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BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

FEB 10 4 34 PM '00

Arizona Corporation Commission

DOCKET

DOCUMENT CONTROL

FEB 10 1999

DOCKETED BY

IN THE MATTER OF US WEST
COMMUNICATIONS, INC.'S
COMPLIANCE WITH § 271 OF THE
TELECOMMUNICATIONS ACT OF 1996

Docket No. T-00000A-97-238

**COMMENTS OF COX ARIZONA TELCOM, L.L.C.
ON CHECKLIST ITEM 3**

Under 47 U.S.C. § 271(c)(2)(B)(iii), US WEST must provide “[n]ondiscriminatory access to the poles, ducts, conduits, and rights-of-way owned or controlled by [US WEST] at just and reasonable rates in accordance with the requirements of section 224.”

Cox’s experience with US WEST reveals that US WEST does not provide access to certain rights-of-way (“ROW”) that it controls at just and reasonable rates. Cox’s problems with US WEST have occurred at multi-dwelling unit facilities (“MDUs”), such as apartment complexes, where the demarcation point between US WEST’s network and the MDUs’ inside wiring is located in the interior of the MDU property, not at the edge of the property. In those instances, US WEST has access to and controls a ROW easement on the MDU property between the property line and the demarcation point. Any CLEC seeking to serve the MDU needs similar access. Unless the MDU owner agrees to grant the CLEC separate ROW access, the CLEC must use US WEST’s ROW to the demarcation point. Depending on the manner of connection, the CLEC will need access to US WEST’s conduit, poles or

1 buried cable/wire facilities to utilize the ROW.¹ Most often, the only effective access to the
2 ROW is through the cable/wire facilities because the MDU owner does not want to have
3 additional trenching in the US WEST ROW.

4 Moreover, neither the MDU owner nor a CLEC has the ability to dictate how US
5 WEST should use its facilities located on the MDU property on the “US WEST side” of the
6 demarcation point. Under Section 2.8.B.2 of US WEST’s Exchange and Network Services
7 Tariff, “[a]ccess to [US WEST’s] facilities on [US WEST’s] side of the demarcation point is
8 prohibited.” [See Tab A] In many, if not most cases, US WEST’s demarcation point is
9 located in close proximity to the property owner’s “customer convenience block (“CCB”).
10 The CCB is the physical device upon which the property’s inside wiring/campus wiring
11 (sometimes referred to as “intrabuilding network cable” or “INC”) terminates, and where US
12 WEST connects its facilities to the property’s INC. Both US WEST’s demarcation point
13 and the property owner’s CCB are often housed in the same space (usually in a “utility
14 closet”).

15 US WEST’s tariff Section 2.8.B.2, permits US WEST to effectively prevent CLECs
16 from gaining access to ROW easements (*i.e.*, the MDU utility closets) housing the cross-
17 connects necessary to serve the individual residents within the MDUs. To the extent that US
18 WEST’s tariff limits access to the utility closets housing its demarcation points and the
19 cross-connect facilities contained in those closets, competitors do not have
20 nondiscriminatory access vis-à-vis US WEST to the facilities needed to serve tenants on
21 MDU properties.

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26 ¹ Arguably, access to these cable/wire facilities also falls within Checklist Item 2 regarding
access to network elements.

1 This problems has been exacerbated by US WEST's recently amended Construction
2 Charge tariff that allows US WEST to waive construction charges in connecting MDUs to
3 US WEST's networks. See Decision No. 61955 (attached at Tab B). That tariff encourages
4 more situations where US WEST will control ROWs to demarcation points otherwise
5 inaccessible to CLECs. Moreover, the Commission itself refused to adopt as a condition of
6 US WEST service to the MDU and of the waiver of those construction charges "that [MDU]
7 owners not preclude tenants from selecting a service provider other than US West."
8 Decision No. 61955 at 4.

