BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In The Matter of the Determination of the Cost of the Unbundled Loop of Qwest Corporation, Inc.	))))	Docket No. 01-049-85 MOTIONS

COPY

Salt Lake City, Utah
Tuesday, October 22, 2002
9:30 a.m.

BEFORE:

STEPHEN F. MECHAM, Chairman, Public Service Commission of Utah; and

CONSTANCE B. WHITE, Commissioner, Public Service Commission of Utah; and

RICHARD CAMPBELL, Commissioner, Public Service Commission of Utah

Depomax SM
REPORTING SERVICES, INC.

333 SOUTH RIO GRANDE, SUITE F.
SALT LAKE CITY, UTAH 84101
(801) 328-1188 / 1-800-DEPOMAX
FAX 328-1189

APPEARANCES

FOR QWEST: Mr. Ted D. Smith
STOEL RIVES
201 South Main, #1100
Salt Lake City, UT 84111

FOR AT&T: Ms. Letty S.D. Friesen
1875 Lawrence Street, #1575
Denver, CO 80202

FOR DPU: Mr. R. Ginsberg
160 East 300 South, #500
Salt Lake City, UT 84111

is go through with you what Broadband did to update its facilities, to get a sense of what kind of construction we're talking about and how it's not going to match up with determining TELRIC price for the loop.

(Exhibit AT&T Motion to Compel 2 marked for identification.)

COMMISSIONER MECHAM: This is marked Exhibit AT&T Motion to Compel 2, and it's entitled HFC Telephony Switched Architecture.

MS. FRIESEN: What we had in the ground initially was coaxial cable that ran from something called a head end or a hub, out into neighborhoods and it was one-way transmission material. It did not have switches, it did not have any access to the circuit switch network and it was not telephony ready. In fact, it couldn't take two-way transmission.

For AT&T to operate the Broadband facilities, what it did, it did it in two steps. First, if you put your hand sort of over the line that says telephony in the center of AT&T Motion to Compel 2 and cover up that line, this was the first step that AT&T Broadband took to upgrade its facilities. That is to say this. It inserted near

the hub some fiber nodes, and those fiber nodes helped create two-way transmission for internet services. Inside the hubs, where the head ends, a lot of equipment went into place, and outside at the customer premises you can see HFC plant in that little cloud between the hub location and the customer premises. Those are some of the kind of upgrades that we had to make at the customer premises. From AT&T Broadband's perspective, this is all outside plant upgrades.

In any event, going back into the hub, what AT&T did was put in a splitter, such that it could peel off the internet connection and send two-way transmissions through the fiber node and down through the coaxial cable. We didn't go in and rebury the coaxial cable in there. That was the first step in the upgrade.

The second step in the upgrade, you see in the hub location in the center the splitter combiner filter box. From there we took some telephony cables and ran them out and into our ring and off into our switch, which is way back in our network. AT&T Broadband's architecture is significantly different from Qwest, as you'll see, because we have far fewer switches than they do and

our head ends don't have switching equipment at all. They, in fact, just split off pieces of transmission that come over these paths. So we don't have anything that's strictly analogous to a local loop, and that's what part of the problem is.

If you remember, the TELRIC standard said that we have to assume that the current location of the switches and nodes are the same. How can you make those assumptions using this HFC network, and how can you compare the kind of upgrades that AT&T Broadband did from what Qwest must do? Start from scratch, the same number of switches and the same number of nodes. Looking forwards to technology means maybe copper twisted hair, they're putting in fiber. But they're not putting in fiber nodes, they're not putting in ample first and IGs and batteries and things that are similar analogous what we've been doing.

In addition, Mr. Smith's cited some cases, and one of the TELRIC cases he cited is dead on point with respect to this particular issue. In the GTE case, which is cited in his response to our motion, it says further down on the same page, 746: TELRIC should be based on cost that assume

that the wire speakers will be placed at the incumbent's wire center locations, but that the reconstructed local network will employ the most significant technology. That goes to exactly what I'm trying explain to you here about the juxtaposition of two very different networks next to one another. There's no way that Qwest is placing fiber nodes in its network that will be similar to what we need to do, and our placement procedures, with the exception of fiber nodes, have nothing to do with the current situation of switches and nodes in Qwest's network, so the decisions that the two companies are making are not going to be the same. The placement decisions are not going to be the same.

Secondly, if you think about sharing, because as you recall, Mr. Smith wanted to know how much sharing there would be of these facilities. AT&T Broadband, in generally upgrading its facility, doesn't have an opportunity to share our facilities. Considering our market, they're specific for our network and to the coaxial cable, so there may be no sharing opportunity. There's no way to compare the two, and I don't think you can say that the decision to share or not share in the

context of upgrading a TV network offer similar to the TELRIC requirements for pricing the local loop.

Now, finally, in response to AT&T's use of its HAI model and the information cited by Mr. Smith in his response to our motion indicating what AT&T's HAI model has employed to figure out the costs of the local loop are, that's totally fair game for Qwest to inquire about and get more information and seek discovery about. That's what AT&T has relied upon in this HAI. AT&T has not relied on AT&T Broadband's experience in Utah. We simply haven't. Replacement decisions of the mixes are not the same as what Qwest would be doing. Since we are operating under TELRIC as a most efficient user.

So the question is not whether AT&T Broadband considers itself an efficient company on a large scale project or not. The question is, what would be the most efficient forward looking technology used by Qwest, assuming switches and nodes were in place. And that would be the HAI model endeavor to provide for you.

As for the relevant standard that Mr. Smith indicated, I think it's pretty clear that