

**LEWIS  
AND  
ROCA**  
LLP  
LAWYERS

Phoenix Office  
40 North Central Avenue  
Phoenix, Arizona 85004-4429  
Facsimile (602) 262-5747  
Telephone (602) 262-5311

Tucson Office  
One South Church Avenue  
Suite 700  
Tucson, Arizona 85701-1611  
Facsimile (520) 622-3088  
Telephone (520) 622-2090

Las Vegas Office  
3993 Howard Highway  
Suite 600  
Las Vegas, Nevada 89109  
Facsimile (702) 949-8398  
Telephone (702) 949-8200



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AZ CORP COMMISSION  
DOCUMENT CONTROL

Our File Number 20390-00119

September 24, 2001

All Parties of Record

Re: US West's Compliance with Section 271 of the Telecommunications  
Act of 1993  
Docket No: T-00000A-97-0238

To All Parties of Record:

Enclosed is a letter dated September 21, 2001 from James Lewis to  
Chairman Mundell, Commissioner Irvin and Commissioner Spitzer, regarding the  
above-captioned proceeding. This letter has been filed with the Arizona Corporation  
Commission, Docket Control.

If you have any questions, please do not hesitate to contact me.

Very truly yours,

LEWIS AND ROCA LLP

Thomas H. Campbell  
Attorneys for WorldCom, Inc.

THC/bjg  
Enclosure

cc: Teresa Tan

Arizona Corporation Commission  
DOCKETED  
SEP 24 2001

DOCKETED BY



**James L. Lewis**  
Senior Vice President  
Western Public Policy Group  
James.L.Lewis@wcom.com

201 Spear Street - 9th Floor  
San Francisco, CA 94105  
415 228 1004  
Fax 415 228 1094

September 21, 2001

William A. Mundell, Chairman  
James M. Irvin, Commissioner  
Marc Spitzer, Commissioner  
ARIZONA CORPORATION COMMISSION  
1200 West Washington  
Phoenix, AZ 85007

Re: CLEC Market Share in Arizona  
Response to Qwest Letter filed September 6, 2001

Dear Chairperson Mundell, Commissioners Irvin, and Spitzer:

On August 23<sup>rd</sup>, Afshin Mohebbi, COO and president of Qwest, and I, among others, appeared at an open meeting before your Commission to discuss Qwest's application to enter the long distance business. At that meeting, Mr. Mohebbi cited a percentage to represent the extent of local competition in Arizona, and was asked by the Commission to provide backup material for that number. On September 6<sup>th</sup>, Mr. Mohebbi sent a letter providing the Commission with the sources for the figures presented by Mr. Mohebbi. WorldCom requests this opportunity to respond since, under critical scrutiny, these figures do not hold up.

Qwest bases its assessment of local competition on the percentage of total access lines attributable to CLECs. However, its numbers for CLEC lines are hypothetical constructs, rather than representations of the actual marketplace experience of CLECs. The Qwest letter cites June 30, 2001 data for the proposition that CLECs have captured 16 percent of the total access lines. A closer examination of the footnote to those data, however, reveals that Qwest has estimated the number of CLEC access lines (see footnote 2) using an analysis severely criticized in two other states.<sup>1</sup> Qwest then inserted its estimated

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<sup>1</sup> The Staff of the Colorado Public Utilities Commission and the Washington Public Counsel. soundly criticized Qwest's methodology in the 271 proceedings in their respective states. See *In The Matter Of The Investigation of U.S. West Communications, Inc.'s Compliance With §271 of the Telecommunications Act of 1996*, Dkt. No. 97I-198T, Workshop 7, Transcript of July 24, 2001, page 159, line 22 to page 166, line 5; and *In the Matter of the Investigation of U.S. West Communications, Inc.'s Compliance With Section 271 Of The Telecommunications Act of 1996*. Dkt. No. UT-003022, Brief of the Public Counsel, Filed September 7, 2001, page 9, footnote 7.

figures in another estimation methodology that it argues was sanctioned by the FCC in another 271 application.<sup>2</sup> Therefore, the alleged data for CLEC access lines consists of an estimate of Arizona specific-CLEC lines and an estimation methodology used in an SBC case – these calculations result in a hypothetical figures built on two estimates.

Furthermore, Qwest gives its created Arizona estimates of 16 percent of CLEC lines as of “June 30, 2001” whereas it derives its comparative New York and Texas figures from the May 2001 FCC release on local telephone competition as of December 31, 2000.<sup>3</sup> Arguably, comparing 8 percent of CLEC access lines in SWBT territories as of December 31, 2000 to a hypothetical 16 percent of CLEC access lines in Arizona as of June 30, 2001 is comparing apples to oranges. One inescapable conclusion is that the difference in the percentages could lead one to infer, wrongly, that CLEC competition in Arizona is in better shape than Texas.

According to the December 31, 2000 data distributed by the FCC – the same data cited by Qwest for Texas, only 5 percent of the lines in Qwest territory in Arizona are provided by CLECs. This is substantially lower than the 16 % estimate provided by Mr. Mohebbi, and is much more reflective of reality. CLECs serve only 3 percent of the residential and small business customers. At best, these figures represent token competition in Qwest territory, especially in the residential local market.

Finally, it is plainly incorrect to assume, as Mr. Mohebbi’s letter does, that granting the 271 applications of incumbent Bell companies in Texas and New York caused increased local competition. The most important factor leading to local entry by WorldCom and other CLECs is not whether a Bell company is in the long distance business; rather it is the presence of cost-based prices for Unbundled Network Elements. Not only did WorldCom enter the New York market before Verizon was granted section 271 authority, but, as noted in testimony filed by WorldCom in related proceedings, WorldCom is active in local residential markets in Illinois, Michigan, and Georgia where 271 applications had not been granted. WorldCom made the business decision to enter those states because appropriate economic conditions ensured profitability, not because of the entry of the incumbent LEC into the long distance market.

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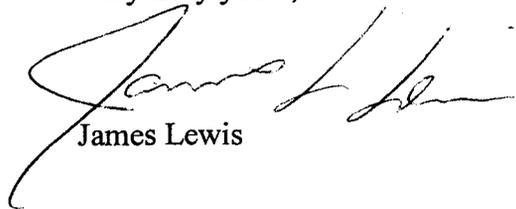
<sup>2</sup> See fn. 3 of the Qwest letter, which makes reference to the Memorandum and Opinion Order, *Joint Application by SBC Communications, Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision of In-Region, InterLATA Services in Texas*, CC Dkt. No. 00-4 (Jan. 10, 2000). App. A, Vol.A-1.

<sup>3</sup> See FCC Release, *Local Telephone Competition Status as of December 31, 2000*, May 2001.

Page 3  
Letter to Arizona Corporation Commission  
September 21, 2001

WorldCom appreciates this opportunity to comment on Qwest's letter. My company remains committed to entering the local market in Arizona when conditions are favorable.

Very truly yours,



James Lewis