9 Because Cox may be prevented from placing its own facilities on MDU properties or
10 from gaining access to the cross-connect facilities contained in MDU closets, Cox has
11 attempted to negotiate a rate for access to the US WEST network distribution cables in MDU
12 ROW easements. Although Cox would use US WEST's wiring only from a point near the
13 MDU property line to the property owner's CCB (typically only a few hundred feet of the
14 loop), US WEST has insisted on a cost of \$15.33 per month per access line, which is
15 approximately 70% of the \$21.98 unbundled loop rate. [See Tab C at 3] In fact, \$15.33 is
16 the rate for the *entire* loop distribution segment (see ACC Decision No. 60635), which is far
17 more than Cox needs for access. That rate is not just and reasonable.

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1 US WEST is improperly using its existing network MDU configurations (and can use
2 its new construction charge tariff) to effectively deny Cox access to ROWs (and related
3 connection facilities) necessary to provide service to MDU tenants – unless Cox is willing to
4 pay unjust and unreasonable rates for that access. As such, US WEST is not in compliance
5 with Checklist Item 3.

6
7 Dated: February 10, 2000.

8 Respectfully submitted,

9 COX ARIZONA TELCOM. L.L.C.

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21 ORIGINAL and TEN (10) COPIES
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A

Issued: 10-18-95

Effective: 11-20-95

2. GENERAL REGULATIONS - CONDITIONS OF OFFERING

2.4 LIABILITY OF THE COMPANY (Cont'd)

2.4.2 MAINTENANCE AND REPAIR

- A. All ordinary expense or maintenance and repair in connection with services provided by the Company is borne by the Company unless otherwise specified.
- B. Nonrecurring charges do not apply to repair services.

2.4.4 DIRECTORY ERRORS OR OMISSIONS

- A. The Company's liability arising from errors in or omissions of directory listings shall be limited to and satisfied by a refund not exceeding the amount of the charges for such of the customers service as is affected during the period covered by the directory in which the error or omission occurs.
- B. The Company, in accepting listings as prescribed by applicants or customers, will not assume responsibility for the result of the publication of such listings in its directories, nor will the Company be a party to controversies arising between customers or others as a result of such publication.

2.4.5 HAZARDOUS OR INACCESSIBLE LOCATIONS

- A. In areas the Company considers hazardous or inaccessible to its employees, the customer may be required to furnish, install and maintain the facilities or equipment.
- B. Such installations must meet Company specifications and the rules which apply to customer-provided equipment.

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2. GENERAL REGULATIONS - CONDITIONS OF OFFERING

2.5 RESPONSIBILITIES OF THE CUSTOMER

2.5.1 LOST OR DAMAGED EQUIPMENT

- A. All ordinary expense of maintenance and repair in connection with equipment, facilities, and services provided by the Company is borne by the Company unless otherwise specified elsewhere. In case of damage to or destruction of any of the Company's instruments or accessories due to the negligence or willful act of the customer and not due to ordinary wear and tear, the customer will be held responsible for the cost of restoring the equipment to its original condition, or of replacing the equipment destroyed.
- B. The customer is required to reimburse the Company for loss, through theft, of equipment or apparatus furnished by the Company.

2.5.2 BUILDING SPACE AND ELECTRIC POWER SUPPLY

When Company equipment installed on the customer's premises requires power for its operation, the customer is required to provide such power.

2.5.3 USE OF TELEPHONE ALARM REPORTING DEVICES

Devices that automatically dial a predetermined telephone number and transmit a prerecorded message may be used only after authorization has been obtained from the party to whom the called telephone number is assigned or that party's agent. In those cases where the number dialed is assigned to a public emergency agency, written authorization is required.

Issued: 1-19-00

Effective: 2-1-00

2. GENERAL REGULATIONS - CONDITIONS OF OFFERING

2.6 SPECIAL TAXES, FEES, CHARGES

Insofar as practicable, any sales, use, privilege, excise, franchise or occupation tax, costs of furnishing service without charge or similar taxes or impositions now or hereafter levied by the Federal, State, or Local government or any political subdivision or taxing authority thereof may be billed by the Company to its exchange customers or a pro rata basis in the areas wherein such taxes, impositions or other charges shall be levied against the Company.

