BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

In the Matter of VERIZON COMMUNICATIONS, INC., and FRONTIER COMMUNICATIONS CORPORATION Joint Application for an Order Declining to Assert Jurisdiction, or, in the alternative, to Approve the Indirect Transfer of Control of VERIZON NORTHWEST, INC.	))))))))))))	Docket No. UM 1431

TESTIMONY OF

MICHAEL D. PELCOVITS

ON BEHALF OF

COMCAST PHONE OF OREGON, LLC

*** ***PUBLIC VERSION*** ***

November 2, 2009

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I. INTRODUCTION AND SUMMARY

Q. Please state your name, occupation, and business address.

A. My name is Michael D. Pelcovits. I am a principal with the economic consulting firm of Microeconomic Consulting and Research Associates (MiCRA). My business address is 1155 Connecticut Avenue, N.W., Washington, D.C. 20036.

Q. Would you please summarize your experience and educational qualifications?

A. I received my Ph.D. in Economics from the Massachusetts Institute of Technology in 1976. After serving on the economics faculty of the University of Maryland and as a Senior Economist at the Civil Aeronautics Board, I have spent my entire career specializing in the economics of regulation and competition in the telecommunications industry.

From 1979 to 1981, I was a Senior Economist at the Federal Communications Commission, Office of Plans and Policy. From 1981 to 1988, I was a founding member and principal of the consulting firm Cornell, Pelcovits and Brenner. In 1988, I joined MCI Communications Corporation and remained with the Company following its merger with WorldCom, until 2002. I held positions of increased responsibility at MCI, and was appointed Vice President and Chief Economist of the corporation. In this position I was responsible for the economic analyses of policy and regulatory matters provided and presented by the Corporation before federal, state, foreign, and international government agencies, legislative bodies and courts.

Q. What are your professional responsibilities at MiCRA?

A. I joined MiCRA in October 2002, immediately after leaving MCI, and am one of six principals of the firm. MiCRA is an economic consulting firm based in Washington, DC. The firm was founded in 1991 by a group of economists who served in senior positions at the Antitrust Division of the U.S. Department of Justice. MiCRA provides economic analysis, expert testimony, and economic research to clients in a wide range of antitrust, regulatory, and other legal and public policy settings. Since joining MiCRA, I have testified before several state regulatory commissions on telecommunications policy and ratemaking issues. These testimonies have focused on the importance of establishing the proper foundation to facilitate competition in telecommunications markets. I have also filed several declarations before the Federal Communications Commission on a wide range of common carrier, wireless, and international telecommunications policy issues. I have also consulted and provided testimony on telecommunications, intellectual property and competition matters before several other Courts and administrative bodies, including: Federal District Court; U.S. Copyright Royalty Judges; and London Court of International Arbitration.

Q. What is the purpose of your testimony?

A. My testimony explains the concerns of Comcast Phone of Oregon, LLC ("Comcast") that, without conditions tailored to protect and promote competition, Frontier's proposed acquisition of Verizon's local wireline operations in Oregon would obstruct or impair existing and emerging communications competition in

Oregon. I also explain the basis for each of the concerns that I have identified. To address these concerns, I am recommending that multiple conditions that are listed in Exhibit Comcast/2 be attached to any Public Utility Commission of Oregon ("Commission") approval of the proposed transaction. At a minimum, these conditions are needed to mitigate the risk that the proposed transaction would undermine existing competitors and obstruct emerging competition in Oregon. Comcast is not opposed to the transaction *per se*, and has focused upon criteria that relates to its specific competitive and operational interests.

Q. How is your testimony organized?

A. My testimony will present a review of the following: 1) the statutory standards to be applied to this transaction; 2) the competitive landscape in Oregon; 3) comparable issues related to the purchase of Verizon assets in northern New England and Hawaii by small and less-experienced ILECs, the system failures and wholesale service degradations that followed, and the implications of those experiences for review of the instant transaction; and 4) the importance to competition of the availability of interconnection and associated cost based rates. In addition, I will propose and describe a series of conditions that the Commission should impose on the transaction that will promote and protect competition.

II. STATUTORY STANDARD APPLIED TO MERGER APPROVAL IN OREGON

Q. Have you reviewed the Joint Petition and applicable statutory criteria that the Commission must apply in acting on the joint petition?

A. Yes. On pages 2 and 3 of their Joint Petition, Verizon and Frontier state that the proposed transfer of Verizon's businesses in Oregon to Frontier will promote substantial public interest benefits for the state and will not result in harming competition. Further on in their Joint Petition, Verizon and Frontier refer to specific Oregon statutes that contain the public interest standard their Petition must meet to be approved. I have familiarized myself with recent Commission orders in which it has applied this statutory criterion to specific merger situations or transfer cases.

Q. What factors have been examined by the Commission in reviewing telecommunication merger or transfer of control transactions?

A. In Docket No. OR95-0526, dated May 31, 1995, in which US West sold some of its telephone exchanges to PTI Communications (PTI), the Commission asserted at page 5 that the sale and purchase of telecommunications property required the transaction to be reviewed under Oregon statutes 759.375 and 759.380, but set out no specific standard for approval. The Commission noted, however, that OR 860-27-025 requires petitioners to provide facts showing that the transfer is consistent with the public interest. And the Commission concluded that in determining whether a sale or transfer of allocated territory meets the public interest, it must examine the potential harm of the transaction on the customers in the area transferred, the effect on customers of other companies in the areas transferred, the effect on other customers of the companies, and the consequences for the companies themselves and for the industry as a whole. The Commission added that other factors may be considered as the facts of the sale dictate. In short, the Commission concluded that it must determine whether sufficient evidence exists to ensure that the transaction will do no harm to the public interest before it can be approved.

The same "no harm" standard was used in the recent merger case involving the joint petition for a merger between Embarq and CenturyTel. In its May 11, 2009 Order in Docket No. UM 1416 at page 3 and in note 5, the Commission stated that just as Oregon statutes 759.375 and 759380 required petitioners to provide evidence demonstrating that the US West-PTI Communications case was in the public interest, the same standard must be applied to the Embarq and CenturyTel transaction.

Q. Why is this issue especially relevant to Comcast in the current transaction?

A. Comcast is currently a competitor to Verizon in providing voice service to residential and business customers. Comcast intends to compete with Frontier if and when Frontier is permitted to purchase Verizon's local telephone exchanges. For Comcast and other providers to compete fairly by providing alternative services to Oregon consumers, there must be no deterioration in the quality of service that the competitive providers receive from Frontier and an assurance that Frontier's wholesale customers will receive stable rates, terms and conditions for the wholesale services they currently obtain from Verizon. I will discuss these issues in greater detail later in my testimony

Q. What standard should the Commission use to determine if the Verizon-Frontier Petition is in the public interest?

A, The Oregon statutes are clear. To determine whether Frontier's purchase of Verizon's exchanges meet the public interest, the petitioners must demonstrate that their proposal will do no harm to; 1) the customers in the area transferred, 2) customers of other companies in the area transferred, 3) other customers of the companies; 4) the companies themselves, and 5) the industry as a whole. In order to ensure that this standard is met, the Commission should require the parties to produce evidence demonstrating that the proposed merger does no competitive harm to the wholesale customers of Verizon and Frontier. Conversely, I believe that if the applicants fail to produce such evidence, the Commission should condition the approval so no net harms result.

Q. Has the Commission imposed conditions for approval of proposed mergers or similar transactions in past cases?

A. Yes. As part of its public interest review of previous merger or transfer applications, the Commission has routinely imposed conditions to ensure that the transactions did no harm.[1] In my experience, it is very common for regulatory agencies, including the Federal Communications Commission ("FCC") and state

[1] For example, the Commission imposed conditions on both previous cases discussed herein: The sale of US West exchanges to PTI and the merger between Embarq and CenturyTel.

commissions, to impose conditions upon merger and transfer of control transactions. Conditions are, at times, needed in order to insure that a proposed merger or transfer of control satisfies relevant legal standards for approval, especially the requirement to serve the public interest or public good.

