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BEFORE THE ARIZONA CORPORATION COMMISSION

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Commissioner

MARC SPITZER
Commissioner

Arizona Corporation Commission
DOCKETED

MAR 0 8 2002

DOCKETED BY

IN THE MATTER OF THE INVESTIGATION OF THE COST OF TELECOMMUNICATIONS ACCESS	Docket No: T-00000D-00-0672

WORLDCOM, INC.'S COMMENTS TO THE PROCEDURAL ORDER ISSUED DECEMBER 3, 2001

I. INTRODUCTION

WorldCom, on behalf of its operating affiliates, hereby files these responses to the questions set forth in the Procedural Order issued on December 3, 2001.

II. DISCUSSION

1. Do you believe that the Commission ought to restructure access charges? Please explain your response.

<u>WorldCom Response:</u> Yes, the Commission should take this opportunity to restructure (i.e., lower) Qwest's intrastate access charges. As explanation of its response, WorldCom offers the following. At this time, a key objective of the Commission is managing the transition to a competitive market for all types of telecommunications services -- and particularly local services. Quite simply, that objective cannot be achieved so long as Qwest is able to charge wholesale rates that exceed the economic cost it incurs in providing the facilities and network functions on which other carriers rely. In this proceeding, the Commission is questioning the rates Qwest is permitted to charge to IXCs to originate and terminate intrastate long distance traffic. As will be discussed herein, there are compelling reasons why it is in the public interest to reduce those rates.

First, it is likely that in the relatively near future Qwest will finally meet the various statutory requirements to be permitted into the in-region long distance market. Absent a restructuring of access charges to bring them closer to their economic costs, Qwest would have the ability to engage in an anticompetitive price squeeze against other long distance carriers. The issue is simple. When Qwest is permitted to compete for customers' retail long distance services, it will provide those services using the same network components other interexchange carriers utilize in originating and terminating interexchange traffic. The relevant cost to Qwest for the use of its network is its economic cost.[1] But the cost to other carriers is the access rate charged by Qwest. To the extent that Qwest's access rates exceed the economic costs of the network components, Qwest will enjoy an artificial, but powerful, price advantage over other providers of retail long distance services. Such an advantage would operate to the detriment of Arizona consumers and the competitive

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1 This is true even if Qwest were required to "impute" its switched or special access rates to its retail long distance pricing. An imputation requirement simply results in a "right-pocket, left-pocket" transaction within the corporate family without real financial significance, and thus does nothing to prevent an anticompetitive price squeeze.

process because Qwest could compete with other carriers on price even if it were the less efficient service provider.

Second, other substitutable or "replacement" technologies that also use the ILECs facilities are not subject to the same compensation requirements imposed on interexchange carriers, but are permitted to use the same or similar facilities for the same or similar purposes at rates far below those that are charged to IXCs. Examples include both telecommunications services such as mobile wireless, as well as non-telecommunications services such as Internet email and instant messaging. As to wireless carriers the FCC, by its ISP Compensation Order, [2] told the ILECs they must be willing to accept a quid pro quo. That is, if the ILECs want to be charged by other carriers at the lower ISP rates established in that Order, the ILECs must offer to exchange all traffic with wireless carriers at those rates. Thus, the FCC has set terminating access rates for wireless carriers at ISP rates (1/10th cent, or $0.001) for the period through June 30, 2003.[3] These rates apply to both interstate and intrastate traffic. Thus, existing disparities in rates and rate structures for wireline IXC access between the interstate and intrastate jurisdiction provide

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2 In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, and Intercarrier Compensation for ISP-Bound Traffic, CC Docket No. 99-68; Order on Remand and Report and Order, released April 27, 2001.

3 After 6/30/2002, the 1/10th cent rate changes to $0.0007 through June, 2004, and ostensibly changes to bill and keep thereafter.

an artificial but powerful economic advantage to technologies that are substitutable for traditional wire-line long distance.