(D)

Issued: 5-7-97

Effective: 5-1-97

2. GENERAL REGULATIONS - CONDITIONS OF OFFERING

2.8 CABLE, WIRE AND SERVICE TERMINATION POLICY

(M)

The following Policy, effective January 31, 1996, applies to the termination of new cable/wire facilities in buildings under new construction or when there is a complete reinforcement of existing entrance facilities. The policy applies to facilities required to provide services at speeds of 1.544 Mbit/s and below. Due to technical requirements, services provided at speeds above 1.544 Mbit/s will be terminated per technical specifications.

A. Description

Based on options specified in D., following, the Company will place and maintain regulated cable/wire facilities to a point of demarcation that is mutually acceptable to both the Company and the premises owner. The demarcation point location will be within 12" of the protector, or when there is no protector, within 12" (or as close as practicable) of the point at which the cable/wire enters the customer's premises.

Company regulated network facilities includes the portion of an exchange access line circuit that commences at the Minimum Point of Entry (MPOE) and extends up to, and includes the demarcation point, at which point a Standard Network Interface (SNI) is placed. These facilities may include, but are not limited to, wiring enclosures, riser and house cable/wire facilities, protector units and the SNI Unit(s).

B. Terms and Conditions

1. All cable/wire, up to and including the SNI at the demarcation point, are regulated facilities, managed and maintained by the Company.
2. Access to the Company's facilities on the Company's side of the demarcation point is prohibited.
3. The premises owner is responsible for the provision and maintenance of adequate space and supporting structure for all regulated cable/wire facilities placed into, or within private property.

(M) Material moved to Page 42.1.

Issued: 1-8-96

Effective: 2-5-96

2. GENERAL REGULATIONS - CONDITIONS OF OFFERING

2.8 CABLE, WIRE AND SERVICE TERMINATION POLICY

(N)

B. Terms and Conditions (Cont'd)

4. When the repair of regulated facilities is required on private property, it is the responsibility of the premises owner to provide suitable working space for repairs by the Company. This would include, but is not limited to, removing any required concrete or asphalt, the repair or replacement of supporting structure or to provide any required digging to access the damaged area.
5. All cable/wire beyond the demarcation point is deregulated. The premises owner/customer has responsibility to provide, and/or maintain and manage the cable/wire beyond the demarcation point.
6. The Company will install and provide maintenance for cable/wiring beyond the demarcation point at the request of the premises owner/customer at deregulated Time and Material Charges.
7. It is the customer's responsibility to know where their facilities begin. The Company will not perform premises audits to determine demarcation point locations, without appropriate charges.
8. If Company provided entrance facilities exceed 300 feet, which will be deemed excessive, Special Construction charges will apply.
9. The termination of regulated network facilities is subject to the terms, conditions and rates set forth in Section 4, Construction Charges.
10. The premises owner shall be responsible for Company costs associated with the disruption of service to the customer if caused by other provider's access to Company equipment that serves as a common Demarcation point for multiple customers. The premises owner is responsible for providing a secured location for the demarcation point, and also to limit access to authorized personnel only.

Issued: 1-8-96

Effective: 2-5-96

2. GENERAL REGULATIONS - CONDITIONS OF OFFERING

2.8 CABLE, WIRE AND SERVICE TERMINATION POLICY (CONT'D)

(N)

C. New Cable Facilities

1. Single Tenant Building(s)

If a building is occupied by a single tenant, then the premises owner must choose to have the Company locate the demarcation point as outlined in either Options 1 or 4 in D., following.

2. Multi-Tenant Building(s)

The premises owner must choose one of the options outlined in D., following, for the premises demarcation location(s).