Q. Is the proposed transaction similar in size and scope to previous transactions reviewed by the Commission?

A. In some important ways the proposed transaction is similar to the sale of US West telephone exchanges to PTI Communications mentioned above in which many conditions were imposed. In both that sale and the current transaction, smaller ILECs serving primarily rural areas proposed (or propose in the current transaction), to obtain control of a large number of access lines in Oregon from a former Bell Operating Company ("BOC") as part of a multi-state transaction.[2] It is important to recognize however, that while these transactions have many similarities, the instant petition will affect significantly more Oregon customers, both wholesale and retail. Specifically in the previous transaction, PTI an ILEC serving primarily rural areas with 400,000 total access lines in 12 states including 45,800 in Oregon, purchased approximately 16,000 access lines in Oregon as part of a multi-state purchase of exchanges from US West.[3] In the proposed transaction, Frontier, an ILEC serving primarily rural areas, with 2.3 million total access lines, including 12,626 in Oregon is proposing to assume control of 4.8 million access

[2] There is a slight distinction between the US West properties, which were part of US West from the time of divestiture, and the Verizon properties in Oregon, which were obtained from GTE as part of the transaction that merged GTE and Bell Atlantic to form Verizon.

lines in 14 states including 310,000 in Oregon.[4] Since the 310,000 access lines Frontier seeks to purchase in Oregon are only about 7 percent of its total purchase from Verizon, it is vitally important for the Commission to require the parties to demonstrate that Verizon and Frontier are sufficiently focused on the state of Oregon and the transaction will do no harm to Oregon retail and wholesale customers.

Q. In your opinion, should the Commission impose conditions on Frontier as a requirement for approving the proposed transaction?

A. Yes. As I noted above, Frontier is a relatively rural ILEC that has served only a small number of Oregon customers, but will be expected to provide immediate service to 310,000 access lines in Oregon if and when the transaction is approved. From a competitive prospective, I am concerned that Frontier may not be able to handle the exponential increase in wholesale transactions that it will face upon assuming control of Verizon's exchanges. For example, in its responses to discovery, Frontier stated that its legacy company had only ***BEGIN CONFIDENTIAL*** ***END CONFIDENTIAL*** interconnection agreements with CLECs in Oregon.[5] If the proposed transaction is approved, however, Frontier will have responsibility for meeting the terms and conditions of ***BEGIN CONFIDENTIAL*** ***END

[3] Docket No. UP 96, Order OR95-0526, released May 31, 1995.
[4] Prefiled Direct Testimony of Daniel McCarthy, at page 27, line 18. Prefiled direct Testimony of Timothy McCallion, at page 8, line 14.
[5] Confidential Exhibit Comcast/3 (Verizon and Frontier Responses to Comcast Data Request No. 8).

CONFIDENTIAL*** wholesale customers with interconnection agreements.[6] The situation is similar for access service requests ("ASRs") and local service requests ("LSRs"), which are the type of requests most commonly used by competitors to obtain wholesale services, such as for number ports or interconnection facilities. The number of requests handled by an incumbent carrier provides insight into the volume of wholesale transactions that the carrier undertakes. Legacy Frontier in Oregon processed only *****BEGIN CONFIDENTIAL******* *****END CONFIDENTIAL***** ASRs in 2008.[7] In the Verizon exchanges it seeks to purchase, however, there were *****BEGIN CONFIDENTIAL******* *****END CONFIDENTIAL***** ASRs in 2008,[8] and an additional **BEGIN CONFIDENTIAL***** *****END CONFIDENTIAL** ASRs/LSRs for interconnection facilities submitted to Verizon.[9] The difference between the volumes of wholesale transactions is stark. Moreover, since Oregon is only one of the 14 states involved in Frontier's multi-state purchase of Verizon's exchanges, I have significant concerns that, even with the best of intentions, Frontier may not have the human resources and systems expertise to successfully handle this extraordinary increase in wholesale transactions.

My concern with the effects of this proposed transaction on wholesale customers was heightened when Frontier refused to specifically respond to a data request seeking information regarding whether it would retain Verizon's current level of

[6] Confidential Exhibit Comcast/4 (*Id.*, No. 7).
[7] Confidential Exhibit Comcast/5 (*Id.*, No. 49).
[8] Confidential Exhibit Comcast/6 (*Id.*, No. 50).
[9] *Id.*

staffing and training in Oregon for its wholesale and CLEC support centers after the transaction closes. Frontier's response that it intends to staff its wholesale organization support centers to ensure that it provides the same level of service provided by Verizon at the time of closing is too vague to be meaningful and fails as a demonstration that wholesale competition, and thus a competitor's service offerings, will not be harmed by the transaction.[10] In fact, as Mr. William Solis details in his prefiled testimony, one major issue confronting the Commission is that until now all of Frontier's discovery responses and prefiled direct testimony have provided only vague assurances to wholesale customers concerned that Frontier's wholesale operations, including staffing, systems and procedures will work seamlessly after the transaction closes. In my opinion, Frontier's lack of specificity further strengthens the need for the Commission to mandate conditions if it is to approve this transaction.

III. COMPETITIVE LANDSCAPE IN OREGON

Q. What is the current state of competition in Oregon?

A. Oregon, to date, has experienced limited forms of competition. According to the latest FCC statistics, competitive local exchange carriers ("CLECs") provided approximately 18 percent of the end-user switched access lines in Oregon as of June 30, 2008.[11] This is a decline from a 19 percent peak in December 30, 2005.[12]

[10] Exhibit Comcast/7 (*Id.*, No. 40).
[11] Exhibit Comcast/8 (FCC Local Telephone Competition Report: Status as of June 30, 2008 (July 2009), Table 8).
[12] *Id.*

Q. What general concern arises out of the proposed transfer of Verizon's ILEC business to Frontier?

A. It is only within the last 13 years, since passage of the Telecommunications Act of 1996, that major legal barriers to entry in voice services were removed. Even though competition has emerged in many local voice service markets, it is not a foregone conclusion that competitive markets will continue to develop smoothly regardless of the capabilities and behavior of the incumbent. Therefore, it is important to examine how a major change in the ownership of the second largest ILEC in Oregon could prevent or disrupt the transition to a more competitive marketplace.

Q. Is it important for the Commission to consider in its evaluation of the proposed transaction past attempts to bring competition to Oregon residential customers?

A. Yes. It has been difficult to bring about even the modest level of competition that currently exists in Oregon. These difficulties should inform the Commission's judgments on what is needed in the present case to avoid the proposed transaction obstructing or impairing existing and prospective competition.

A. Underlying Difficulties of Bringing Competition to Local Telephone Markets

Q. Why has it been difficult to bring competition to local telephone markets?

A. Competition has been slow to develop in the local residential (and small business) telephone market across the United States, not just in Oregon. The main reason for this is that it has been prohibitively expensive for any entrant, such as the CLECs spawned by the Telecommunications Act of 1996, to construct outside telephone wire or fiber optic cable that can come close to matching the ubiquity of the ILECs' plant. Until recently, competitors in this market have relied on one of three ways to get around the cost of building local wireline plant. First, competitors obtained access to the ILECs' local facilities at wholesale rates or at UNE rates and used these facilities (along with some self-provided capabilities) to provide local telephone service. Second, some competitors have offered voice service directly to customers over the public Internet – which is referred to as over-the-top Voice over Internet Protocol ("VoIP"). In these cases, the customer must obtain a broadband Internet connection from another provider, e.g. the ILEC or the cable company. Third, some customers have "cut the cord" and rely on wireless telephone service as their only local phone service.

Q. Has competition from these three sources been sufficient to obviate any reason for concern over the future state of competition in the local market?