To the extent past actions of this Commission have set access charges (and, as a result, in-state long distance rates) at levels significantly above economic cost in order to "subsidize" local residential service rates, the above discussion reveals why there are serious questions of sustainability associated with existing access rate structure and rate levels. Indeed, the rapid and well-publicized growth of the aforementioned "replacement technologies" underscores that such subsidies are not sustainable.[4] As consumers seek out the lowest priced service(s) to meet their communications needs, alternatives that are not burdened with the high intrastate switched access charges -- whether "free" long distance service from mobile wireless carriers, voice over the internet, e-mail or instant messaging -- will have an artificial competitive advantage over traditional wire-line long distance services. The "subsidies"[5] that were seen as so desirable in prior Commission decisions will continue to face erosion as a result. For all these reasons, and as discussed in more detail below, the Commission should take this opportunity to make appropriate modifications to Qwest's intrastate switched access charges.

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4 See, for example, Reuter's story of February 12, 2002: "Plegged In: Cell Phooners Say Farewell to Fixed Lines." See attached, Exhibit A.

5 As discussed in more detail below, even if a rate for one service or function is set above Qwest's economic cost, it does not necessarily follow that the margin above cost represents a "subsidy." Rather, to arrive that that conclusion the inquiry must also determine whether the service or function ostensibly receiving a subsidy is covering its costs via the rates charged for that service.

2. What recommendation to the Commission would you make regarding how intrastate access charges should be reformed?

WorldCom Response: The best procedural mechanism to achieve the appropriate reductions to Qwest's intrastate access rates would utilize proxy rates -- and in particular, interstate switched access rates. The interstate rates represent a just and reasonable proxy for intrastate switched access rates.

The ILECs' interstate rates have been the basis of annual review under the "price cap regime" in place since the early 1990s.[6] The starting point for each ILEC's rates was the ILEC's historic, embedded interstate costs (i.e., the company's regulated costs, as assigned to the interstate jurisdiction through the jurisdictional separation process). The resulting interstate access rates were subject to an annual review each July, and adjusted as appropriate. Pursuant to a recent decision by the FCC approving a proposal by a number of ILECs and IXCs (the "CALLS proposal"), the large price cap ILECs[7] will be lowering their interstate switched access rates to a "target" rate level reflecting an approximation of the ILECs' forward looking economic costs of providing those switched access functions. That "target" results in an effective per-minute rate slightly above ½ cent per minute ($0.0055). In approving the proposal, the FCC noted that the target rate was agreed to by

6 The FCC's "price cap" regulations have applied to the largest ILECs, including Qwest (formerly US West) and Verizon (formerly GTE).

7 The FCC's regulation of ILECs has been done on the basis of various categories, of which the large ILECs is the group subject to the most regulatory scrutiny. That groups consists of the Qwest (nee, US West) and Verizon (nee, GTE) operating companies, as well as the SBC (Southwestern Bell, Pacific Bell, and Ameritech) companies, the Verizon (Bell Atlantic) companies, and the BellSouth companies.

a number of parties with differing interests -- including the larger ILECs (e.g., Qwest and GTE) and some of the larger IXCs -- and that the target was "in the ballpark" as to those ILECs' economic costs of providing the various functions.[8]

Additionally, the Commission should be aware that interstate and intrastate ***costs are identical*** for many access elements -- specifically, the traffic sensitive elements of switching and transport. There is a simple reason why interstate and intrastate costs are the same; the ILECs' traffic volumes represent the factor by which the costs are allocated to the interstate versus intrastate jurisdictions. An example will help clarify this point. Let us assume an ILEC has a total cost for switching of $100. The jurisdictional separations process requires that the ILEC looks at interstate usage as a fraction of total usage, and allocate costs based on that jurisdictional usage. For purposes of the example, we will assume that the ILEC has experienced 100,000 minutes of local switching, 70% of which are interstate switched minutes. The allocation process would assign 70% of the $100 -- or $70 -- in switching costs to the interstate jurisdiction, with the remaining 30% -- or $30 -- assigned to the intrastate jurisdiction. From these assumptions we can easily calculate the hypothetical "cost based" interstate rate that would result from this assignment of costs. That simple calculation takes the $70 in interstate cost divided by 70% of the total minutes that are interstate (i.e., 70,000 minutes) -- for a per-minute switching cost of 1/10ths cent (or, $0.001). Because the $30 in intrastate cost divided by the remaining

8 As noted previously, the target rate excludes the interstate CCL, which was under the plan to be brought to zero. Thus, Qwest now has an interstate CCL of zero.