3. Campus Options

The premises owner may choose how the campus property and the buildings on the property will be provisioned with Company regulated facilities. The choices of demarcation point location(s) are as follows:

- One location for the campus property (Option 4), or;
- Designating demarcation points; in one or more building(s), following the single-tenant or multi-tenant guidelines for each building. (Options 1, 2 or 3 as outlined in D., following.)

Issued: 1-8-96

Effective: 2-5-96

2. GENERAL REGULATIONS - CONDITIONS OF OFFERING

2.8 CABLE, WIRE AND SERVICE TERMINATION POLICY (CONT'D)

(N)

D. Premises Owner Choices

There are four termination options which a premises owner may choose from. The options vary depending on the occupancy of the building(s).

In a campus environment, the premises owner may choose an option for each building.

- Option 1

All Company facilities will terminate at one location upon entering the building. This location will be mutually agreed upon by the Company and the premises owner or designee. Normally this location will be at the lowest common serving point. (This option is available for both single and multi-tenant premises.)

- Option 2

The Company will terminate facilities at common locations throughout the building (terminal rooms, utility closets, etc.). These locations will be mutually agreed upon by the Company and the premises owner or designee. The demarcation points will be accessible to end-users at these locations. (Option 2 is not an option for single tenant buildings).

- Option 3

The Company will terminate facilities at one mutually agreed upon location within each individual space/unit, within 12" (or a similarly reasonable distance) of cable/wire entry. (Option 3 is not an option for single tenant buildings.)

- Option 4

The Company will terminate facilities at one location on the property mutually agreed upon by the Company and the premises owner or designee. (This option is available for both single and multi-tenant premises.)

Issued: 1-8-96

Effective: 2-5-96

2. GENERAL REGULATIONS - CONDITIONS OF OFFERING

2.8 CABLE, WIRE AND SERVICE TERMINATION POLICY (CONT'D)

(N)

E. End User Choices

Where a premises owner has chosen an option other than Option 3, or the premises is served by another provider (e.g. Shared Tenant Provider) the end user may obtain service directly from the Company provided they obtain permission from the premises owner or designee. The premises owner/designee must agree to provide necessary supporting structures. Such service will be provided from the same demarcation point elected by the premises owner. With the premises owner's permission, service will be provided using existing cable pairs. If necessary, new cable/wire will be placed from the demarcation point/SNI to the end user's space at deregulated Time and Material Charges.

(N)

2.15 OBSOLETE SERVICES

(M)

Services and equipment referred to as obsolete are no longer suitable to meet the current needs of the general public. They will not be furnished as a new entire item of service to any customer or applicant.

A. Monthly Services

Certain items of service may be furnished where they are required to fully utilize the installed common equipment capacities of existing systems. At the discretion of the Company, such items presently being furnished to existing customers may be continued in service on the same premises for the same customer for a limited period of time subject to the ability of the Company to maintain the items without unreasonable expense and to obtain repair parts from existing or recovered stock.

(M)

(M) Material moved from Page 43.

B

Arizona Corporation Commission
BEFORE THE ARIZONA CORPORATION COMMISSION
DOCKETED

1
2 CARL J. KUNASEK
Chairman
3 JIM IRVIN
Commissioner
4 WILLIAM A. MUNDELL
Commissioner
5

SEP 17 1999

FILE
ORIGINAL

DOCKETED BY	<i>sd</i>
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6 IN THE MATTER OF U S WEST COMMUNI-)
7 CATIONS, INC. - TARIFF FILING TO CHANGE)
8 LANGUAGE IN ITS CONSTRUCTION CHARGE)
TARIFF)

DOCKET NO. T-01051B-99-0272

DECISION NO. 61955

ORDER

9 Open Meeting
10 September 14 and 15, 1999
Phoenix, Arizona

11 BY THE COMMISSION:

12 FINDINGS OF FACT

13 1. U S WEST Communications, Inc. (U S WEST) is certified to provide telephone
14 service as a public service corporation in the State of Arizona.

