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September 16, 2002

Peter A. Rohrbach, Esq.
Hogan & Hartson L.L.P.
555 Thirteenth Street, N.W.
Washington, DC 20004-1107

Re: *Applications of Qwest Communications International Inc. To Provide In-Region, InterLATA Services; WC Docket Nos. 02-148; 02-189*

Dear Peter:

On behalf of AT&T Corp. ("AT&T"), I am writing with respect to statements attributed to Steven Davis, Qwest's Senior Vice President of Law and Policy, by Jeff Smith in an article published in Denver's *Rocky Mountain News*. Specifically, in an article entitled "Rival Decries Qwest's Plan," published on September 12, 2002, Mr. Smith reports that "Qwest said it plans to refile the applications by late September and that it believes it has tacit approval from the FCC for the idea of forming a [new] regional long-distance company to get around accounting concerns." Mr. Smith continues, quoting Mr. Davis as stating: "We've discussed this issue with the FCC in various conversations and we have every reason to believe this is viewed widely as the appropriate way to resolve this issue." I have enclosed a copy of the article with this letter.

We are seeking to identify the various conversations with the FCC in which Qwest discussed the issue of establishing a new regional long-distance company, and the persons who were involved in such discussions. In this regard, I would appreciate it if you would identify for me the *ex parte* letters in the records in WC Docket Nos. 02-148 and 02-189 that report the discussions reflected in Mr. Davis' statement to the *Rocky Mountain News*. Given Qwest's reliance in other proceedings on statements made in *ex parte* discussions with the Commission's staff, including claims about its use of IRUs made in the audit proceeding surrounding Qwest's merger with US West, we are particularly interested in the nature of the discussions regarding Qwest's proposed method of compliance and the persons in attendance at these meetings.

Peter A. Rohrbach, Esq.
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Should you wish to discuss this matter, please feel free to contact me.

Sincerely,

/s/ Mark D. Schneider
Mark D. Schneider

Enclosure



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Rival decries Qwest's plan

Creating an affiliate sounds like 'Enron solution,' AT&T says

By Jeff Smith, Rocky Mountain News
September 12, 2002

Qwest and its rivals are girding for another battle over the company's drawn-out effort to re-enter the long-distance market in its former U S West phone region.

The Denver telco wants to create a long-distance subsidiary for just the 14-state region, saying that will satisfy regulatory concerns about its lack of proper financial results for 1999-2001.

But rival AT&T countered Wednesday that the idea smacks of an "Enron-like" solution and that Qwest's books should be in order before it is allowed to offer long-distance in its region.

Forming regional long-distance affiliates isn't uncommon. But Tom Friedberg, a telecom analyst with Janco Partners in Denver, also called Qwest's plan a "bit of an artifice" because of its timing.

Federal Communications Commission spokesman Mike Balmoris said Wednesday that "there's no way to comment without seeing the details."

Qwest pulled its long-distance applications Tuesday for Colorado and eight other states after the FCC signaled that it would reject the bid because Qwest hasn't yet restated its prior financial results.

Qwest said it plans to refile the applications by late September and that it believes it has tacit approval from the FCC for the idea of forming a regional long-distance company to get around accounting concerns.

"We've discussed this issue with the FCC in various conversations and we have every reason to believe this is viewed widely as the appropriate way to resolve this issue," said Steve Davis, Qwest's senior vice president of policy and law.

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"We will have new affidavits relating to the existence of this new company, showing that it complies with GAAP (generally accepted accounting principles) and that a restatement will have no impact whatsoever on this new company," Davis added.

Davis said Qwest didn't form the new affiliate from the beginning because "until August, we didn't know for sure whether there would be a restatement."

Had Qwest amended its filing then, the FCC likely would have restarted the 90-day clock anyway, he said. So Qwest unsuccessfully tried to convince regulators that a lack of a financial restatement shouldn't matter.

Claudia Jones, AT&T's deputy director of public relations in Washington, said Wednesday that Qwest's new argument is flawed as well.

"If the parent isn't GAAP compliant, there's no way a separate subsidiary would be," Jones said. "From our perspective, a separate subsidiary smacks of an Enron-like solution for a problem. Qwest itself should be GAAP compliant; their financial house should be in order before they get approval."

Jones noted that Qwest has acknowledged problems with its "internal controls," additional evidence that it's "inconceivable that a separate corporation could be set up in 20 days time that would be GAAP compliant."

AT&T also plans to resurrect concerns about so-called "secret" agreements Qwest made with small wholesalers.

Friedberg of Janco says that in a nonpolitical atmosphere, that's the best point of all against Qwest.

"If I'm the FCC and look at the spirit of the (Telecom) Act, I'd be more concerned about the possibility of secret agreements," Friedberg said.

"However, this is a political process and most politicians and many regulators aren't sophisticated enough to understand the difference between anti-competitive behavior" and an accounting restatement.

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