30,000 of minutes that are intrastate achieves precisely the same mathematical result of 1/10ths cent, ***the intrastate costs are the same as interstate costs***. For this reason -- because the separations process utilizes jurisdictional usage as the allocator for assigning the costs of the traffic sensitive elements between jurisdictions -- there is no basis for a claim by the large ILECs that their intrastate costs are higher than interstate costs.

This Commission can utilize the interstate rates to accomplish intrastate access reform because they are existing rates already agreed to by the large ILECs including Qwest. The ready availability of interstate rates provides an opportunity to this Commission to correct the above-discussed disparities in Qwest's intrastate switched access rates without a massive expenditure of resources. There is a possibility that the result determined by this Commission through a "rigorous factual analysis" would differ from Qwest's interstate switched access rates. However, any such variance would be *de minimis*. Perhaps most importantly, the precision that arguably would be foregone by not using a "rigorous factual analysis" would be made up many times over by the administrative efficiency flowing from the use of a proxy approach.[9] Since the Commission has a constitutional duty to prescribe just and reasonable rates, it may be necessary to adopt the interstate rates on an interim basis while the Commission conducts whatever analysis it deems is necessary under state law.

9 Any variations between the use of the interstate rates as a proxy and the more traditional cost-study approach described previously almost certainly would accrue to the benefit of the ILECs.

3. Would you recommend the Commission address both switched and special access in an access charge reform proceeding? If your response it yes, please explain.

<u>WorldCom Response:</u> Interexchange carriers largely purchase interstate special access because the overwhelming majority of circuits are "contaminated," making them subject to interstate pricing. Thus, the major policy issues involve solely switched access services, and the Commission should focus its attention on resolving the pricing distortions in the switched access area, as discussed above.

4. Parties who desire that switched access charges be reformed often state that switched access charges in general, and the CCL rate element in particular, contain implicit subsidies. Do you agree with this statement? Please provide an explanation of the rationale for your position, including any computations that you might have made.

WorldCom Response: As discussed above, the evidence is clear that existing intrastate switched access rates are well above their economic cost.[10] However, the existence of above-cost rates ***does not answer*** the question of whether a subsidy is being generated. Rather, that question represents the "other side of the coin " so to speak, and the answer requires an examination of whether (and to what extent) prices for other services provided by Qwest fail to recover the economic cost incurred in providing such services.[11] For the reasons set forth below, the Commission need not resolve whether such subsidies in fact

10 With regard to the CCL rate element, as discussed below in response to question # 5, there is not even a cost basis for that element under the way switched access charges in Arizona were established. See also footnote 8, *supra*, noting that Qwest's interstate CCL rate is zero.

11 An example of the problems associated with resolving the computations requested in the question are addressed in response to question #5, below.

exist to proceed with the restructuring and lowering of intrastate switched access to levels that resolve the anti-competitive concerns expressed above.

5. Can implicit subsidies be quantified?

a. What is the appropriate cost standard to be used to determine whether access charges are free of implicit subsidies?

b. What cost standard is used to set interstate access charges? Is this cost standard appropriate for intrastate rates?

__**WorldCom Response:**__ The short answer is that implicit subsidies cannot be quantified, although the extent to which service rates exceed economic cost can be quantified. As explanation, we will first assume that Qwest's intrastate switched access rates generate monopoly rents of $100 million per year. From this starting point, to quantify any alleged "subsidy flow" would require that the Commission determine the economic cost of each and every service provided by Qwest (both retail and wholesale), and then determine the difference between each such cost and the revenues generated by Qwest's rates for each service. To the extent service "A" generates revenues above its economic cost, those revenues would be added to the $100 million in monopoly rent generated by Qwest's intrastate switched access rates. To the extent the rates for service "B" are less than its economic cost, the difference between cost and rates would need to be subtracted from the aforementioned sum. When this aggregating calculation is completed for all services provided by Qwest, the Commission would almost certainly have a positive number -- indicating that Qwest's rates in the aggregate exceed the economic costs of providing all services.

