for problems on a proactive basis.

Qwest performed an in-depth study and identified those DLCs that did not have the remote testing capability. Seven RTU cards were reviewed and the appropriate card was identified for installation for the specific DLC model at each location. Estimated costs were calculated for each location, but actual costs may vary slightly. Staff and Qwest have agreed on the specific installations in Table 1. Fifty-three DLC locations were selected and 94 remote testing units will be installed. The total estimated cost of the project is \$262,118. Qwest has agreed to absorb costs above \$255,000. The priority for central office selection was based on exchanges that had penalties in 2001, higher trouble report rates, and the physical location of the DLC.

Table 1. SELECTED DIGITAL LOOP CARRIERS

Central Office	2001 Blocking Penalty	2001 Report Rate Average	Number of DLC Locations	RTUs Needed	Customers Affected	Estimated Costs
Bend	No	0.75	14	35	27,524	\$74,360
Blue River	No	1.35	2	4	800	\$25,359
Culp Creek*	Yes	1.85	1	3	200	\$0
Culver	No	1.85	2	2	300	\$5,928
Eugene	No	0.85	3	5	300	\$15,552
Grants Pass	Yes	0.95	1	2	700	\$14,808
Junction City	No	1.69	6	12	600	\$23,904
Newport	No	1.40	2	2	1,400	\$15,168
Prineville	No	0.81	2	3	900	\$11,568
Rainier	No	1.85	3	0	300	\$720
Redmond	No	0.75	1	1	700	\$7,584
Rogue River	No	1.18	3	8	1,000	\$25,176
Seaside	No	1.27	1	2	200	\$3,984
Silteez	Yes	2.05	7	8	700	\$15,216
Toledo	No	2.36	1	2	100	\$5,064
Warm Springs	No	1.18	3	3	500	\$13,743
Warrenton	No	1.95	1	2	300	\$3,984
TOTAL			53	94	36,524	\$262,118

* Culp Creek is in the process of being completed. None of the \$255K will be used for Culp Creek.

Those DLCs not selected are listed in Table 2. All of these exchanges were located in areas that had larger maintenance teams and many had large cost/customer ratios.

Table 2. NON-SELECTED DIGITAL LOOP CARRIERS

Central Office	2001 Blocking Penalty	2001 Report Rate Average	Number of DLC Locations	RTUs Needed	Customers Affected	Estimated Costs
Ptld-Atlantic	No	0.92	2	42	1,300	\$97,080
Ptld-Cherry	No	1.15	1	4	800	\$17,712
Keizer	No	0.84	5	20	700	\$52,872
Lake Oswego	No	1.24	4	38	400	\$74,912
River Road	No	0.98	2	8	200	\$18,576
Salem	No	0.90	8	42	1,200	\$85,272
Spring River	No	0.55	2	2	1,400	\$15,168
		TOTAL	24	156	6,000	\$361,592

The values in Tables 1 and 2 were refined, after in-depth research and specific cost studies, from the original estimate of 20 units, 1,000 to 7,000 affected customers, and a total cost of \$1 million presented in the Staff Report presented at the March 21, 2002 Public Meeting. The following summary of total central offices considered for RTUs is based on the latest study and includes all candidates:

- 24 Central Offices
- 77 DLC Systems
- 250 RTU Cards required
- 42,524 Customers
- \$623,710 Total Estimated Costs

The Commission previously adopted Staff's recommendation that DLC upgrades be completed by September 30, 2002. This detail is among those contained in the attached MOU between Staff and Qwest.

CONCLUSION

Qwest did not meet the Network Blockage and Sales Office Access statutory standards during 2001 and accumulated \$255,000 in penalties. The Commission adopted Staff's recommendation that full penalties for the year of 2001 be collected and applied to the installation of remote testing cards in selected DLC's that were not equipped. The MOU in Attachment 2 requires Commission adoption.

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PROPOSED COMMISSION MOTION:

Penalties in the amount of \$255,000 for violation of statutory service quality standards between January and December 2001 be applied to upgrading 24 Digital Loop Carriers with remote testing capabilities. To this end, 156 remote test units will be installed by September 30, 2002. The details of the digital loop carrier project contained in the MOU between Staff and Qwest is adopted.