15 2. On May 25, 1999, U S WEST Communications, Inc. (U S WEST, or the
16 Company) filed tariff revisions to introduce changes to Section 4 (Construction Charges and
17 Other Special Charges) of its Exchange and Network Services Tariff:

18 Exchange and Network Services Tariff

19 Section 4, Page 1, Release 3

20 3. In Decision No. 61807, the Commission suspended the filing for a period of sixty
21 days. In Decision No. 61916, the Commission suspended the filing until September 16, 1999.

22 4. The filing adds language to the tariff that would allow U S WEST, under certain
23 circumstances, to waive the normal construction charges that are applicable when the Company
24 constructs facilities to serve commercial properties and business developments. The current
25 tariff requires building owners and developers to pay for entrance conduit and other supporting
26 structures required to provide service at a given location. For purposes of this filing, commercial
27 properties and business developments would include high rise office buildings, shopping malls,
28 office parks, and multi-dwelling units (MDUs). According to U S WEST, alternative providers

1 are pursuing this segment of the market by offering free installation of facilities and the proposed
2 language would allow the Company to meet this competition. While U S WEST could not cite a
3 specific instance in Arizona where an alternative provider had placed entrance facilities at no
4 cost to the building owner, the Company was able to cite specific instances in other states where
5 this had occurred.

6 5. Cox Arizona Telcom II, L.L.C., GST Net (AZ), Inc., and the Arizona Competitive
7 Telecommunications Providers' Association (collectively referred to as, the Parties) filed
8 separate comments opposing U S WEST's filing. Cox and GST are certificated to provide local
9 exchange service in competition with U S WEST. The Parties are primarily opposed to the filing
10 for two reasons. First, they allege the filing will provide U S WEST with an unfair advantage
11 over its competitors by allowing U S WEST to price a service below cost in a competitive
12 market. They claim, U S WEST would then be free to seek the lost revenue from other less
13 competitive services such as, residential local exchange service. Second, the Parties are
14 concerned that the filing will result in exclusive building entry arrangements between U S WEST
15 and building owners that would deny alternative providers access to these buildings in the future.

16 6. The proposed tariff language would allow U S WEST to waive the normal
17 application of construction charges at locations where service is available from an alternative
18 facilities based provider. According to the Company, it must be free to match the offers of its
19 competitors, or risk losing business altogether. U S WEST does not anticipate any revenue
20 shortfall in instances where the construction charge is waived. U S WEST will only waive the
21 construction charge at a location where the anticipated monthly revenue is expected to fully
22 recover the facility placement cost. Under these circumstances, Staff believes that it is
23 reasonable to grant U S WEST this flexibility and allow it to waive the construction charge when
24 responding to a competitor's offer.

25 7. Staff has recommended that in instances where construction charges are waived,
26 U S WEST record and maintain sufficient cost and revenue information to demonstrate that this
27 action does not result in a revenue shortfall.

28 ...

1 8. Staff has further recommended that in the event a revenue shortfall occurs as a
2 result of this filing, the Company not be allowed to recover this shortfall from other services in a
3 future rate proceeding.

4 9. The Parties are concerned that the filing will result in exclusive building entry
5 arrangements between U S WEST and building owners. U S WEST plans to offer MDU
6 building owners the option of entering into a "Preferred Provider Agreement" with U S WEST.
7 Under the terms of this Agreement, U S WEST would agree to waive the normal construction
8 charge, U S WEST would also provide discounts on certain optional services per the Agreement.
9 In exchange, the MDU property owner agrees to endorse U S WEST as the preferred full service
10 provider of local telecommunications service including Internet access and high-speed digital
11 services. The subject MDU Agreement is similar to other agreements currently offered by U S
12 WEST (i.e., the preferred service provider agreement offered to residential housing developers
13 under the Provisioning Agreement for Housing Development Tariff, and the preferred service
14 provider agreement offered to building owners under the Tenant Solutions Service Tariff). Staff
15 believes that tenants within an MDU should have the right to select a service provider other than
16 U S WEST if that is their desire.