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Importantly, the Commission would still be left with the question of which of the services generating monopoly rents were providing the "subsidy" and which were merely contributing to Qwest's overall profitability. But there can be no objective answer to this question. Imagine a joint checking account where the incomes of both the husband and the wife are regularly deposited. How can it be determined which of the spouse's income was used to pay the electric bill versus the mortgage payment? For all the above reasons, implicit subsidies cannot be quantified.

WorldCom will now turn its attention to part "b" of the question -- the appropriate standard for setting of intrastate switched access rates. WorldCom would refer the reader to its responses to questions nos. 1 and 2, above, which directly relate to this question. It is important as a background matter to note that there is no longer a cost standard at all for the larger ILECs such as Qwest. Rather, the larger ILECs are subject to varying degrees of price regulation for their interstate services. The most regulation is a price cap regime, but as to some services in some markets, the ILECs are not subject to any price regulation whatsoever. Having said this, it is true that interstate rates for Qwest and the other ILECs have traditionally been set based on accounting, rather than economic, costs.

A bit of history would perhaps be appropriate here. The carrier common line ("CCL") rate was set at divestiture (1984) without regard to the "cost" of any particular element in the network. Rather, the CCL was established to replace a portion of the

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revenues that were "lost" when the pooling and division of revenues systems went away.[12] More recently the residual interconnection charge ("RIC," but also known by other names) was created in the context of the restructuring of the ILECs' transport rates as a revenue replacement mechanism for certain "lost revenues." In other words, there is no "cost" associated with either the RIC or the CCL.[13]

As regards the basis for Qwest's interstate local switching rates, those rates were established on accounting rather than economic principles. That is, the question of what constitutes the appropriate forward looking cost of providing that function (whether long run incremental cost or total element long run incremental cost (TELRIC)) was not answered in any of the FCC's rate-setting proceedings. With this in mind, looking at interstate rates as a proxy means that the starting point of the analysis ignores economic costs. Even with that starting point, we find that the rate established at the federal level for local switching is below ¼ cent ($0.0022490). When that interstate rate is compared with the current intrastate rate for local switching of $0.0173, we see that the Arizona intrastate rate is nearly 8 times as high as the price charged to IXCs for the local switching function for a minute of traffic originating or terminating out of state. And because the starting

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12 See, for example, Arizona Corporation Commission Decision No. 54843, dated January 10, 1986, in Dockets E-1051-84-100, et al, at pp. 53-54, stating that the basis for the rates established was to "compensate Mountain States during 1984 … as if the previous separations and settlements agreements between ATTCOM and Mountain States had remained in effect."

13 In contrast with the absence of a cost basis for either the CCL or RIC, there is underlying cost associated with furnishing the local switching function. WorldCom refers to reader to its response above to question # 2. As noted therein, there is no valid basis for intrastate local switching rates to exceed interstate rate levels.

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point is accounting rather than economic cost, there is little room for an argument that intrastate rates do not significantly exceed economic costs.

Another relevant comparison to the current intrastate rate for local switching is the rate Qwest has agreed to charge wireless carriers for the local switching function -- or $0.001. This comparison reveals that the monopoly rent permitted to Qwest under the current intrastate local switching rate could be more than 17 times Qwest's economic cost to perform that function.

Another rate that is unique to the Arizona intrastate jurisdiction is the "equal access recovery charge" of $0.001319 per minute. Although there is an argument this rate element was intended to compensate Qwest for certain costs, there are two significant arguments against its continuation. The first is that allowing Qwest to impose such costs on its competitors once it obtains the authority to provide retail long distance services in Arizona creates an artificial economic advantage over its competitors, as discussed above in response to question # 1. The second argument is that there is reason to believe that IXCs have already fully compensated Qwest for the costs it allegedly was recovering through the "equal access recovery charge." Like the toll-road that has long since been paid for, there is a serious question whether such "tolls" should be permitted after their purpose has been served.

