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September 16, 2002

Transmitted via facsimile 360-586-1150

Ms. Carole Washburn  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive S.W.  
Olympia, WA 98504-7250

Re: Docket Nos. UT-003022/003040

Dear Ms. Washburn:

On September 10, 2002, Qwest Communications International Inc. (Qwest) announced the withdrawal of its pending applications before the Federal Communications Commission (FCC) to re-enter the long-distance business in Washington and eight other states. Qwest took this step reluctantly and in the face of statutory deadlines impacting the FCC review process. This delay is very disappointing to us in view of all the work that the Washington Utilities and Transportation Commission, as well as Qwest and other parties, have done to open the local telephone market in this state. We particularly appreciate the Commission's support at the FCC. We remain committed to bringing more long distance competition to consumers in Washington at the earliest possible date. To that end, we expect to file a supplement to our applications by the end of the month, and hope that the FCC will move quickly to conclude this matter.

The next stage of the proceedings at the FCC will build on all the work that has occurred to date. FCC Chairman Powell has stated that he saw the decision on our original application as "razor close," but ultimately concluded that a question remained regarding accounting issues created by Qwest's decision to restate its financial statements for prior periods. Chairman Powell has stated his confidence that Qwest will expeditiously resolve this issue, and indeed we will.

Specifically, Qwest plans to file a supplement to its prior applications addressing the open accounting issue. Qwest's supplemental FCC filing will incorporate by reference its previous applications and associated record, including the detailed record developed by the Commission, and the Commission's orders recommending approval of those applications. This process of supplemental filing is the same that the FCC has used in other recent cases where BellSouth and Verizon have been required to refile their applications for long distance authority to address a residual open matter. We anticipate that other parties similarly will incorporate their previous filings on the first applications, and focus their attention on the remaining Section 272 issue.

The accounting issue arises under Section 272(b)(2) of the 1996 Act, which requires a local telephone company's long-distance affiliate to "maintain books, records, and accounts in the manner prescribed by the Commission." In a previous decision, the FCC has chosen to prescribe generally accepted accounting principles (GAAP) as the appropriate way of maintaining such books, records and accounts. There is no doubt that Qwest is doing so today and is committed to doing so in the future. However, issues have arisen as to the relevance of a pending restatement

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of past financial reports arising from transactions of Qwest Communications Corporation, the affiliate originally designated as Qwest's long distance company. Although Qwest disagreed, some have expressed the view that Section 272 would require QCC to complete its restatement prior to its provision of long distance service even though the reasons for the restatement are transactions in the past, with third parties, that have nothing to do with the underlying purpose of Section 272.

Because Qwest was able to show that it fully complied with the intent of the FCC's prior decision, Qwest believed that the FCC could approve its 271 applications despite this restatement. Specifically, Qwest certified through a sworn statement of its chief financial officer and through a filed KPMG LLP attestation that all transactions between Qwest's local service company and its long-distance affiliate are being accounted for in accordance with GAAP and the FCC's affiliate transactions rules. However, Qwest was not able to overcome the expressed concerns in the time allotted.

In order to resolve this matter quickly, Qwest will create a new long-distance affiliate that will not have the financial accounting issues that the FCC questioned. Qwest will provide declarations that its new long distance company does and will maintain all its books, records and accounts in accordance with GAAP, and separate from the books, records and accounts of Qwest local exchange company, as required by section 272(b)(2) of the Communications Act. Qwest will further demonstrate that all transactions between Qwest's local exchange company and the new long distance affiliate will be posted for public inspection as required by section 272(b)(5).

Qwest anticipates expedited handling of its application once filed with the FCC, and will keep this Commission apprised of its status. Qwest does not believe that this refiling affects in any way the Commission's prior review and recommendation. Other states have not re-opened their proceedings in recent cases where BOCs have withdrawn and re-filed supplemented applications. Moreover, the Telecommunications Act itself only requires the FCC to seek state input on Section 271 checklist matters and not Section 272 issues. That said, Qwest will provide the Commission with a copy of its forthcoming supplemental filing, and keep the Commission fully informed as this long process draws toward conclusion.

In the next few days, Qwest will be filing a request for registration and competitive classification of its new long distance company. That Company will not begin providing long distance service until approval by the FCC has been received.

Again, we appreciate all of the Commission's hard work and support, and look forward to bringing the benefits of competition to the consumers of Washington at the earliest possible date.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Davis", with a long horizontal flourish extending to the right.

Steve Davis  
cc: Service List