A. No. For a variety of reasons, it is still vital to facilitate and foster facilities-based wireline competition in the Oregon voice services market. To begin with, the largest source of competition until a few years ago was from the UNE-P (platform) carriers. At their peak, UNE-P providers served 16 percent of residential lines nationwide.[13] However, not only have the two major UNE-P providers (MCI and AT&T) ceased to exist as independent CLECs, but that mode of competition essentially was eliminated by the FCC in the UNE Remand proceeding in December, 2004.[14] Competition from over-the-top VoIP providers is a limited or imperfect substitute for the ILEC for many customers, who are either not connected to the Internet by broadband facilities or are unwilling to rely on a public Internet connection for voice service. Despite considerable publicity, wireless telephone service has also been an imperfect substitute for almost 80 percent of residential customers, who are unable or unwilling to cut the cord.[15] Perhaps of greatest significance is the fact that all of the competitors in the voice services market must still rely on the incumbent for some vital services in order to serve their customers effectively.

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[13] *Id.*, Table 4.

[14] FCC *Order on Remand,* WC Docket No. 04-314, December 15, 2004.

[15] Exhibit Comcast/9 (U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, "Wireless Substitution: Early Release of Estimates from the National Health Interview Survey, Center for Disease Control, July-December 2008" (May 2009)).

B. CABLE'S UNIQUE CAPABILITY OF BRINGING COMPETITION TO THE MARKETS

Q. What is the potential benefit to consumers from the spread of competition from cable telephony?

A. In 2006 and 2007, I conducted studies of these benefits and concluded that the overall benefits over the next five years in the residential and small business market from cable voice service competition were on the order of $111 billion.[16] As shown in the table below, these benefits are derived from a number of sources, including the direct savings to cable voice service customers and the anticipated competitive response by the ILECs.

Total Savings from Cable-Telco Competition (in millions)

Category	Savings
Cable, Residential Market	$17,202
Cable, Small Business Market	$811
OTP VoIP	$6,110
ILEC Competitive Response, Residential Market	$71,723
ILEC Competitive Response, Small Business Market	$15,503
Total	$111,348

Consumers in all markets will benefit from facilities-based voice services competition by the cable companies.

[16] Exhibit Comcast/10 (MiCRA, "Consumer Benefits from Cable-Telco Competition, 2006, Updated November 2007").

C. THE ILEC'S RESPONSE TO COMPETITION

Q. How have the ILECs responded to competitive entry in the past?

A. Not well. The pre-divestiture Bell System, the post-divestiture BOCs and independent ILECs engaged in many acts to hinder competitive entry. The simple reason for this is that competition will reduce the incumbent's profits. Even if the incumbent's profits are constrained by regulation, they will still have a powerful incentive to prevent or hinder entry in order to preserve long-term profits and also raise profits by various means that sidestep regulatory controls. For example, by maintaining control over a customer's local telephone service, an ILEC is more likely to be able to sell other bundled services, such as long distance, calling features, Internet access and video service.

Q. Aren't the ILECs the same as any other dominant firm that wants to hold on to its customers as long as possible?

A. No. The ILECs are different than dominant firms in many other markets because they continue to provide essential services to their competitors, even after the competitors have successfully entered the market. For example, so long as the ILECs continue to serve the vast majority of local telephone customers, entrants will need to interconnect with the ILEC in order to provide their customers with universal connectivity. The entrants will also depend on the ILEC to cooperate in switching customers from their old ILEC service to their new competitive service. I will explain this and other issues of dependence in much greater detail below. The key point to keep in mind is that the ILECs will have both the incentive and the ability to raise their rivals' cost. By doing so, they can retain their dominance and forestall the need to respond as fully to competitive pricing. Moreover, the regulator's job of preventing these cost raising strategies is not easy. It will often be difficult to sort out a benign failing by the ILEC to cooperate with the competitor from a purposeful effort to raise the competitor's costs. Indeed, the ILEC can impose costs, harm competitors, and help its own competitive position simply by exerting a little less effort and manifesting a little less competence in serving the competitor's needs than it does in meeting its own retail customers' needs.

D. Practical Problems Raised by the Proposed Transfer

Q. Please explain what you mean about the possible disruption of competitive markets that could be caused by the Frontier acquisition.

A. Based upon the Joint Petition, pre-filed testimony and data responses received to date, Frontier has not demonstrated that after the transaction closes that it will be able to provide the functions needed by competitors so that the citizens of Oregon will have the same competitive choices for the types of services that Verizon provides today. Nor has it established its technical proficiency to perform cutover activity for so many new customers or that its systems supposedly "cloned" from those of Verizon are likely to operate in as an efficient and reliable manner at the transaction closing. As explained below, the currently proposed transaction could create serious impediments to existing and prospective competition in Oregon.

IV. <u>SPECIFIC COMPETITIVE OBSTRUCTIONS AND IMPAIRMENTS.</u>

Q. How could the proposed transaction obstruct and impair competition in Oregon?

A. The ability of Comcast to offer competitive services in Oregon on a widespread basis, as it has already done in other states, depends, in part, upon its ability to retain and obtain reasonable interconnection rates, terms and conditions from the ILEC - now Verizon - pursuant to Section 251(c) of the federal Telecommunications Act of 1996. If Frontier were to fall short of fulfilling (or seek exemptions or waivers from) the interconnection obligations now placed on Verizon under Section 251(c), the proposed transaction would obstruct and impair competition in Oregon. I discuss this issue later in my testimony, where I recommend the specific conditions that should be placed upon any approval of this proposed transaction.

Additionally, the proposed transaction will result in Frontier incurring substantial costs, including the costs associated with the transaction itself, the costs of replicating, procuring, testing and debugging the duplicated Verizon systems that Frontier initially intends to rely upon to provide retail and wholesale services, and the costs of the subsequent cutover to its own systems.

Q. How should the Commission deal with the costs incurred by Frontier with regard to: 1) this transaction; 2) the replication and implementation of Verizon's systems; and 3) the cutover to its own systems?

A. Any approval of the proposed transaction should be conditioned upon Frontier's agreement not to pass through or charge any of these costs to retail and wholesale ratepayers or to attaching entities. For the cost of the transaction itself, this condition appears to be consistent with Frontier's representation in its data responses. Frontier stated in response to a data request that it will not pass on costs related to this transaction to CLEC wholesale customers.[17] However, Frontier has not indicated in its direct testimony or in its data responses whether it plans on passing through any of the costs of replicating, testing and implementing Verizon's systems at the closing date of the transaction. Nor does Frontier state whether it will pass through the costs of the cutover of these replicated Verizon systems to its own company-wide systems. This is a significant problem. Frontier has given no indication that it plans on using the Verizon systems for longer than one year. While Frontier's chief operating officer, Mr. Daniel McCarthy does not indicate if or when Frontier will move customers to its own systems in Oregon, it must be pointed out that in all its previous transactions, Frontier has integrated the various operating systems so that all of its operating companies today utilize the same customer service and billing system platform.[18] It would adversely affect competition for the Commission to approve this transaction believing that

[17] Exhibit Comcast/11 (Verizon and Frontier Responses to Comcast Data Request No. 2).
[18] Direct Testimony of Daniel McCarthy at 34, lines 9-12.

customers are protected from paying the costs of replicating and implementing the Verizon systems, to find a short time later that Frontier is passing through the costs of cutting over to its own systems platform. Thus, it is important that conditions be imposed on Frontier's cost recovery in order to ensure that all ratepayers are not disadvantaged economically by this transaction and will pay no more than they would have paid if no transaction had occurred.

Q. In what other respects does the proposed transaction threaten to obstruct and impair competition?

A. The tasks of replicating and provisioning Verizon's numerous operating support systems, and then assuming operational control of the replicated systems to provide telephone service to hundreds of thousands of Oregon customers as Frontier has proposed is a daunting task that poses many risks for consumers and Oregon as a whole. These risks are not theoretical, as experience with two other acquisitions of Verizon's local exchange operations have shown. Anytime a smaller ILEC with less wholesale experience takes over another carrier's systems and subsequently moves to its own operating support systems ("OSS"), there is a serious threat to existing and expected competition.

