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TELECOPIER TRANSMITTAL SHEET

To: Philip J. Dion III Fax: (602) 542-4230

From: Michael L. Glaser Pages: 5 {including cover}

Date: February 26, 2003 Client #: PHO024-103730

Re: The Phone Company Management Group, LLC

● Comments: Please see attached letter, *with Attachment A.*

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February 26, 2003

Via Facsimile and Federal Express

The Honorable Philip J. Dion III
Administrative Law Judge
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Re: Docket Nos. T-03889A-02-0796 and T-04125A-02-0796
The Phone Company Management Group, LLC, et al.

Dear Judge Dion:

This letter is in reference to the verbal Order you issued to The Phone Company Management Group, LLC f/k/a LiveWireNet of Arizona, LLC ("PCMG") at the end of the pre-hearing conference in the above-referenced docket held on February 24, 2003, and the written Procedural Order you issued on February 25, 2003 memorializing your verbal Order of February 24, 2003 (the "Order").

In the Order, as Administrative Law Judge of the Arizona Corporation Commission (the "ACC"), you ordered PCMG to cooperate with the Staff in preparing a notice to customers of "possible termination or interruption of service" on March 21, 2003 (the "Notice"), designate Qwest Corporation ("Qwest") as the default provider, give PCMG's customers adequate information on alternative providers, obtain Staff approval of the Notice, send the Notice to customers on February 27, 2003, and file proof of the mailing of the Notice, together with the Notice, in affidavit form, with the ACC in the above-referenced docket.

PCMG has carefully considered your Order, reviewed relevant Arizona statutes and applicable Arizona administrative regulations, and has concluded that the ACC lacks authority to order PCMG to send such Notice to its customers in the circumstances of the above-referenced docket. Moreover, PCMG is prepared to promptly litigate the authority of the ACC to order PCMG to send such a Notice to its customers in the context of the above-referenced docket, if necessary. Therefore, PCMG will not be contacting Staff, preparing such a Notice, obtaining Staff approval for such Notice, or sending the Notice to affected customers on February 27, 2003. As discussed below, PCMG has not made this decision without full consideration of all relevant factors, including the issue of adequate and continued service to PCMG's customers and the possible disconnection of their local exchange service.

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We also advise you that PCMG intends to initiate legal action against Qwest in the appropriate forum by March 6, 2003, for violations of Sections 201, 202 and 251 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 201, 202, 251; violation of Section 2 of the Sherman Antitrust Act, 15 U.S.C. § 2; and breach of contract and breach of the covenant of faith and fair dealing, and other pendent state claims. PCMG will also seek injunctive relief to prevent Qwest from, among other things, disconnecting service to PCMG for resale to PCMG's customers and continuing to apply its unconscionable billing operations practices to PCMG as a reseller.

We note that in Qwest's Opposition to Staff's Motion for Extension of Time and Notice of Disconnection ("Opposition and Notice"), filed in this proceeding on February 19, 2003, Qwest specifically asserted its absolute right, under current Arizona law, to disconnect PCMG for nonpayment of services rendered under its interconnection agreement with PCMG, which was filed with the ACC on May 13, 2002, and approved by the ACC in Decision No. 65142 on August 11, 2002 (the "Arizona Statement of Generally Available Terms" or "Arizona SGAT Agreement"). As Qwest pointed out in its Opposition and Notice, the only laws in Arizona governing disconnection of PCMG for wholesale interconnection services are the terms of the ACC-approved Arizona SGAT Agreement. Furthermore, in its Opposition and Notice, Qwest specifically established that the ACC's rule on termination of service (RI4-2-311) only applies to retail customers, not wholesale customers. Thus, Qwest specifically challenges the ACC's jurisdiction to order Qwest to continue service to PCMG pending conclusion of the above-referenced docket.

