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UNITED STATES ARMY LEGAL SERVICES AGENCY  
901 NORTH STUART STREET  
ARLINGTON VA 22203-1837

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January 24, 2003

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REPLY TO  
ATTENTION OF

Regulatory Law Office  
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AZ CORP COMMISSION  
DOCUMENT CONTROL

Subject: In The Matter Of Qwest Communications International Inc.'s, Qwest Services Corporation's, And Qwest Corporation's Notice Of Sale, Request For Waiver, or Application For Approval Of Sale Of The Arizona Operations Of Dex, Inc.  
Arizona Corporation Commission, Docket No. T-01051B-02-0666

Arizona Corporation Commission  
Docket Control  
Attn: Ms. Viki Lasher  
1200 West Washington Street  
Phoenix, Arizona 85007

Dear Ms. Lasher:

Enclosed for filing with the Arizona Corporation Commission are the original and thirteen copies of the Reply of the Department of Defense and All Other Federal Executive Agencies to Qwest's Response to The United States Department of Defense's Application For Intervention in the subject proceeding.

Copies of this Reply have sent in accordance with the attached Certificate of Service. Inquiries concerning this matter may be directed to the undersigned at (703) 696-1644.

Sincerely,

Peter Q. Nyce Jr.  
General Attorney  
Regulatory Law Office

Enclosure

Arizona Corporation Commission  
DOCKETED

JAN 27 2003

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BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER

Chairman

WILLIAM A. MUNDELL

Commissioner

JIM IRWIN

Commissioner

MIKE GLEASON

Commissioner

JEFF HATCH-MILLER

Commissioner

IN THE MATTER OF QWEST COMMUNICATIONS )Docket No.T-01051B-02-0666  
INTERNATIONAL, INC.'S, QWEST SERVICES )  
CORPORATION'S, AND QWEST CORPORATION'S )  
NOTICE OF SALE, REQUEST FOR WAIVER, OR )  
APPLICATION FOR APPROVAL OF THE SALE OF )  
THE ARIZONA OPERATIONS OF QWEST DEX, INC.)

REPLY OF THE DEPARTMENT OF DEFENSE AND ALL OTHER FEDERAL  
EXECUTIVE AGENCIES TO QWEST'S RESPONSE TO THE UNITED STATES  
DEPARTMENT OF DEFENSE'S APPLICATION FOR INTERVENTION

ROBERT N. KITTEL

Chief

Regulatory Law Office

Office of the Judge Advocate General

Department of the Army

Litigation Center

JALS-RL, Suite 713

901 N. Stuart Street

Arlington, VA 22203-1837

by

Peter Q. Nyce, Jr.

General Attorney

Dated: January 24, 2003

BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
JIM IRWIN  
Commissioner  
MIKE GLEASON  
Commissioner  
JEFF HATCH-MILLER  
Commissioner

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CORPORATION'S, AND QWEST CORPORATION'S )  
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REPLY OF THE DEPARTMENT OF DEFENSE AND ALL OTHER FEDERAL  
EXECUTIVE AGENCIES TO QWEST'S RESPONSE TO THE UNITED STATES  
DEPARTMENT OF DEFENSE'S APPLICATION FOR INTERVENTION

The United States Department of Defense and all other affected Federal Executive Agencies ("DOD/FEA") hereby replies to the response of Qwest Corporation ("Qwest"), dated January 16, 2003, ("Qwest Response") to DOD/FEA's Motion For Leave To Intervene ("Motion" also referred to as an "Application" in this matter. Qwest's opposition to DOD/FEA's Motion is without merit and should be denied.

As explained in its Motion, DOD/FEA purchases large quantities of telecommunications service from Qwest in Arizona.<sup>1</sup> Indeed, the 60,000 civilian and military employees of DOD/FEA in Arizona probably make DOD/FEA the largest user

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<sup>1</sup> Motion at Section IV.

of telecommunications services in the state. Qwest contends that DOD/FEA's status as a customer does not create a legal interest that justifies intervention because "Rates charged by Qwest to customers such as DOD/FEA are not affected by" Qwest's sale of its directory publishing assets in Arizona to a third party buyer.<sup>2</sup> Contrary to Qwest's contention, this transaction may have a substantial affect on Qwest's telephone rates.