A. EVIDENCE FROM NEW ENGLAND

Q. What recent experience with a Verizon sale of operations causes these concerns?

A. The most recent example of the seriousness of the risks arising out of a Verizon asset sale to an entity with less scope and wholesale experience and fewer resources is Verizon's sale of local exchange assets to FairPoint Communications in three states in New England in 2008. In those transactions, FairPoint acquired Verizon's landline systems in Vermont, New Hampshire and Maine in early 2008. At that time, FairPoint obtained ownership of the telecommunications network and became the service provider, but Verizon, through a Transition Service Agreement ("TSA"), continued to provide the operating support systems used for functions such as ordering, provisioning and billing until FairPoint's own systems were ready to assume the responsibility. In response to the concerns of both retail and wholesale customers, the public utility commissions in all three states mandated several conditions to assure that the cutover to the new systems would not occur until FairPoint's systems were fully functional and would provide necessary services to both retail and wholesale customers. One of the conditions required FairPoint to develop a Cutover Readiness Verification Plan.[19] The plan specified that FairPoint must demonstrate readiness in five different areas:

[19] Exhibit Comcast/12 at 5-6 (State of Vermont, Docket No. 7270, Joint Petition of Verizon New England Inc., d/b/a Verizon Vermont, certain affiliates thereof, and FairPoint Communications Inc. for approval of an asset transfer, acquisition of control by merger and associated transaction, Order Re: Cutover Readiness (Nov. 26, 2008)).

- Tests of FairPoint's new operational support systems, which will replace the Verizon systems;
- Tests of FairPoint's ability to (a) correctly accept the data extracted from Verizon's systems as will be necessary to operate FairPoint's business, and (b) to convert that data into a form that can be used by the new operational support systems;
- Demonstration of the existence and documentation of the key business processes that must operate successfully at cutover;
- Demonstration that key staff positions that are necessary at cutover are filled; and
- Demonstration that training of the FairPoint staff in the new systems and processes will be successfully completed by cutover.

In addition, the three state commissions approved a plan whereby the Liberty Consulting Group ("Liberty") was retained (with approval of the commissions) to independently monitor the preparations for and execution of the cutover and the resulting operations since the cutover.[20] After utilizing the Verizon systems for close to one year, on January 30, 2009, FairPoint initiated a cutover from the Verizon systems and processes to its own systems. After completion of the cutover process, FairPoint began fully operating its systems on February 9, 2009. Liberty signed off on the cutover, concluding that FairPoint had sufficiently satisfied the criteria for cutover readiness. However, multiple problems became apparent immediately. Liberty in an April 1, 2009 Post-Cutover Status Report reported that:

> It is well known at this point that both retail and wholesale customers have experienced a number of problems after the cutover. As FairPoint has noted, the scale of this systems implementation is unprecedented in the telecommunications industry. Verizon operated in northern New England using approximately 600 systems, which were developed and integrated over many decades. FairPoint is now performing the same functions with a much smaller number of newly designed systems using a very different architecture. These systems represent the full range of systems necessary for both retail and wholesale services: pre-ordering, ordering, provisioning, maintenance and repair, network management, billing, equipment inventory, force management, engineering and construction, customer service records, call center support, accounting and finance, marketing and sales and human resources.[21]

Liberty emphasized that the cutover was especially difficult for FairPoint's wholesale customers:

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[20] *Id.* at 2.

> Compounding the difficulty of the cutover has been the complexity of the transition on wholesale customers. To Liberty's knowledge, this transition is the first of its kind in a former Regional Bell Operating Company (RBOC) territory, which has necessitated special attention to the market opening requirements of the Telecommunications Act of 1996 for RBOCs. FairPoint has had to replicate a set of specialized interface systems and processes for providing service to Competitive Local Exchange Carriers (CLECs) and other wholesale customers, which Verizon developed and has been enhancing for well over a decade. Simply understanding the detailed requirements for these systems and processes has been a monumental task.[22]

Q. What are the types of problems encountered by FairPoint's retail and wholesale customers in New England since the cutover occurred?

A. Comcast's other witness, Mr. Solis, discusses the types of problems that Comcast has encountered with FairPoint since the cutover occurred. Therefore, I will simply provide a more general overview of the problems that I have observed. Since the cutover, FairPoint's customers have been plagued with a variety of ongoing customer service and systems issues. For example, the New England press has reported that when the company made the switch, some customers lost service,

[21] Exhibit Comcast/13 at 1 (Liberty Consulting Group's FairPoint Post-Cutover Status Report).

others could not access their e-mail, and there were numerous billing errors, long waits on customer service lines, service delays and systems errors. Customers have continued to receive bills from FairPoint even after they have cancelled service. Wholesale and business customers have been extremely hard hit. Some lost service during business hours on multiple days because of problems FairPoint has had processing "migration" orders. In July, the Maine Public Utility Commission imposed on FairPoint $400,000 in penalties because of the poor service it provided to other local exchange carriers. In Exhibit Comcast/14, I provide copies of some of the articles describing the numerous problems faced by Frontier's customers.[23]

Q. **What happened after these multiple system problems occurred?**

A. FairPoint has faced fines and penalties from the three state commissions because of its poor performance.[24] More importantly, the company has faced financial difficulty because of the increased costs it incurred to "fix" its systems and because customers have left the company at a faster rate than forecasted. In fact, since July 1, 2008, more than 40,000 customers have left the company's system in northern New England.[25]

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[22] *Id.* at 2.

[23] Exhibit Comcast/14 ("FairPoint Customers Blanked," Rutland Herald Online, June 9, 2009, "Searching for a New Ride?" Concord Monitor, August 15, 2009; "FairPoint tries to tackle New Hampshire billing issues", Fierce Telecom, August 3, 2009).

[24] Exhibit Comcast/15 ("FairPoint asks state regulators to reduce penalties," New Hampshire Union Leader, August 14, 2009.

[25] *Id.* at 2.

Things have gotten so bad that on October 26, 2009, the company announced it had filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code.[26]

The Vermont, Maine and New Hampshire commissions have held numerous individual meetings with FairPoint, opened multiple dockets and have spent untold resources addressing FairPoint's operational problems. On September 9, 2009 for the first time, they questioned FairPoint together. At that meeting, FairPoint told the regulators it would be another two months before it had a clear plan to resolve its customer service, billing and other problems [27] The Vermont Public Service Board has become so disgruntled with FairPoint's service that it has scheduled a "show cause" hearing that could result in FairPoint losing its license to operate in Vermont.[28]

Q. Do you see any parallels between FairPoint's acquisition of Verizon's exchanges in three New England states and Frontier's acquisition of Verizon's exchanges in Oregon and 13 other states?

A. In the present case, as in the FairPoint example, Verizon has entered into a transition services agreement with a less-experienced, much smaller entity, and that entity, Frontier, has stated its intention to migrate from Verizon's systems (supposedly replicated) to systems of its own. Interested parties, such as Comcast

[26] Exhibit Comcast/16 (FairPoint Communications press release, FairPoint Reaches Agreement with Bank Lenders – Initiates Voluntary Chapter 11 Proceeding, October 26, 2009).
[27] Exhibit Comcast/17 ("Northern New England states question FairPoint," Associated Press, September 9, 2009).

who necessarily rely on those systems to port customers and purchase certain wholesale services, have been provided with insufficient detail on existing Verizon systems and practices or the Frontier systems that will eventually serve the retail and wholesale customers of Oregon. There are no concrete assurances that Frontier is capable of carrying out a cutover to new systems in a manner that would not disrupt retail customers or wholesale competitors. Moreover, even if an eventual cutover to Frontier's systems is successful, there is no evidence that Frontier's systems can provide the same level of functionality as Verizon's systems. In sum, there are no safeguards against the type of experience that occurred in New England that exist today in Oregon.

Even more alarming is the fact that the conditions imposed on the FairPoint transaction by the New England state commissions to ensure a smooth cutover proved inadequate to avoid significant harm to consumers and wholesale carriers. The situation that occurred in New England should alert the Commission to the complexity of system changes, the need to exert control and oversight over new systems to be implemented by Frontier, the need for proper testing of system changes prior to implementation, and the need to ensure continuity in the use of existing or cloned Verizon systems until such time as new Frontier systems have proved to operate as least as effectively and efficiently as the systems they are replacing. Tight controls and conditions over any transition from Verizon to

[28] Exhibit Comcast/18 (Investigation into Possible Revocation of FairPoint Communication's Certificate of Public Good, Vermont Public Service Board, Docket No. 7540).