Qwest reiterated its position on this issue on the record at the pre-hearing conference on February 24, 2003, and essentially stood by its Notice of Disconnection dated February 20, 2003, in which Qwest advised PCMG that Qwest would terminate all services currently provided to PCMG beginning March 7, 2003 (see Attachment A).¹

In your Order of February 25, 2003, you also specifically noted that Qwest had challenged ACC's jurisdiction to order Qwest to continue service, but you did not decide that issue in your Order; but you ordered Qwest to continue service to PCMG until March 21, 2003 without citing any legal authority. Just as Qwest challenges the ACC's jurisdiction to order Qwest to continue wholesale services to PCMG to at least March 21, 2003, PCMG challenges the ACC's jurisdiction to order PCMG to send the Notice to its affected customers on February 27, 2003. Indeed, if PCMG were to send such a Notice, it would immediately destroy PCMG's customer bases as a practical matter, and effectively drive PCMG out of business before it even had an opportunity to establish the validity of its claims against Qwest for overcharges,

¹ In Qwest's Opposition and Notice, it attached a letter of February 19, 2003 to PCMG advising PCMG that Qwest would terminate all services beginning March 6, 2003. However, PCMG received the letter from Qwest dated February 20, 2003, attached as Exhibit A, stating that Qwest would terminate services beginning March 7, 2003. PCMG relies on Qwest's February 20, 2003 letter, as opposed to its February 19, 2003 letter.

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unreasonable discrimination in access to customer service records, and the anticompetition practices of Qwest.

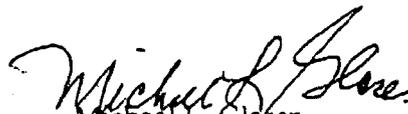
PCMG does not decline to follow your Order lightly, recognizing that the ACC has jurisdiction over PCMG's operations, and respecting your position as a presiding officer in this docket and your well-intentioned effort to protect the public interest in this dispute between PCMG and Qwest. PCMG emphasizes, however, that the dispute between PCMG and Qwest is not before you either in the form of a complaint by Qwest or PCMG, nor is the interpretation or application of the Arizona SGAT Agreement before you in this proceeding. Indeed, it is clear from the record of the pre-hearing conference on February 24, 2003, that you question your jurisdiction to order Qwest to continue service to PCMG, and that you were seeking advice of Staff and the parties as to the legal basis for you to order Qwest to continue service to PCMG pending resolution of the above-referenced docket, and, likewise, any order you would issue to PCMG to advise its customers of the possibility of termination of service. As the record shows, neither the Staff nor the parties could refer you to any specific Arizona statute or administrative regulation which granted ACC the authority to order Qwest to continue service to PCMG pending resolution of this docket, or order PCMG to send the Notice. Thus, based on its research, PCMG has reached the conclusion that such legal authority does not exist.

Accordingly, PCMG cannot send such Notice to its customers on February 27, 2003, and instead will initiate the litigation referred to above against Qwest, and seek appropriate relief in such litigation, including continuation of wholesale service from Qwest for resale to its customers.

In the meantime, PCMG will continue preparing for presentation of its case in the above-referenced docket, and will observe the dates requested by the Staff in its Motion to Extend filed February 13, 2003, and which you granted.

PCMG notes that your Order of February 25 states that in the event PCMG does not issue the Notice in compliance with your Order, "Staff shall attempt to provide notice to customers of PCMG within timeframes listed above." PCMG advises the ACC and the Staff that, if necessary, PCMG will pursue legal action to prevent the Staff from issuing such notice.

Very truly yours,


Michael L. Glaser

MLG:clb

cc: Maureen A. Scott, Esq.
Mark E. Brown, Esq.

The Honorable Philip J. Dion III
Arizona Corporation Commission
February 26, 2003
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Christopher Kempley
Lyn Farmer
Ernest Johnson
Timothy Berg, Esq.
Theresa Dwyer, Esq.
Jeffrey Crockett, Esq.
Tim Wetherald



THIS LETTER WAS SENT VIA OVERNIGHT MAIL

February 20, 2003
The Phone Company Management Group LLC
3025 S Parker Road
Aurora, CO
80014

Dear Customer,

Re: 520-B11-5339-8117

This letter constitutes written notice of non-payment as required under your applicable contract.

This is to advise you that the required payment of \$1,505,209.07 has not been received.

Failure to pay this obligation has left us with no alternative but to terminate all services currently associated with the account listed above. Disconnection will begin on March 7th, 2003.

Please contact me at 515-558-1081 if you have any questions regarding your account or this notification.

Sincerely,
Austin R. Ross
Service Delivery Coordinator
900 Keo Way 4S
Des Moines, IA
50309

CC: Scott Martin
Debra Van Vlair
Robyn White