Finally, WorldCom would again note that to attempt to determine whether subsidies in fact exist, and if so, to what extent, is an exercise in futility. The better course of action from the standpoint of protecting the interests of Arizona consumers would be to lower those prices that are a) clearly above economic cost and b) represent a threat to the further development of competition in Arizona's telecommunications markets -- i.e., intrastate switched access rates. Then, should Qwest believe that it requires a subsidy to support below-cost rates for certain services,[14] it could make such a request to this Commission. A public process could then commence to assess the validity of Qwest's claims and to determine an appropriate public policy response to the identified "problem." Importantly, the transition to competitive markets for both local and long distance telecommunications services in Arizona cannot occur so long as Qwest is permitted to charge wholesale prices that exceed its economic cost of providing the facility, function, or network element.

6. Do you believe that interexchange carrier switched access charges ought to exist? Please provide your rationale for your position on this matter.

<u>WorldCom Response:</u> All firms should be compensated for the use of their investments and for the services they provide to other firms. The real question is what form and level of compensation best meets the Commission's public policy goals while providing just compensation. In the market for wholesale telecommunications services, including switched access services, so-called "market pricing" does not work. The reason for this is

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14 That is, if Qwest can demonstrate a valid public policy rationale for the creation of an explicit subsidy.

simple: because there is no competitive market where the buyer has a variety of choices as to whose services she obtains. Rather, there is only one seller, and that is the incumbent LEC with its ubiquitous network constructed over decades with revenues from captive customers. For the overwhelming majority of customer locations, an interexchange carrier has no competitive alternatives for its use in originating and terminating interexchange traffic. In most instances, Qwest's network constitutes a bottleneck through which such interexchange traffic must pass.

For this reason, short of re-regulating the prices Qwest can charge for in-state switched access,[15] Qwest's interstate prices appear to be fair compensation for the use of its network facilities. As noted above, the Commission should take note that Qwest's interstate switched access prices -- that are well below existing intrastate switched access rate levels -- are approximately double the prices Qwest has agreed to charge mobile wireless carriers for the termination of intrastate toll traffic to Qwest's landline customers.

7. Please provide the following to assist in developing a rough estimate of the extent to which implicit subsidies exist in access charges assessed by Arizona local exchange companies.

a. What is your estimate of the implicit subsidies in access charges that exist on a statewide basis?

b. Please explain how that estimate was developed.

15 The Commission should recall that price regulation was established as the only means of ensuring that rates charged to customers were just and reasonable, as the absence of competition meant that the operations of a competitive market could not be relied on to protect consumers.

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c. What is your estimate of the existing implicit subsidies that exist by local exchange company?

<u>WorldCom Response:</u> See WorldCom's responses to question #2 and #5, above.

8. Should access charges be set at the same rates as unbundled network elements for the same network elements and functionalities? Please explain your response.

<u>WorldCom Response:</u> Quite simply, the economic cost of a network function does not vary with regulatory notions of traffic jurisdiction (i.e., whether a minute of switched traffic is local, in-state, or interstate), or with the type of user utilizing the element or function. As noted above, Qwest has agreed to perform the local switching function for mobile wireless carriers for $0.001 (one-tenth cent) per minute -- a level that is below the TELRIC rate for Qwest's local switching in Arizona. This is the rate currently approved by the Commission. That fact notwithstanding, WorldCom's proposal herein is simply that in-state switched access rates be set at parity with interstate rates, both at present and on a going forward basis.

9. Your responses to the following questions will assist the Commission in determining how to proceed with this case from a procedural perspective.

a. What procedure would you recommend be used to address switched access charge reform? For example, would you recommend a generic proceeding to address the issues in general with the objective being the reform, restructure and resetting of switched access charges for every LEC in the State?

b. What issues do you believe should be addressed in a proceeding to determine whether and to what extent intrastate access charges ought to be reformed?

c. Would you recommend that the Commission limit the initial switched access charge proceeding to the largest ILECs in Arizona? If your response is yes,

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please identify those companies that you believe should be included in this proceeding.

d. **Would you recommend that the Commission address access charge reform for large, intermediate and small local exchange companies (as defined in the Commission's Arizona Universal Service Fund rules) individually? Please explain.**

e. **Would you recommend that the proceeding address switched access charges assessed by CLECs and/or other telecommunications companies?**

f. **Given your vision of what the proceeding would address, how much time do you expect would be required to complete the proceeding?**

<u>WorldCom Response:</u> In response to part (a) of the question, for the reasons set forth in response to question # 1, the most pressing public policy issue to be addressed is the elimination of the potential for anticompetitive price squeezes by Qwest once it gains authority to offer retail long distance services to users in Arizona. And as discussed in response to question # 2, the most administratively elegant procedure by which to accomplish that objective is to require on an intrastate basis a mirroring of Qwest's interstate switched access rates.