Frontier, such as those recommended by this testimony and that of Mr. Solis, are needed. Even parties with the best of intentions can cause harm to the public good.

Q. Will the problems that occurred in New England occur in Oregon?

A. Not necessarily, but we do not have sufficient information at this point to know whether and to what extent these or other problems will arise. As I stated above, at this stage, the Commission and the parties have been provided with few details on the system changes contemplated by Frontier or any process by which system failures upon cutover to the replicated Verizon systems or Frontier's own systems may be avoided. Throughout the discovery phase of this case, Comcast has attempted to learn how Frontier will replicate the Verizon systems, what systems of its own Frontier intends to implement, and what steps will be taken to ensure that the problems that arose in New England will not occur in Oregon. Frontier simply has either not been in a position to provide answers to many of these critical questions or has chose to provide only general answers. As discussed later in my testimony, the Commission must adopt stringent conditions upon any merger or transfer approval that go beyond the general promises of Frontier that it intends to cooperate with wholesale carriers with sufficient time to assure that its cutover runs smoothly.

Finally, it is important to recognize that the instant transaction is much larger than the Verizon's property sale in New England where only 1.5 million lines were transferred to FairPoint. In this transaction, Frontier is acquiring 4.8 million Verizon lines in 14 states (of which 310,000 are in Oregon).

B. Evidence from Hawaii

Q. Is the experience in New England unusual when Verizon local exchanges transfer to other less experienced companies?

A. No. Another example of serious problems that arose when Verizon sold its local exchanges to a less experienced company occurred in Hawaii. In that transaction, Verizon sold its local exchange assets to the Carlyle Group in 2005. The parties entered into a Transaction Services Agreement and the buyer retained an outside consulting group to assist it in developing new systems to replace Verizon's systems. A detailed cutover plan was put in place, with testing protocols to ensure that the new systems would perform properly to serve both retail and wholesale customers. Conditions were imposed to ensure that the risks related to implementation of new systems would be minimized. Unfortunately, when the cutover to the new systems occurred on April 1, 2006, multiple problems became apparent immediately. Telecommunications consumers in Hawaii have experienced significant delays, service and billing problems and outages. In addition, competitors in Hawaii have had to spend significant time and resources dealing with these systems deficiencies.

Q. What happened after these multiple systems problems occurred?

A. The Hawaii Commission began an investigation into the retail and wholesale quality and performance standards of Hawaiian Telecom (the buyer).[29] That

[29] Public Utilities Commission of the State of Hawaii, Order No. 22928, released October 6, 2006.

investigation continues to this day. More importantly, Hawaiian Telecom's customer service problems caused it to lose many more wireline customers than it had forecasted. The Carlyle Group reinvested $100 million in cash in the company and brought in management turnaround experts to help salvage the company, but it did not work. On December 1, 2008, Hawaiian Telecom filed for bankruptcy protection.[30]

Q. Based on the experiences in New England and Hawaii, what should the Commission do to protect wholesale competition?

A. Mr. Solis, in his prefiled direct testimony, proposes conditions relating to the transition, pre-cutover and post-cutover periods for the implementation and cutover of new systems. I recommend that the Commission adopt those conditions in full.

V. EFFICIENT AND COST-BASED INTERCONNECTION IS VITAL FOR COMPETITION AND COULD BE THREATENED BY THE FRONTIER ACQUISITION

Q. What is interconnection, and why is it so important to a competitor?

A. Interconnection is the ability to exchange traffic between a competitor's customers and the customers of the ILECs as well as other providers of wireline and wireless telecommunications service. Unless a carrier obtains interconnection from other carriers, a local carrier's customer will only be able to communicate with another customer of the same local carrier. All carriers need interconnection to provide

[30] Exhibit Comcast/19 ("Carlyle Takes Another Hit As Telecom Firm Goes Under," Washington Post,

universal connectivity. When competition emerges and market shares are very uneven, however, interconnection is much more valuable to the newer entrant than it is to the ILEC. The reason is that an ILEC with a very large share of the market could conceivably offer telephone service which does not connect to the competitor's customers. On the other hand, the competitors would be out of business if they could not obtain interconnection with the ILEC. This creates a situation of uneven bargaining power, which an ILEC could exploit to hinder or even destroy its competitors.

This concern was recognized in the Telecommunications Act of 1996, which imposed interconnection requirements on all telecommunications carriers, but established specific interconnection duties only for the ILECs.[31] Specifically, the incumbent local exchange carriers must adhere to the Section 251(c) (2) requirement to provide:

> for the facilities and equipment of any requesting telecommunications carrier, interconnection with the local exchange carrier's network—
>
> (A) for the transmission and routing of telephone exchange service and exchange access;

December 2, 2008.)

[31] Communications Act of 1934 (the Act), as amended by the Telecommunications Act of 1996, Pub. L. No. 104, 110 Stat. 56 (1996 Act), Section 251.

(B) at any technically feasible point within the carrier's network;

(C) that is at least equal in quality to that provided by the local exchange carrier to itself or to any subsidiary, affiliate, or any other party to which the carrier provides interconnection; and

(D) on rates, terms, and conditions that are just, reasonable and nondiscriminatory, in accordance with the terms and conditions of the agreement and the requirements of this section and section 252.

In 1996 the FCC adopted rules for states to apply in implementing these mandates of Section 251 in their arbitration of interconnection disputes, as well as their review of arbitrated arrangements, or an ILEC's statement of general available terms.[32]

[32] *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; Interconnection between Local Exchange Carriers and Commercial Mobile Radio Service Providers*, CC Docket Nos. 96-98, 95-185, First Report and Order, 11 FCC Rcd 15499, 15616-775 (1996) (*Local Competition Order*), *aff'd in part and vacated in part sub nom. Competitive Telecommunications Ass'n v. FCC*, 117 F.3d 1068 (8th Cir. 1997) and *Iowa Utils. Bd. v. FCC*, 120 F.3d 753 (8th Cir. 1997), *aff'd in part and remanded, AT&T v. Iowa Utils. Bd.*, 525 U.S. 366 (1999) (*Iowa Utils. Bd.*), *on remand, Iowa Utils. Bd. v. FCC*, 219 F.3d 744 (8th Cir. 2000), *reversed in part sub nom. Verizon Communications Inc. v. FCC*, 535 U.S. 467 (2002) (*Verizon*), Order on Reconsideration, 11 FCC Rcd 13042 (1996), Second Order on

Implementation of these rules, however, is not a one-time event. Rather, regulation of the terms and conditions of interconnection is an ongoing process. Negotiated agreements expire, tariffs can be refiled, and the facilities joining two networks are constantly being modified. Thus, even though the Telecommunications Act and the FCC rules have been in place for over 13 years, and while Comcast strongly favors deregulatory approaches whenever market conditions permit, the current state of local competition in Oregon's residential telecommunications markets attests to the need for ongoing active regulation of these vital prerequisites to local competition.

Q. What concerns does the proposed transaction raise regarding interconnection arrangements?

A. Verizon is an ILEC and therefore is obligated to interconnect with competitors under Sections 251 and 252 of the Telecommunications Act even though many of the areas it serves in Oregon are rural areas. Frontier has not stated with any degree of certainty whether the entities succeeding Verizon as a result of the proposed transaction would qualify as rural telephone companies and be exempt from Section 251(c) ILEC interconnection obligations under Section 251(f)(1) of the Telecommunications Act or would petition to suspend or modify Section 251(b) and (c) obligations under Section 251(f)(2). In response to discovery, Frontier stated

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Reconsideration, 11 FCC Rcd 19738 (1996), Third Order on Reconsideration and Further Notice of Proposed Rulemaking, 12 FCC Rcd 12460 (1997), further reconsideration pending.

that it will not claim or petition the Commission to designate Verizon as a rural telephone company entitled to exemption from Section 251(b) and (c) obligations.[33] On the one hand, this is reassuring. On the other hand, Frontier could reverse its decision at any time in the future, thereby exposing competitors to the risk of being precluded from serving in a territory which is currently open to competition without restrictions. It is important to remember that as long as Verizon is the incumbent, the rural exemption is inapplicable, so even the possibility that Frontier could assert the rural exemption leaves competitors worse off than they would be if no transaction were to occur.