Attachment

UM 1049 Staff Memo2.doc

Qwest 2001 Statutory Service Quality Penalty Summary

ORS 759.450 Sec. 30(1)	Standard	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2001 Penalty
(d)	Network Blockage	\$50,000	\$60,000	\$20,000	\$20,000	\$150,000
(g)	Sales Office Access	\$45,000	\$45,000	\$15,000	\$0	\$105,000
TOTAL	Penalties	\$95,000	\$105,000	\$35,000	\$20,000	\$255,000

DEFECTS PER MILLION/BUSY HOUR (% BLOCKING)

WIRE CENTER	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
Central Point (DMS10)	0.15%	2.00%	11.00%	7.90%	ND	1.80%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Culp Creek (DMS10)	0.00%	0.74%	1.10%	0.63%	0.33%	0.00%	2.80%	0.00%	0.00%	0.00%	0.00%	0.00%
Grants Pass (DMS100)	0.59%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.50%	2.50%	3.78%	1.69%
Mapleton (DMS10)	0.22%	0.14%	1.10%	0.93%	1.80%	2.10%	0.00%	0.00%	0.00%	0.01%	0.33%	0.00%
Marcola (DMS10)	2.60%	0.00%	0.00%	1.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pendleton (DMS1/200)	0.18%	0.67%	0.11%	0.16%	0.49%	1.30%	2.20%	1.10%	0.25%	0.30%	0.20%	0.03%
Siletz (DMS10)	3.10%	0.01%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Veneta (DMS10)	38.00%	40.00%	1.50%	3.30%	ND	1.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Winston (DMS10)	0.02%	0.01%	0.03%	5.10%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
Wire centers >2.00%	3	1	1	3	2	1	2	0	0	1	1	0

SALES OFFICE ACCESS

	2001
January	53%
February	60%
March	53%
April	29%
May	21%
June	31%
July	55%
August	78%
September	82%
October	85%
November	82%
December	76%

DID NOT MEET STATUTORY STANDARD (75%)

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING ("Agreement") dated _____, 2002, is entered into between QWEST CORPORATION ("Qwest") and STAFF of the PUBLIC UTILITY COMMISSION OF OREGON ("Staff").

RECITALS

WHEREAS, Senate Bill 622, which was enacted by the Oregon Legislature in 1999, generally allows a telecommunications carrier to elect to be subject to the infrastructure investment and price regulation requirements contained in the Bill as codified at ORS 759.405 and 759.410 and to be exempt from rate of return regulation;

WHEREAS, Section 30 of Senate Bill 622, Or. Laws 1999, Ch. 1093, § 30, specifically requires every telecommunications carrier that elects to be subject to ORS 759.405 and 759.410 to satisfy certain minimum service quality standards and to submit quarterly reports relative to the service quality standards;

WHEREAS, Qwest, then known as U S WEST Communications, Inc., elected to be subject to ORS 759.405 and 759.410 and the concomitant service quality standards, effective December 30, 1999;

WHEREAS, Qwest has submitted quarterly service quality reports for the year 2001 to the Commission;

WHEREAS, Staff has concluded that, based on Qwest's quarterly service quality reports, Qwest has violated some of the service quality standards contained in Section 30 of Senate Bill 622 for the year 2001;

WHEREAS, Section 30(4) of Senate Bill 622 allows penalties imposed under Section 30 either to be paid as bill credits to customers or directed as targeted investments to address specific issues of service quality;

WHEREAS, pursuant to Senate Bill 622, Staff filed a Complaint for Imposition of Service Quality Penalties against Qwest Corporation (Commission Docket UM 1049) that requests the Public Utility Commission of Oregon (the "Commission") to impose penalties against Qwest in the amount of \$255,000 and to specify how the penalties should be paid as provided by Section 30(4) of Senate Bill 622;

WHEREAS, pursuant to Section 30(4)(b) of Senate Bill 622, Staff has recommended that Qwest pay the penalties through targeted investments by Qwest to address specific issues of service quality;

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, Qwest and Staff agree as follows:

AGREEMENT

1. Payment of Penalty through Targeted Investments

The parties agree that, in this case, targeted investments would improve telecommunications service in Oregon and would have a greater long-term impact than bill credits. Accordingly, the parties agree that the \$255,000 penalty requested in Staff's Complaint should be imposed by the Commission and directed to targeted investments as provided in this Agreement.

