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LEWIS
AND
ROCA
LLP
LAWYERS

REHEARING 3-5-98

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AZ CORP COMMISSION

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DOCUMENT CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRVIN
CHAIRMAN

RENZ JENNINGS
COMMISSIONER

CARL J. KUNASEK
COMMISSIONER

Arizona Corporation Commission
DOCKETED

FEB 13 1998

DOCKETED BY *Hmk*

1996 CONSOLIDATED COST
ARBITRATION

Docket No: U-3175-96-479
E-1051-96-479

IN THE MATTER OF THE PETITION
OF MCIMETRO ACCESS TRANS-
MISSION SERVICES, INC. FOR
ARBITRATION WITH US WEST
COMMUNICATIONS, INC. OF
INTERCONNECTION RATES,
TERMS, AND CONDITIONS
PURSUANT TO 47 U.S.C. §252(b)
OF THE TELECOMMUNICATIONS
ACT OF, 1996

CONSOLIDATED WITH:
U-2428-96-417
E-1051-96-417
U-2752-96-362
E-1051-96-362
U-3016-96-402
E-1051-96-402
U-3021-96-448
U-3245-96-448
E-1051-96-448
U-3009-96-478
E-1051-96-478
U-2432-96-505
E-1051-96-505
U-3155-96-527
E-1051-96-527

APPLICATION FOR REHEARING BY
MCIMETRO ACCESS TRANSMISSION SERVICES, INC.

1 MCImetro Access Transmission Services, Inc. ("MCI") respectfully applies for a
2 rehearing of Arizona Corporation Commission (the "Commission") Order #60635 (the
3 "Order"). This application is filed pursuant to A.R.S. §40-253 and A.A.C. R14-3-111.

4 Specifically, MCI asks the Commission to reconsider its Order as it applies to
5 geographic deaveraging. In that respect, the Order does not comply with the federal
6 Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56, codified at 47
7 U.S.C. §151 et seq., (the "Act").

8 Geographic Deaveraging (Order, Section II(C)(5), pp. 20-21)

9 The Commission should deaverage loop costs now and not defer as mandated by
10 the Order.

11 While all the parties agreed that in the long term geographic deaveraging is
12 appropriate, MCI and the other new entrants explained that geographic deaveraging of
13 wholesale rates should not have to await geographic deaveraging of retail rates. Hubbard,
14 Tr. pp. 1284-1285. To do so would unnecessarily delay the advent of competition in the
15 local exchange market and the benefits derived by the public in that market. In addition,
16 rates cannot truly be cost based without considering the cost differences resulting from
17 geographic factors (e.g. rural service is more costly than urban service). The Order
18 perpetuates reliance upon implicit subsidies for the provision of service to remote areas
19 (by maintaining a pricing system in which urban residents are overcharged), and it
20 allocates the costs of universal service in an inequitable and discriminatory manner (by
21 unfairly burdening new entrants).

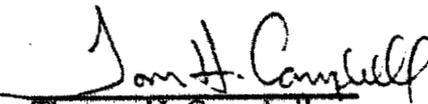
22 The ACC's failure to compute rates separately for different population density
23 zones violates the Act's requirement that prices for unbundled network elements be "based
24 on the cost." 47 U.S. C. §252(d)(1)(A)(i). In adopting a unitary pricing system and failing
25 to "deaverage" rates for network elements, the ACC ignored the text of the Act, the FCC's
26

1 conclusion that the Act requires deaveraging, the consensus of commentators and the
2 views of a significant number of state commissions that have considered the issue.

3 MCI respectfully requests that the Commission order that proposed rates for
4 unbundled elements be geographically deaveraged.

5 RESPECTFULLY SUBMITTED this 13th day of February, 1998.

6
7 LEWIS AND ROCA

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12 Phoenix, Arizona 85004

13 - AND -

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19 Attorneys for MCI metro Access Transmission Services,
20 Inc.

21 ORIGINAL and ten (10) copies
22 of the foregoing filed this 13th day
23 of February, 1998, with:

24 The Arizona Corporation Commission
25 Utilities Division - Docket Control
26 1200 W. Washington Street
Phoenix, Arizona 85007

Four (4) copies of the foregoing hand-
Delivered this 13th day of February, 1998, to:

Jerry L. Rudibaugh
Chief Hearing Officer
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

LEWIS
AND
ROCA
LLP
LAWYERS

1 COPY of the foregoing hand-
2 delivered this 13th day of February,
1998, to:

3 Morris H. Wolff, Director
4 Utilities Division
5 Arizona Corporation Commission
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6 Paul Bullis, Chief Counsel
7 Arizona Corporation Commission
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8 Phoenix, Arizona 85007

9 COPY of the foregoing mailed this
13th day of February, 1998, to:

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