There is an additional issue regarding the rural status of Frontier. Frontier's legacy operating company in Oregon, Citizen's Telecommunications Company ("Citizen's"), is currently designated as a rural telephone company. Frontier intends for this designation to continue after the transaction closes.[34] This should not be permitted. After the transaction closes, Frontier will have well over 2 percent of the nation's subscriber lines at a holding company level, so none of Frontier's territories qualify for rural status under section 251(f)(2). Moreover, if the transaction is approved, there is no reason to continue Citizen's rural status under section 251(f)(1). Frontier will have over 320,000 access lines in Oregon, and there is no logical explanation for protecting Frontier's legacy Citizen local exchanges from the competition that could develop in these other Frontier areas of

[33] Exhibit Comcast/20 (Frontier and Verizon Responses to Comcast Data Request No. 5).
[34] *Id.*

the State. Therefore if the transaction is approved, the Commission should end Citizen's rural exemption.

Q. What negative impacts on competition would occur if Frontier could claim rural telephone company status or if it had the ability to file for waivers from section 251(c) obligations now imposed on Verizon and for which Verizon could not seek waivers?

A. If Frontier were permitted under the law to seek exemptions from, or suspension of, Section 251(c) interconnection obligations now imposed on Verizon, the Commission may be forced to conduct costly and time-consuming proceedings in which CLECs would need to fight to maintain existing interconnection rights. The costs and uncertainty of such potential litigation alone might well lead to a contraction of competitive presence in Oregon, without regard to the ultimate resolution of the litigation by the Commission. Smaller CLECs might not be able to contest waiver requests by Frontier and would then be disadvantaged if their existing interconnection arrangements eroded as a result of waivers.

Q. What is the best way to reassure competitors that Frontier will not seek rural carrier status or waivers from interconnection obligations in the future?

A. The most effective way would be to condition the proposed transfer on Frontier's agreement in perpetuity to remain subject to 251 (b) and (c) ILEC interconnection obligations and to not assert any exemption from those obligations as a rural telephone company, under Section 251 (f)(1) or to seek any exemption under Section 251(f)(2).

Q. What other areas should the Commission be concerned with regarding interconnection policy?

A. In the subsequent sections of my testimony, I will explain the interconnection policy that the Commission must ensure are not compromised by the proposed transfer, specifically that interconnection and related wholesale rates must remain at or below current levels.

Q. Why is this issue important for consumers in Oregon?

A. Interconnection costs are unavoidable for competitors. Therefore, any increase in these costs, either as a result of excessive pricing or inefficient provisioning, will increase their entire cost base for serving the Oregon market. It is a well-accepted principle of economics that higher costs are passed on to consumers in competitive markets.

A. INTERCONNECTION RATES MUST REMAIN AT OR BELOW CURRENT LEVELS.

Q. What governs the current interconnection rates, terms and conditions between Comcast and Verizon in Oregon?

A. Pursuant to an adoption letter dated November 11, 2002 (the "Adoption Letter"), Comcast's predecessor in interest, AT&T Broadband Phone of Oregon, LLC, adopted in the State of Oregon the terms of the interconnection agreement between AT&T Communications of the Pacific Northwest Inc and Verizon.

Q. What is transport and termination and what are rates applied to this service?

A. Transport and termination refers to the transmission and switching necessary for the terminating carrier to deliver a call to the end user premise, enabling call completion.[35] Reciprocal compensation is the compensation arrangement between two local carriers for the transport and termination on each carrier's network facilities for traffic originated by the other carrier's end users. Reciprocal compensation is required by all local exchange carriers under Section 251(b)(2) of the Telecommunications Act.

Q. What standard dictates the basis for setting reciprocal compensation rates?

A. Transport and termination rates typically are established by the state commission on the basis of the forward-looking costs of the ILEC.[36] If the local traffic exchanged between the companies is roughly in balance, the carriers may agree to exchange such traffic on a bill and keep basis in which neither party bills the other for the transport and termination of local traffic. This is the case with the agreement between Comcast and Verizon in Oregon. Alternatively, the ILEC has the option to adopt the rate cap for ISP-bound traffic, which was established in 2001 by the FCC. This is referred to as the "mirroring" rule, which was adopted by the FCC to prevent the ILECs from picking and choosing among inter-carrier compensation regimes, because of the Commission's concern about the "superior bargaining

[35] See 47 C.F.R. § 51.701.

[36] State commissions also may set rates on the basis of a bill-and-keep arrangement or default proxies. 47 C.F.R. § 51.705

power of the incumbent LECs."[37] The rate for ISP-bound traffic is capped at $0.0007 per minute of use, but RBOCs must offer to exchange all local traffic at the mirroring rate if they wish to exchange ISP-bound traffic at that rate.

Q. Are all ILECs bound to establish reciprocal compensation arrangements for the exchange of traffic with CLECs?

A. Not necessarily. The Telecommunications Act creates an exemption for rural carriers, which are defined as a "local exchange carrier with fewer than 2 percent of the Nation's subscriber lines installed in the aggregate nationwide."[38] Under the aforementioned rural exemption, a rural carrier may petition a state commission for suspension or modification of the interconnection requirements particular to ILECs, including those requirements that apply to all local exchange carriers. As I have previously testified, however, after this transaction closes, Frontier will have well over 2 percent of the nation's subscriber lines at the holding company level, so none of Frontier's territories qualify for rural status under Section 251(f)(2).

Q. What effect could the proposed Verizon-Frontier transaction have on rates under the agreement between Verizon and Comcast?

A. The transaction could expose competitors to an uncertain future for at least two reasons. First, competitors face the risk that when the interconnection agreements expire they will not be renewed at current terms. Further, competitors may face

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[37] *ISP Remand Order, Intercarrier Compensation for ISP-Bound Traffic,* CC Docket No. 99.68, Order on Remand and Report and Order, 16 FCC Rcd 9151, 9161-62, remanded, *WorldCom* v. *FCC*, 288 F. 3d 429 (D.C. Circuit 2002), *cert. denied,* 538 U.S. 1012 (2003).

[38] 47 U.S.C. § 251(f) (2).

higher interconnection costs, depending on whether Frontier attempts to justify higher "cost-based" rates. Such rates would not only include reciprocal compensation, but also charges for facilities used to connect the networks. Second, while Frontier has indicated that it will not take the position that the acquired Verizon operations are entitled to exemption from 251(c) requirements under 251(f),[39] there is currently no certainty that it will not change its position.

As such, Frontier may seek to assert the rural exemption, claiming that it is no longer subject to the obligation to provide interconnection at forward-looking cost-based rates.

Q. Please explain the situation that Comcast potentially faces with respect to expiration of the current interconnection agreement?

A. Pursuant to Section 2 (Term of Agreement) of the Interconnection Agreement:

> This Agreement shall become effective in accordance with Section 23.8 (the "Effective Date"), and shall remain effective for a period of three (3) years. This Agreement shall continue in effect for consecutive one (1) year terms thereafter unless either Party gives the other Party at least ninety (90) calendar days written notice of termination, which termination shall be effective at the end of the initial term.[40]

Since the initial three year period has expired, Frontier could conceivably provide Comcast a ninety day notice of termination at its first opportunity. Thus, absent Commission action, Comcast would enter into the post-Transaction period with

[39] Exhibit Comcast/20.
[40] Interconnection, Resale and Unbundling Agreement at Section 2

virtually no certainty regarding the future rates, terms and conditions surrounding its interconnection with Frontier.