2. Addition of Digital Loop Carrier (DLC) Remote Testing Unit (RTU) Capability to DLCs Without Remote Test Access

Qwest has approximately 1,225 Digital Loop Carrier (DLC) systems that serve approximately 457,300 customers in Oregon. The newer DLC models have remote testing capability, but some of the older models do not have such capability. Qwest estimates that 90 DLCs in Oregon do not have remote testing capability. Qwest and Staff agree that Qwest will provision some of its existing DLCs to support remote testing capabilities to allow the DLC subscriber line to be tested with a Remote Test Unit (RTU). The RTU serves as the hub of a coordinated testing system capable of testing all subscriber lines switched by a central office. The RTU helps service providers reduce plant maintenance costs, improve outside plant quality, and improve customer service. The RTU provides accurate and in-depth loop testing to identify transmission and noise troubles that affect modems, faxes, and other services. Additionally, the RTU performs interactive, double-ended testing with a technician in the field to assist in the location of a trouble. Testing can scan an entire DLC customer base for problems on a proactive basis, which helps to improve customer satisfaction. Accordingly, the parties agree that the appropriate targeted investment in this case is the installation of remote test access capability in selected DLCs in Oregon.

3. Remote Test Access Capability to be Installed

During the month of April 2002 Staff and Qwest will select approximately 20 DLC locations, based on service quality information. This installation should benefit between 1,000 and 7,000 customers. The actual number of units to be installed will depend on the specific units selected and the actual costs of installation. Qwest agrees that the completion of this work will not extend past September 30, 2002.

4. Cost of Installation of Remote Testing Capability to Existing DLCs

The cost to add remote testing capability to all of Qwest's DLCs in Oregon is estimated to be approximately \$1 million. The cost per unit varies, depending on different DLC manufacturers, but an estimated, average cost is \$10,500 per installation. This estimated, average cost can vary extensively, depending on the need to add

shelving, additional power, etc. Qwest and Staff agree that Qwest will install remote testing capability for approximately 20 DLCs selected by mutual agreement between Staff and Qwest personnel. The total cost of the partial upgrade agreed to herein will be at least \$255,000.

Qwest will supply Staff with a detailed monthly status report during the installation. This report will include the job number, job status, estimated costs and actual costs. Within 30 days after completing the work described above, Qwest shall present documentation to the Commission that certifies completion of the installations of the DLC remote test access capability, as well as the cost of that work. Qwest will provide the Commission with access to its books and records as reasonably necessary to verify the expenditure of funds and the completion of this work.

5. No Precedential Effect

The parties agree that the agreements reached in this Agreement will not be cited or used as indicative of a party's position on the issues resolved or as any other type of precedent or evidence in any other case or proceeding. In particular, this Agreement does not constitute an agreement or acquiescence by any party to the method or theories used by any party in deciding to enter this Agreement, nor shall it be used as evidence to establish the level of penalties that the Commission may lawfully impose under state law or the application of such penalties in any other proceeding.

6. Individual Customer Rights

The promises in this Agreement are not intended to create any specific rights or remedies for any customer of Qwest, or to expand or contract customers' rights in any way, and may not be enforced except by the Commission or Qwest.

7. Integrated Document

The parties recommend that the Commission adopt this Agreement in its entirety. The parties have negotiated this Agreement as an integrated document. Accordingly, if the Commission in any order rejects all or any part of this Agreement, or adds to or changes any of its terms, each party reserves the right to withdraw from the Agreement upon written notice to the Commission and Qwest within fifteen (15) days of receiving notice of any such action by the Commission. In the event of such withdrawal, neither party will be bound by any provision of the Agreement, and no such term may be cited or used against any party in connection with any case or proceeding, or otherwise.

8. No Waiver

Qwest and Staff have entered this Agreement to resolve disputed issues, and neither party admits or denies any fact or legal position at issue, including the validity of

the penalties sought by Staff. By entering this Agreement, Qwest does not waive its right to challenge the application or level of penalties with respect to any year subsequent to 2001, or the Commission's interpretation of Senate Bill 622 in any appropriate forum.

IT IS SO AGREED.

QWEST CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION

By: Signed by Don Mason

Its: Regulatory Director

Date: April 9, 2002

By: Signed by Phil Nyegaard

Its: Administrator, Telecommunications Division

Date: April 9, 2002