As regards part (b) of the question, WorldCom respectfully suggests that its comments herein constitute sufficient reason for the Commission to move forward with the necessary reduction in Qwest's intrastate switched access rates.

Regarding part (c) of the question, it is WorldCom's position that limiting the proceeding to the largest ILECs' switched access charges is appropriate. As discussed above, the critical public policy question relates to the likelihood that Qwest will soon be both a supplier of monopoly inputs to interexchange carriers such as WorldCom and a

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competitor for retail long distance services. For that reason, the focus of the proceeding for the foreseeable future should be on Qwest's intrastate switched access rates, and indeed, reform of such rates should be completed ***prior to*** endorsing Qwest's 271 application to the FCC.

As to part (d) of the question, WorldCom is not proposing at this time to include in the proceeding telecommunications carriers other than Qwest.

Turning to part (e) of the question, WorldCom does not envision that the switched access rates for other CLECs constitutes an urgent public policy issue for the Commission, for the reasons discussed above.

Finally, as to part (f) of the question, WorldCom respectfully references its discussion above in response to question # 2. If the Commission proceeds with WorldCom's suggestion that a mirroring of Qwest's interstate switched access rates represents the most reasonable means of resolving the potential anticompetitive price squeeze, the proceeding to accomplish that objective could be completed almost immediately. That is, the Commission could simply direct Qwest to make a compliance filing of its intrastate access tariff, and that tariff could be reviewed and approved on an interim basis until the Commission can conduct whatever rate analysis it deems necessary.

10. For companies that provide access service, please provide the dollar amount of revenues from switched access charges that you received by rate element, by month, for the period July 1, 2000 through June 30, 2001.

<u>WorldCom Response:</u> WorldCom is gathering this information and will provide it in a supplemental filing.

11. For companies that purchase access service, please provide the dollar amount of the payments for switched access charges that you made (by company, rate element, and month if possible) for the period July 1, 2000 through June 30, 2001.

WorldCom Response: WorldCom is gathering this information and will provide it in a supplemental filing.

12. Do you believe that it would be possible to eliminate the potential that local exchange service providers can exert monopoly power in the access service market by assessing the switching, transport and CCL charges on the end users rather than on interexchange carriers? Could customers then shop for local exchange service customers for the least cost provider of access in addition to local service, etc.?

WorldCom Response: For all the reasons noted in response to question # 5(a), the first and most important step to lessen the potential for Qwest to exert monopoly power is to reduce its intrastate switched access rates to interstate levels. As noted above, Qwest's interstate switched access rates are fully compensatory for switching and transport functions it provides to interexchange carriers, so that for those functions Qwest would have ***no residual costs*** to be recovered from end use customers. Furthermore, there has never been a cost basis underlying the intrastate CCL charge, and reducing the CCL to zero would be appropriate. For the reasons discussed in response to question # 5, Qwest would be afforded the ability to demonstrate a need for whatever "subsidy" it could prove up before this Commission, and the Commission could take appropriate action based on the evidence presented by Qwest. Until such time as Qwest makes such a case, however, there is no valid public policy basis for simply handing over to it revenues without a demonstrated cost basis.

12. Do you believe that there is a difference in the costs of providing interstate switched access service versus intrastate-switched access service? In your response, please include a description of how costs are defined in your response and how those costs relate to costs allocated to the intrastate jurisdiction under the FCC's Separations rules.

WorldCom Response: No, for the reasons discussed above in response to question #s 2 and #5.

13. In the CALLS Decision, the FCC implemented changes that would eliminate carrier common line charges and establish an interstate universal service support mechanism. Do you believe that the Commission ought to address the Arizona Universal Service Fund mechanism concurrent with the reform of intrastate access charges?