Q. Has Frontier addressed Comcast's other concerns about interconnection terms and conditions?

A. No. Frontier provides no guarantee that it will extend the existing Verizon interconnection agreements past their expiration date following the closing of the transaction even if parties are currently operating under those agreements.[41] In fact, Frontier failed to directly respond to a specific request to ensure that it would not seek to increase rates for any wholesale service provided in Oregon, including interconnection and the related service and facilities for a period of three years, after the transaction is complete.[42] Although, it claims it will honor all existing agreements, Frontier could request termination of the existing interconnection agreement at any time, which would then force Comcast to request negotiations with Frontier. As a result, arbitration might be needed, which is a costly and time-consuming process. In addition, Frontier has provided no information regarding the level of resources it will commit to interconnection negotiation and arbitration, which is of concern, given the volume of interconnection agreements that Frontier will be acquiring. Simply put, for some time after the transaction is completed, Frontier should be focusing its resources on integration of Verizon's systems, processes and people, and not renegotiation of existing interconnection agreements. Moreover, renegotiation agreements during this integration period would

[41] Exhibit Comcast/21 (Frontier and Verizon Responses to Comcast Data Request No. 11).

unnecessarily bring an additional layer of operational uncertainty to CLECs. The integration process necessarily brings certain unavoidable operational changes and disruptions, which CLECs and Frontier will need to address. What CLECs need during this time is the certainty that comes with their existing interconnection agreements, not to spend resources negotiating and implementing revised agreements.

Q. In light of Frontier's data request responses and Comcast's experience, what steps should the Commission take to ensure interconnection stability and a smooth transition period for competitors and their customers?

A. The Commission should condition any transfer approval upon Frontier's acceptance of several conditions regarding interconnection agreements:

(1) CLECs must be permitted to extend their existing interconnection agreements for a period of time ending three years after the date of the closing. This condition is similar to a condition required by the New Hampshire Public Utility Commission in its approval of the sale of Verizon local exchanges to FairPoint.[43] Such a condition is needed to provide a level of stability for all parties, in light of Frontier's and CLECs' need to dedicate resources to deal with the definition, testing and

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[42] Exhibit Comcast/22 (*Id.*, No. 3).

[43] New Hampshire Docket No. DT 07-011 – Verizon New England Inc., Bell Atlantic Communications Inc., NYNEX Long Distance Company, Verizon Select Services Inc. and FairPoint Communications, Inc. Joint Application for Approvals Related to Verizon's Transfer of Property and Customer Relations to Company to be Merged with and into FairPoint Communications, Inc., Verizon and FairPoint Settlement Agreement with Staff of the New Hampshire Public Utilities Commission, filed January 23, 2008, Exhibit 2, pp. 5-7.

implementation of new or modified systems during the replication of Verizon's systems, their implementation and the cutover to Frontier's systems.

(2) Any such amendments to extend existing interconnection agreements should, at the CLEC's request, include provisions allowing the agreement to remain in effect ("evergreen") for successive months until one party provides 90 day notice to the other to terminate or renegotiate.

(3) Frontier must allow CLECs to terminate existing interconnection agreements and adopt another agreement at any time pursuant to section 252(i) of the 1996 Telecommunications Act. Section 252(i) permits a CLEC to adopt any preexisting interconnection agreement approved by the Commission.

(4) Frontier and Verizon must make publicly available and subject to section 252(i) adoption any agreements between Frontier and Verizon, regarding any obligation arising from section 251, including but not limited to interconnection, number portability, dialing parity, reciprocal compensation, access to right-of-ways, access to unbundled elements, resale or collocation.

(5) Frontier should not be permitted to refuse a CLEC request to adopt an agreement on the grounds that the agreement has not been amended to reflect changes of law, provided the CLEC agrees to negotiate in good faith an amendment regarding such change of law immediately after it has opted into the agreement.

(6) Frontier must allow a requesting CLEC to use its preexisting interconnection agreement as the starting point for negotiating a new agreement. This serves to help

level the playing field during negotiations. Otherwise, Frontier has a significant negotiation advantage requiring CLECs to start negotiation from its template, which is undoubtedly a document it drafted over months or years and to which CLECs have a limited amount of time to review and edit.

Of course all of these conditions are prefaced by the fact that Frontier must agree to remain under the regulatory authority of the Commission for the three years following the closing date of the transaction to ensure that these conditions can be enforced.

Q. Those conditions will effectively deal with rates, term, and conditions in interconnection agreements. Will this cover all traffic exchanged by a competitor and Verizon/Frontier within the State of Oregon?

A. No. Calling from one local calling area to another is not covered under the reciprocal compensation rules. Termination of traffic that originates in one local calling area and terminates in another local calling area is subject to intrastate terminating switched access rates. Verizon provides intrastate access service under tariff – OR No. 12. The rate for premium end office switching is $0.008952 per minute.

Q. How will intrastate access rates be affected by the transaction?

A. Frontier states that it will initially concur in or adopt Verizon's intrastate access tariffs.[44] However, as I discussed, it is unwilling to commit not to raise these

[44] Exhibit Comcast/22.

wholesale rates for three years following the transaction. The absence of any long-term commitment and the wide open nature of what might affect rates in the future expose competitors to the risk of bearing additional costs as a result of the transaction.

Q. What remedy do you propose to mitigate this risk from the transaction?

A. As a condition of the transaction, Frontier should be required to commit not to increase intrastate access rates for at least three years from the closing date of the transaction.

B. ACCESS AND TRANSPORT SERVICES MUST CONTINUE TO BE PROVIDED AT CURRENT RATES.

Q. Since Frontier has failed to commit to not increasing reciprocal compensation, or intrastate access rates after the transaction close, how should the Commission assure competitors that they will have stable rates and a fair chance to compete with Frontier after the transaction close?

A. As I mentioned earlier, existing interconnection agreements must be permitted to remain in effect for three years following the transaction closing date. However, the Commission must do more to protect competition, including the following:

(1) Require Frontier to honor any currently offered volume or term discount plan for three years after the transaction closing date.

(2) Require Frontier to honor any individually-based contract for the life of that contract.

(3) Require Frontier to modify existing interconnection agreements to implement any reduction to reciprocal compensation or other rates ordered or established by the Commission or the FCC.

Q Are there any other issues the Commission should focus on?

A. Yes. It is important for Frontier's retail and wholesale customers to have confidence in its continued performance after the transaction close date. That is why I recommend that the Commission make clear that Frontier would be responsible in the legacy Verizon territories for all regulatory duties, obligations and responsibility imposed on Verizon by the Telecommunications Act and all applicable state laws and regulations, including operating support systems performance measures and incentives obligations. This would include any carrier-to-carrier obligations and performance assurance plans.

VI. REMEDIES

Q. DO YOU BELIEVE THAT THE JOINT APPLICATION SHOULD BE APPROVED AS FILED?

A. As I have previously stated, Comcast does not oppose the transaction. Instead, Comcast has proposed a set of conditions it believes are appropriate to ensure competition can continue to develop following the proposed transaction, allowing carriers as Comcast to continue to bring competitive and innovative services to consumers in Oregon. Without such conditions, the Commission risks obstructing or impairing competition in Oregon, not only with respect to voice services, but also with respect the rapid, widespread competitive deployment of advanced high-speed

Internet access services and other services of benefit to Oregon residents and businesses.

Finally, it is important to emphasize the potential for problems once Frontier cuts over to its own system and for disputes regarding Frontier's compliance with imposed merger conditions. As the FairPoint experience in New England and the Hawaiian Telecom situation demonstrate, once systems cutovers occur, and problems develop, fixes are very difficult to find. That is why the Commission must carefully craft a plan that will ensure that all systems are tested thoroughly before any cutover proceeds, and will ensure that Frontier's service does not degrade in any way after the cutover. Such a plan must include appropriate performance measures and meaningful penalties.

Q. WHAT MECHANISM WOULD YOU PROPOSE FOR ADDRESSING DISPUTES REGARDING FRONTIER'S COMPLIANCE WITH THE MERGER CONDITIONS?

A. In addition to the performance measure and penalties I discussed above, which will monitor OSS, provisioning and related service performance, I recommend that the Commission provide for an expedited dispute resolution process for resolving other carrier-to-carrier disputes regarding Frontier's subsequent compliance with any adopted merger conditions. An expedited process is an important mechanism for resolving carrier-to-carrier issues in a timely manner so as to minimize any disruption in the services delivered by competitors to their customers. It is my understanding that the typical complaint procedure can take ten months or longer to resolve. If these procedures were the only remedy for resolving carrier-to-carrier disputes, then it is possible that the Frontier/Verizon transaction could have a significantly adverse effect on competitors and on the competitive process in Oregon.

