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June 29, 2000

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

BY HAND

Lawrence E. Strickling, Esq.  
Chief, Common Carrier Bureau  
Federal Communications Commission  
445 Twelfth St., S.W.  
Washington, D.C. 20554

Re: **Merger of Qwest Communications International Inc. and  
U S WEST, Inc., CC Docket No. 99-272**

Dear Mr. Strickling:

I am writing on behalf of Qwest Communications International Inc. ("Qwest") regarding the audit conditions in the above-referenced matter. In the recently-issued *Divestiture Order* in this proceeding, the Commission "impose[d] the additional requirement that Qwest hire the independent auditor, approved by the Chief of the Common Carrier Bureau, prior to the divestiture taking place." 1/

This letter reports on Qwest's steps to hire this auditor. As you are aware, Qwest and U S WEST are working to complete their merger transaction (and the related divestiture transaction with Touch America, Inc.) as soon as possible – probably within the next several days. Accordingly, we respectfully request that you review and respond to this letter within as short a time frame as possible.

1/ *Qwest Communications International Inc. and U S WEST, Inc.*, CC Docket No. 99-272, FCC 00-231, ¶ 42 n.129 (released June 26, 2000) ("*Divestiture Order*"). The earlier order in this proceeding, *Qwest Communications International Inc. and U S WEST, Inc.*, CC Docket No. 99-272, FCC 00-91 (released Mar. 10, 2000) ("*Merger Order*"), had contained the requirement that an independent auditor be retained, but had not required this as a pre-condition for closing the divestiture transaction.

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Since issuance of the *Divestiture Order* on Monday, Qwest has had discussions with Arthur Andersen, Inc. ("AAI"); KPMG Peat Marwick; and Deloitte & Touche. While Qwest intends to conduct a more complete evaluation over the next two weeks, its tentative plan is to retain AAI.

Qwest evaluated these firms based on three principal criteria: (1) technical competence and telecommunications expertise necessary to perform the audit to the FCC's satisfaction; (2) independence and objectivity; and (3) less importantly, cost.

All three firms are technically competent and have considerable telecommunications expertise. However, AAI is particularly qualified to conduct the regulatory audit here because, as discussed below, it already is knowledgeable regarding the financial and other record-keeping systems of Qwest and U S WEST. This experience comes from serving as the independent financial auditor for both companies. AAI also indicated its ability to perform the work at a lower cost than the other firms.

Most importantly, AAI already is engaged as an independent and objective overseer of Qwest and U S WEST, so extension of that role to this regulatory audit should meet the Commission's requirements. AAI serves as the independent financial auditor of both companies, consistent with the Securities & Exchange Commission's rules and accepted industry standards regarding independence and objectivity. AAI has not performed any other material work for Qwest (other than providing temporary staff to help Qwest close its financial books each quarter). AAI has no prior relationship with Touch America (although Touch America is seriously considering retaining AAI to perform its independent financial audit in the future).

In addition to its audit functions, AAI has or is providing certain consulting services to U S WEST. However, these contracts do not compromise AAI's ability to serve as an independent auditor of Qwest/U S WEST's compliance with Section 271 for purposes of this proceeding. AAI has assisted U S WEST with compliance with cost allocation, affiliate transaction, and related accounting rules of the Commission and state regulatory agencies. This work is and would remain separate from any 271-related oversight here. Most importantly, AAI has had no role (and would not have any role in the future) in designing or implementing Qwest/U S WEST controls for Section 271 compliance. In this regard, AAI compares favorably with one of the other firms considered, some of whose staff has

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had such a role and would need to be screened from the audit. Thus, AAI appears to be a superior choice based on the criterion of objectivity and independence.

As noted above, Qwest's choice of AAI as auditor is tentative, contingent on further evaluations Qwest intends to conduct, working closely with FCC staff. Nonetheless, because the parties intend to conclude the divestiture and merger transactions expeditiously, Qwest respectfully requests your approval of this tentative selection to fulfill the new pre-closing requirements of the *Divestiture Order*, ¶¶ 42, 47. Qwest understands that this approval may be contingent on further discussions with the FCC staff on this subject. Qwest agrees to reserve final action to hire the auditor until this review process is completed to the Commission's satisfaction.

Please contact me if you have any questions or wish to discuss this matter further.

Respectfully submitted,



Peter A. Rohrbach  
Counsel for Qwest Communications  
International Inc.

cc: Carol Matthey  
Kenneth P. Moran  
Anthony Dale  
Michelle Carey  
Margaret Egler  
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