Upon AT&T's divestiture in 1984, the directory publishing business was assigned to Qwest's predecessor, U.S. West, and the other Bell operating companies in order to generate "a substantial subsidy for local telephone rates."<sup>3</sup> In Arizona, this subsidy has been effected by means of an imputation of directory revenues in various Qwest rate cases. The effect on local telephone rates of Qwest's proposed sale of its directory operations is thus clearly at issue in this proceeding.

The relationship of Qwest's sale of directory operations to telephone rates has already been recognized in other states. For example, in Colorado, Qwest, the Commission Staff and the Office of Consumer Counsel reached agreement last July on continued imputation after the sale of Qwest's directory operations.<sup>4</sup> In Washington, DOD/FEA is actively participating as an intervener in Docket UT-021120 dealing with Qwest's sale of its directory operations.

In Arizona, the Utility Division has hired an outside consultant to formulate recommendations on whether the Commission should approve or disapprove the sale of

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<sup>2</sup> Qwest Response at p. 2.

<sup>3</sup> United States vs. American Tel. And Tel. Co. et al., 552 F. Supp. 131 at 224.

<sup>4</sup> In the Matter of the Application of the Mountain States Telephone And Telegraph Company to Obtain Authorization For The Transfer of Certain Assets Associated With Directory Advertising, Application No. 36247, Joint Motion to Approve Stipulation and Agreement For Continuation of Directory Imputation, July 22, 2002.

assets and under what conditions.<sup>5</sup> The consultant is specifically required to “Analyze the potential effects of the sale on the level of rates and service quality of Arizona basic local service customers.”<sup>6</sup> Indeed, Staff has stated that it “wants to ensure that it has adequate time to conduct a thorough review, including all potential implications for Arizona ratepayers in the future.”<sup>7</sup>

Given the above, it is clear that DOD/FEA’s legal interests as a customer may be “directly and substantially” affected by this proceeding.

Qwest also contends, without support, that the granting of DOD/FEA’s Application would “unduly broaden the scope” of this proceeding, and that DOD/FEA’s intervention, if granted, should be limited.<sup>8</sup> These contentions are also without merit.

As DOD/FEA stated in its Application, its intervention will neither unduly broaden the issues nor unduly delay the proceeding.<sup>9</sup> Since DOD/FEA’s legal interests cannot be adequately protected by any other party, DOD/FEA simply asks to be treated like any other party.

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<sup>5</sup> Request for Proposal issued September 27, 2002, p. 4.

<sup>6</sup> Id.

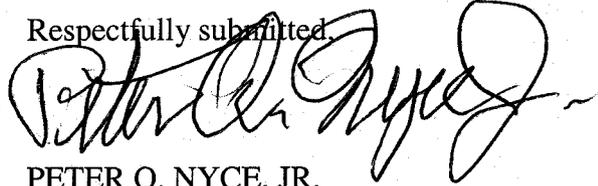
<sup>7</sup> Staff’s Reply to Qwest’s Response Regarding A Procedural Schedule In This Case, December 19, 2002, pp. 2-3.

<sup>8</sup> Qwest Response, pp. 2-3.

<sup>9</sup> Motion, Section V.

Wherefore, DOD/FEA respectfully requests that DOD/FEA's Motion be granted.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Peter Q. Nyce, Jr.", written in a cursive style.

PETER Q. NYCE, JR.  
General Attorney  
Regulatory Law Office  
Office of the Judge Advocate General  
Department of the Army  
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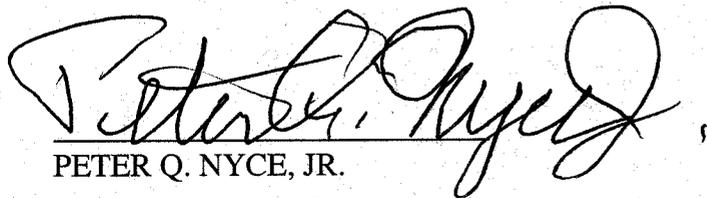
For  
THE DEPARTMENT OF DEFENSE

Dated: Arlington, Virginia this  
24<sup>th</sup> Day of January 2003

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Reply of Department of Defense and All Other Federal Executive Agencies to Qwest's Response to the United States Department of Defense's Application for Intervention was sent to the parties on the attached service list either by United Parcel Service - Next Day Air, or by first class mail, postage prepaid on January 24, 2003.

Dated at Arlington County, Virginia, on this 24<sup>th</sup> Day of January 2003.

  
PETER Q. NYCE, JR.

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