17 10. Staff has recommended that U S WEST be required to add language to its tariff
18 and the underlying MDU agreement to indicate that, as a condition of service and under the
19 terms of the subject MDU agreement with U S WEST, the property owner shall not preclude
20 tenants from selecting a service provider other than U S WEST.

21 11. Staff has further recommended that U S WEST be required to file for Staff review
22 and approval, an amended tariff and MDU agreement which includes this language within 15
23 days of the effective date of this order.

24 12. Staff believes that the MDU agreement, with the amendment noted above, offers
25 U S WEST the opportunity to meet the offers of its competitors without hampering the
26 development of competition for telecommunications services in Arizona. However, unlike a
27 tariff, the MDU agreement can be altered without Commission approval. This may lead to anti-
28 competitive effects in the future.

1 4. Staff's recommendations which are set forth in Findings of Fact 7, 8, 10, 11, 13,
2 14, 15 and 16, as modified by Findings of Fact No. 17 and 18, are reasonable and should be
3 adopted.

4 ORDER

5 THEREFORE, IT IS ORDERED that the tariff filing be and hereby is approved on an
6 interim basis for a period of one year.

7 IT IS FURTHER ORDERED that U S WEST shall comply with Findings of Fact 7 and
8 13.

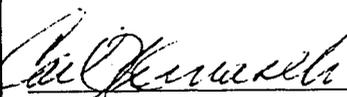
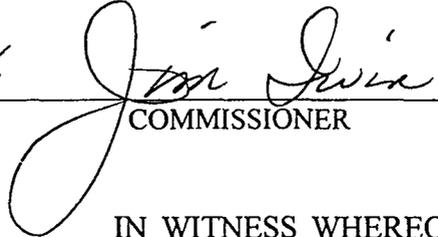
9 IT IS FURTHER ORDERED that in the event a revenue shortfall occurs as a result of
10 this tariff, U S WEST shall not be allowed to recover this shortfall from other services in a future
11 rate proceeding.

12 IT IS FURTHER ORDERED that U S WEST maintain the reports described in Finding
13 of Fact 15.

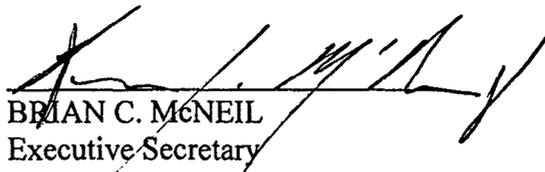
14 IT IS FURTHER ORDERED that the filing be granted permanent approval after the
15 interim approval period unless otherwise acted upon by the Commission.

16 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

17 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

18 
19 CHAIRMAN  COMMISSIONER  COMMISSIONER

21 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
22 Secretary of the Arizona Corporation Commission, have
23 hereunto, set my hand and caused the official seal of this
24 Commission to be affixed at the Capitol, in the City of Phoenix,
25 this 17th day of September 1999.

26 
27 BRIAN C. McNEIL
28 Executive Secretary

27 DISSENT: _____

28 DRS:DWS:lhk

C

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USWEST

Charles W. Stebbins
Senior Attorney

November 3, 1998

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and

U. S. Mail

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Re: Application No. C-1878/PI-23

Dear Jon:

At hearing in the above mentioned docket, U S WEST proposed a procedure for authorizing access to MDUs over U S WEST's facilities using the basic framework of the Telecommunications Act of 1996. Specifically, U S WEST proposed that:

1. The incumbent provider and MDU owner should agree on one or more locations for placement of the facilities (such as a cross-connect box) necessary to connect multiple providers. This allows the MDU owner the opportunity to manage its property.
2. If asked, the incumbent will construct the facilities necessary to connect its network with that of a CLEC for a one-time nonrecurring charge and will work with the competitor to physically connect the two networks. Of course, the competitor can construct and install the facilities itself or contract with a third party so long as industry standards are followed. Irrespective of who performs the construction, because the facilities surrounding each MDU differ substantially, the competitor and incumbent should utilize the bona fide request (BFR) process to work through the details of how best to connect the two networks before beginning construction.

