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December 11, 2002

EX PARTE

Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, NW
Washington, DC 20554

Re: **WC Docket No. 02-314 – Application of Qwest Communications International Inc. for Authorization to Provide In-Region, InterLATA Service in the States of Colorado, Idaho, Iowa, Montana, Nebraska, North Dakota, Utah, Washington and Wyoming**

Dear Ms. Dortch:

This letter responds to the December 4, 2002 *ex parte* letter filed by counsel for AT&T in the above-captioned proceeding. AT&T's letter is littered with inaccuracies and largely recites arguments to which Qwest has already responded. It misses the point of the current application and fails to provide a basis to support its recommendation.

First, AT&T's letter misses a critical point. The KPMG LLP (KPMG) September 4, 2002 Independent Accountants' Report (KPMG Report)[1] does not address the Section 272 affiliate included in this filing. The KPMG Report addressed transactions between Qwest Corporation (QC) and Qwest Communications Corporation (QCC), the former Section 272 affiliate. The KPMG Report was prepared in the prior Qwest 271 applications at the Commission's request to address concerns over Qwest Communications International Inc.'s inability to certify its financial statements. Due to an inability to resolve outstanding issues within the statutory time period, Qwest withdrew its then-pending 271 applications. On September 30, 2002, Qwest filed the current 271 application and committed that all in-region originating interLATA service would be provided by its new Section 272 affiliate, Qwest LD Corp. (QLDC), upon approval. The prior accounting concerns about past transactions, including those addressed in the KPMG Report, have no bearing on QLDC. Qwest's current Section 271 filing does not rely upon the withdrawn KPMG report to establish compliance with Section 272. Therefore, the withdrawal of the KPMG Report that exclusively addressed QCC as the Section 272 affiliate has no effect on Qwest's showing of compliance with Section 272 in the current docket which relies on QLDC.

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[1] This is the KPMG Report that was withdrawn by KPMG's November 22, 2002 *ex parte* letter.

Second, AT&T's entire house of cards is built upon naked conjecture that is implausible and incorrect. AT&T creatively claims that "KPMG provides no explanation why it has withdrawn its prior statement"[2] other than what it calls cryptic references. To the contrary, KPMG articulated the following reason in its November 22, 2002 letter for the withdrawal of the September 4 report:

> Subsequent to issuance of the accountants' report, we determined that the standards [AICPA standards] referred to above do not provide for the provision of a review-level service in these instances. **For that reason**, KPMG LLP hereby advises you that the aforementioned accountants' report is no longer to be relied upon by any party effective with the date of this letter.[3]

Contrary to AT&T's protestations, KPMG's November 22, 2002 letter articulated the sole reason for the withdrawal of the KPMG report and the reason does not support a negative inference for QCC or QC.

Third, after incorrectly determining that no reason was given for the withdrawal, AT&T claims that the "Commission *must* therefore *assume* that KPMG has subsequently discovered information that caused it to reverse its prior conclusions about the propriety of QC's accounting for transactions with the 272 affiliate"[QCC].[4] AT&T's proffered assumption is incorrect. The KPMG Report was not withdrawn, as suggested by AT&T, because KPMG became aware of facts that made the report inaccurate. Again, as we have emphasized above, the report was withdrawn solely for the reason articulated in the letter. In an effort to cut short AT&T's attempt to confuse or mislead, Qwest has attached a letter from KPMG which confirms once again that the reason for withdrawal of the KPMG Report was the reason stated in the November 22, 2002 letter. After KPMG submitted its Report, KPMG determined that AICPA standards do not allow for the issuance of a report that finds compliance with a rule based on a review-level service.[5]

The rest of AT&T's arguments have been previously made by AT&T and rebutted by Qwest. Qwest's Supplemental Brief, Supplemental Reply Comments and the September 30 and October 25, 2002 declarations in the record in this docket from Ms. Judith L. Brunsting and Ms. Marie E. Schwartz establish that QC and QLDC have made the required showing under Section 272. AT&T fails to present a credible attack to that showing. Instead, in yet another attempt to delay increased interLATA competition to the consumers in the states included in this Application, AT&T seeks to impose requirements above and beyond the Commission's well-established standards for compliance with Section 272. AT&T's requests should be summarily rejected.

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[2] AT&T letter, p.2 (December 4, 2002).
[3] KPMG letter, p.1 (November 22, 2002)(emphasis added).
[4] AT&T letter, p.2 (December 4, 2002)(emphasis added).
[5] KPMG letter, p.1 (December 11, 2002).

Respectfully Submitted,

John L. Munn