WorldCom Response: No. The Commission should explore the switched access issues and reach resolution on those issues before addressing the impact on the Arizona Universal Service Fund mechanism. Once the Commission has addressed appropriate switched access rates, the Commission will be able to then determine whether additional support is needed.

14. The FCC released its Access Charge Reform Order ("MAG Order") for rate of return companies on November 8, 2001. Please comment on the extent to which you believe the ACC should adopt any components of the MAG Order.

WorldCom Response: For the reasons discussed above in response to question #2, and as noted in response to question # 9 (c), (d), and (e), WorldCom believes the focus of this proceeding should be on eliminating the potential anticompetitive effects of Qwest's above-cost switched access rates. This important objective would be compromised if the Commission expanded the scope of the proceeding to deal with the small rural incumbent

LECs. The implications of the FCC's "MAG Order" in this proceeding need not be an issue if the scope is limited to issues of Qwest's switched access rates.

15. Should the Commission address CLEC access charges as part of this Docket?

WorldCom Response: See WorldCom's response above to question #9 (e).

16. Should additional considerations be taken into account when restructuring and/or setting access charges for small rural carriers? Please explain your response.

WorldCom Response: For the reasons discussed above in response to question # 2, WorldCom believes that the focus of this proceeding should be on resolving the potential anticompetitive effects of permitting Qwest to provide retail in-region long distance services while being able to charge anticompetitive rates to its competitors in the long distance market. Achieving this important public policy goal would be compromised if the Commission sought in this proceeding to resolve rate issues associated with the small rural incumbent LECs.

17. What is the effect of Qwest's Price Cap Plan on the issues raised in this proceeding as they pertain to Qwest? With regard to Qwest, switched access is a Basket 2 service and special access is a Basket 3 service. What impact does this have, if any, on restructuring access charges in this proceeding as it would pertain to Qwest?

WorldCom Response: As WorldCom indicated in response to Question #3, the Commission should focus on intrastate switched access rather than special access pricing. Qwest's Price Cap Plan should have no impact on issues raised in this because switched access is not a Basket 3 service; it is not subject to pricing flexibility and is fully regulated by the Commission. Therefore, the fact that switched access is a Basket 2 service and special access is a Basket 3 service has no impact upon these proceedings.

18. With regard to Qwest, what impact would Qwest receiving Section 271 authority have on the issues raised in this proceeding? Please explain your response.

WorldCom Response: See WorldCom's response to question # 2 above.

19. One of the stated objectives of the Qwest Price Cap Plan was to achieve parity between interstate and intrastate access charges. Is this something that should be looked at by the Commission in this proceeding?

WorldCom Response: Yes. See WorldCom's responses to questions #2 and #5, above.

20. Are there other issues besides the rate restructuring and costing issues raised herein that should be addressed by the Commission in this Docket?

WorldCom Response: No.

21. Are there other State proceedings and/or decisions that you would recommend the Commission examine before it proceeds with this Docket? Please attach any relevant State commission decisions to your comments.

WorldCom Response: Both Colorado and Minnesota have recently begun inquiries into intercarrier compensation. However, neither docket is far along with parties also addressing data requests from those commissions as WorldCom is providing here. Therefore, at this time there are no relevant decisions available from other Qwest states.

23 Please provide your recommendations for a procedural schedule in this case.

WorldCom Response: Parties should prefile opening testimony by the end of April 2002. Responsive testimony should be filed approximately one month later. A discovery cut off, when no further discovery could be served absent a showing of good cause, should be set

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for three weeks after each round of testimony. A prehearing conference should be held mid-July and this matter should be set for hearing for 5 days in early August 2002.

22. Please comment on the issues raised in Docket No. T-01051B-01-0391, In the Matter of Qwest Corporation's Tariff Filing to Introduce a New Rate Structure for an Access Service Used By Interexchange Carriers and their relationship to this Docket.

WorldCom Response WorldCom has no comment on these issues at this time.

23. Please comment on any other issues you believe may be relevant to the Commission's examination of intrastate access charges.

WorldCom Response: There is nothing else to add as of this date, although additional issues may arise after the filed comments of the Staff and other parties have been reviewed.

III. CONCLUSION

This concludes the comments of WorldCom.

RESPECTFULLY SUBMITTED this 8th day of March, 2002.

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