3. All of the wire beyond the first demarcation point will be considered "inside wire" even if previously, the structure had contained multiple demarcation points. In other words, all of the "gray wire" (the wire inside the building) can be accessed by the competitor at no cost.

4. Competitors may lease the "black wire" (that portion of the loop that runs from the mutually agreed upon point of connection to the initial demarcation point in each building) at an average cost based rate. This will help to ensure that MDU residents have a choice of provider. It also ensures that the incumbent provider, and not the MDU owner, has the responsibility to maintain all facilities up to the first demarcation point of each building.

5. Once constructed, each provider (whether an incumbent or competitor) would have access to its own facilities at any spot up to and including the point of connection. Each carrier would be responsible for maintaining its own facilities.

Since the September 14 hearing, Cox has articulated an interest in accepting U S WEST's position and entering into a contract that incorporates U S WEST's proposal. Specifically, Cox is apparently interested in providing service to the Wentworth facility in Omaha, Nebraska, and to utilize the same policy to interconnect with unnamed MDUs in Arizona. Thus, Cox has asked U S WEST to set forth the price of the unbundled distribution facilities in both Arizona and Nebraska. As stated at hearing on September 14, U S WEST is, and always has been, willing to enter into an agreement that comports with the law and fosters, rather than stifles, competition. U S WEST believes that this proposal will accomplish both of these objectives.

U S WEST, therefore, makes the following offer to fully implement the policy it proposed to both the Nebraska and Arizona Commissions.

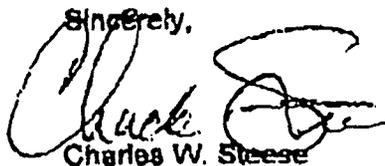
1. Because Cox is a telecommunications provider, Cox must identify the MDUs that it wants to interconnect with so U S WEST and Cox can work jointly with the MDU owner about placement of new facilities on their campuses.

2. Cox and U S WEST must utilize the BFR process to work through the details of how best to connect the two networks at each MDU. In the process of these negotiations, Cox must inform U S WEST whether it wants U S WEST, Cox or a third party to construct the new facilities (ie: cross connect box). If U S WEST is performing the construction, the parties must identify the work that must be performed and the standard material and labor costs required to construct and interconnect the new facilities. Again, if U S WEST is performing the work, Cox must prepay a one time nonrecurring charge for this work. To the extent that a party other than U S WEST is constructing the facilities, Cox must only prepay the standard material and labor costs attendant to required for U S WEST to connect its facilities to Cox's facilities.

3. Cox must pay U S WEST a monthly average, cost based lease rate for the use of U S WEST's black wire. This price is state dependent. In Arizona, the Arizona Corporation Commission has already determined that the average cost based price of these facilities is \$15.33 per subloop. In Nebraska, a more cost intensive state, U S WEST has submitted testimony in its cost docket (C-1415) that these facilities are \$20.25 per subloop (73% of the total unbundled loop cost). Cox prefiled testimony in the same docket does not isolate a price for the distribution facilities, but does set the unbundled loop cost at \$18.52. Utilizing the same 73% for these high cost distribution facilities, the Cox price would approximate \$13.50. U S WEST proposes to use its Nebraska price before the cost docket is finalized. Once the Commission sets the average price in Nebraska, U S WEST will utilize the Commission's price from that point forward and will true up the lease rate paid (if any) through either reimbursement or application of the difference to future payments.

I hope that this letter addresses your client's questions. If Cox wants to initiate the process, please let me know.

Sincerely,

A handwritten signature in cursive script, appearing to read "Chuck Steese", is written over a printed name. The signature is fluid and somewhat stylized, with a large initial "C" and "S".

Charles W. Steese