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ARIZONA CORPORATION COMMISSION
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AZ CORP COMMISSION
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**IN THE MATTER OF U S WEST
COMMUNICATIONS, INC.'S
COMPLIANCE WITH SECTION 271 OF
THE TELECOMMUNICATIONS ACT
OF 1996.**

Docket No. T-00000A-97-0238

**RESPONSE OF STAFF TO
AT&T'S MOTION TO REOPEN
AND SUPPLEMENT THE
RECORD**

On September 27, 2002, AT&T Communications of the Mountain States, Inc. and TCG Phoenix (collectively "AT&T") filed a Motion to Reopen and Supplement the Record. In its Motion, AT&T asked the Commission to require Qwest Corporation ("Qwest") to supplement the record with sufficient evidence to demonstrate that Qwest and its new Section 272 affiliate are in compliance with Section 272 of the Telecommunications Act of 1996 ("1996 Act"). For the following reasons, Staff supports AT&T's Motion. Staff also believes, however, that Qwest should be required to supplement the record even if it proceeds to offer interLATA long-distance service in Arizona through its existing out-of-region affiliate, Qwest Communications Corporation ("QCC").

On October 2, 2002, QCC filed a Motion to suspend the procedural schedule in Docket No. T-02811B-01-0895.1 In requesting that the Docket be suspended indefinitely pending further Order of the Hearing Division following a Motion by QCC to reactivate the Docket, QCC stated as follows:

On September 10, 2002, Qwest withdrew pending applications with the FCC to provide originating interLATA long-distance service in nine states. Qwest withdrew these applications because the FCC expressed concerns regarding the ability of QCC, to resolve issues related to their Application or Generally Accepted Accounting Principles ("GAAP") for transactions that took place between 1999 and 2001. Qwest has now established a new affiliate, Qwest LD Corp. ("QLDC"). This affiliate has been designated as the 272 long-distance affiliate for Qwest in its application. However, because QCC is the established

1 See In the Matter of the Application of Qwest Communications Corporation for Authority to Offer Facilities-Based Interexchange Services Within the State of Arizona, Docket No. T-02811B-01-0895.

1 provider of out-of-region long distance services, it is anticipated that the in-region
2 long distance business will ultimately be provided by QCC following a merger of
3 QLDC and QCC. Depending on when this Commission otherwise anticipates
4 completing its review of Qwest's Section 271 checklist compliance, the Company
will determine whether it is appropriate to file its Arizona 271 application with the
FCC based on the provision of in-region long distance service by QLDC or QCC.

5 While Qwest has created a new in-region long-distance affiliate for purposes of its nine-
6 state application now pending with the FCC, from the above passage, it is not clear which
7 affiliate Qwest will actually be using to provide interLATA long-distance service in Arizona.
8 Qwest apparently intends to use QLDC if the issues with QCC are not resolved by the time it is
9 authorized to provide interLATA long-distance service in Arizona.

10 Since Qwest apparently intends to use QLDC, the new affiliate, until such time as QCC is
11 determined to be GAAP compliant, Staff believes that Qwest should update the record at this
12 time, with information on how QLDC will comply with 272 requirements. The record will then
13 be updated in the event that Qwest utilizes QLDC in Arizona, even if it is on an interim basis
14 only. Staff believes that this is important since there is no record at this time on QLDC's
15 compliance with Section 272. As already indicated, the Staff's Final Report and the ALJ's
16 Recommended Opinion and Order on Staff's Final 272 Report, are all based on QCC's
17 compliance with Section 272. Staff believes that it is important that this Commission have a
18 record which demonstrates QLDC's compliance with Section 272. Therefore, Staff agrees with
19 AT&T that the record in Arizona should be updated to reflect QLDC's compliance with 272.

20 In Staff's opinion, however, no matter which affiliate Qwest uses in Arizona, the record
21 will need to be updated. Staff's final 272 report finding that QCC complied with the
22 requirements of Section 272 was done before QCC determined it would have to restate revenues
23 and, therefore, could not certify that it was GAAP compliant. It was also completed before
24 Qwest withdrew its nine applications pending at the FCC because of concerns regarding QCC
25 and its inability to certify that it was GAAP compliant for the period 1999-2001. If Qwest elects
26 to proceed with QCC in Arizona, it will have to provide assurances through a supplemental filing
27 that it is GAAP compliant for purposes of Section 272 and that the FCC as well as this
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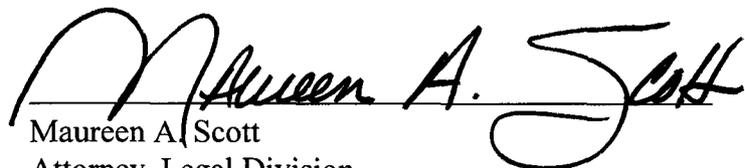
1 Commission's concerns have been met.²

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3 Finally, Staff believes that the process for Qwest to update the record on QLDC's
4 compliance with Section 272 set out in AT&T's Motion is fair. AT&T recommended that 1)
5 Qwest should file testimony and exhibits demonstrating that Qwest and its Section 272 affiliate
6 are in compliance with Section 272; 2) interested parties would be given an opportunity to file
7 comments; 3) Qwest would have an opportunity to reply, and, 4) Staff would file a supplemental
8 report on QLDC's compliance with Section 272.

9 Staff would propose that Qwest be required to update the record on QLDC's compliance
10 with 272 by October 14, 2002. Interested parties should be required to submit comment by
11 October 28, 2002. Qwest should have until November 1, 2002 to file a reply. Staff would
12 thereafter issue its supplemental 272 report.

13 WHEREFORE, Staff supports AT&T's Motion to reopen and supplement the record on
14 Qwest and its new Section 272 affiliate's compliance with Section 272 of the 1996 Act.
15 However, Staff believes that the record will also need to be updated if Qwest uses its existing
16 out-of-region affiliate, QCC, to provide interLATA long-distance service in Arizona.

17 RESPECTFULLY SUBMITTED this 7th day of October, 2002.

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2 This process should not take as long, however, as the record on QCC is already substantially developed except with respect to the current, ongoing SEC investigation.

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The original and fifteen (15) copies of the foregoing were filed this 7th day of October with:

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