For example, assuming the Commission adopts Comcast's proposed conditions, it is possible that following the transaction, Comcast may discover that Frontier substantially modified its process for provisioning a service, creating longer intervals. While Comcast is hopeful this will not occur, if it does, CLECs such as Comcast would need an expedited means of resolving the issue so that it can be quickly addressed and the exposure to this problem limited, thereby reducing the affect on prospective customers of the CLECs.

Q. DO YOU HAVE A SPECIFIC RECOMMENDATION AS TO AN EXPEDITED DISPUTE RESOLUTION PROCESS THE COMMISSION COULD ADOPT?

A. Yes. The Washington Utilities and Transportation Commission, which is also reviewing this transaction, has established an expedited process for resolving interconnection agreement disputes.[45] That process provides for a recommended decision in as little as seventy-five (75) days after a petition has been filed. I recommend that this Commission adopt an expedited process similar to the Washington Commission's process to handle intercarrier disputes regarding compliance with the merger conditions.

Q. Does this conclude your testimony?

A. Yes.

[45] See Exhibit Comcast/23 (WAC 480-07-650).

<u>Exhibit Comcast/2</u>

Recommended Conditions for Merger Approval

Frontier/Verizon Transaction
Comcast Recommended Conditions

General

1. The state commission shall have continuing jurisdiction and authority over the Verizon operations and legal entity to be transferred to Frontier in Oregon referred to herein simply as "Frontier," and its compliance with the conditions set forth herein. **[Pelcovits Testimony at 44]**

2. All conditions, unless otherwise stated herein, shall remain in place for a period of three years from the Transaction Close Date. **[Pelcovits Testimony at 44]**

3. Any carrier-to-carrier disputes arising from, or associated with, compliance with any merger condition shall be resolved pursuant to an expedited dispute resolution process to be established by the Commission. **[Pelcovits Testimony at 45-46]**

Costs

4. Transaction-related expenses, including all expenses arising from, or associated with, OSS transition, training and related operations, may not be passed through, directly or indirectly, in wholesale rates or other fees paid by competitive carriers. **[Pelcovits Testimony at 18-19]**

Rural Status and 251(b) and (c) obligations

5. Frontier, the legal and operational entity formerly operating as Verizon in Oregon, shall be subject to Section 251, 47 U.S.C. § 251, in its entirety, including the obligations under Section 251(c) applicable to incumbent local exchange carriers. Frontier shall be prohibited, in perpetuity, from seeking or receiving treatment as a rural telephone company for any of its operating territories with respect to its 251(b) and 251(c) obligations or any exemptions, modifications or suspensions from interconnection under Sections 251(f) of the federal Telecommunications Act of 1996, as amended. **[Pelcovits Testimony at 33-34]**

Interconnection Agreements and Tariffs

6. Term and Termination –
    a. Frontier shall be required to permit requesting carriers to extend existing interconnection agreements, regardless of whether the initial or current term has expired, for a period of three years from the Transaction Close Date, or the date of expiration, whichever is later. During this period, the interconnection agreement may be terminated only via a competitive carrier's request. **[Pelcovits Testimony at 40]**

b. Any such amendment to extend the existing interconnection agreement shall, at the competitive carrier's request, also include provisions allowing the underlying agreement to evergreen for successive months until one party provides 90 day notice to the other to terminate or renegotiate. **[Pelcovits Testimony at 41]**

c. Frontier shall allow competitive carriers to terminate existing ICAs and adopt another agreement at any time pursuant to 252(i). **[Pelcovits Testimony at 41]**

d. Frontier shall not refuse a request by a competitor to adopt an agreement on the grounds that the agreement has not been amended to reflect changes of law, provided the competitor agrees to negotiate in good faith an amendment regarding such change of law immediately after it has opted into the agreement. **[Pelcovits Testimony at 41]**

e. Frontier shall allow a requesting competitor to use its pre-existing interconnection agreement as the starting point for negotiating a new agreement. **[Pelcovits Testimony at 41-42]**

7. Rates for services, including any wholesale tariffed offering, reciprocal compensation and TELRIC 252(c)(2), and (d), rates for 251(c) facilities or arrangements, shall not be increased for a minimum of three years after the close date. Frontier shall continue to offer any currently offered Term and Volume Discount plans for a minimum of three years after the close date. Frontier will honor any existing contracts for services on an individualized term pricing plan arrangement for the duration of the contracted term. **[Pelcovits Testimony at 43-44]**

8. Frontier and Verizon shall make publicly available and subject to 252(i) adoption any agreements between Frontier and other telecommunications companies, including any agreements between Frontier and Verizon, regarding any obligation arising from Section 251, including but not limited to interconnection, number portability, dialing parity, reciprocal compensation, access to rights-of-way, access to unbundled network elements, resale, or collocation.[1] **[Pelcovits Testimony at 41]**

9. Frontier shall be required to give industry capacity notification when switches reach 70% capacity. **[Solis Testimony at 38]**

10. Frontier must increase the threshold to define a "project" with respect to trunk ordering from 9 DS1s to 28 DS1s. **[Solis Testimony at 38-39]**

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[1] This definition is for illustrative purposes only. The parties shall be bound by the FCC's definition of applicable agreements as set forth in Memorandum Opinion and Order, 17 FCC Rcd 19337 (2002).

11. Frontier shall establish a CLEC User Forum identical to that which Verizon currently uses. Frontier shall also establish, at a CLEC's request, weekly calls to discuss intercompany operational issues between CLEC's designated representatives and representatives of Frontier with the necessary authority to address and resolve such operational issues. **[Solis Testimony at 34-35]**

12. Frontier will assume all regulatory duties, obligations and responsibilities of Verizon, including but not limited to any such duties, obligation and responsibilities imposed on Verizon pursuant to the Communications Act of 1934, as amended, and all applicable state laws and regulations, including OSS performance measures and incentives obligations. This includes any carrier-to-carrier guidelines or performance assurance plans. **[Pelcovits Testimony at 45; Solis Testimony at 35-36]**

Operational Support Systems - Migration, Testing and Performance

13. Post transaction, Frontier shall maintain OSS functionality, performance and e-bonding that is at least equal to that which Verizon provides in such territory pre-transaction. This obligation extends indefinitely and specifically includes any subsequent modifications to or replacement of the OSS being replicated from Verizon. **[Solis Testimony at 29-32]**

14. A neutral third party shall be retained, solely at Frontier and Verizon's expense, to review, audit and certify the results of testing of the replicated OSS. Such review will include all OSS functionality and processes, e-bonding capabilities, encompass Verizon's current Quality Baseline Validation Test Deck, and review and validate the process for transferring data to the replicated system (including pending orders). The results of the third party audit, review and certification will be provided to the state commissions and CLECs. The replicated OSS will not be implemented in the production environment (i.e. be used to process actual orders) until the state commission has approved the test results. **[Solis Testimony at 32-34]**

15. At least two months prior to the scheduled cut over date for the replicated OSS, the Joint Applicants before the Commission (Frontier and Verizon) shall provide notice to CLECs of any OSS changes, detailing the specific functionality changes and providing any necessary information to enable e-bonding with the replicated OSS. Frontier (and Verizon, to the extent necessary) will subsequently hold collaborative meetings with CLECs to discuss such changes and address CLEC issues or concerns. **[Solis Testimony at 33-35]**

16. At least two months prior to the scheduled cut over date, the Joint Applicants shall make available to CLECs the replicated OSS in a test environment for interoperability and transactional (end-to-end order) testing. **[Solis Testimony at 33]**

17. Frontier will maintain Verizon's existing monthly Change Management Forum and Change Management Process. **[Solis Testimony at 34-35]**

18. For purposes of any OSS migration or changes related to the transaction, implementation of any systems changes must be limited to the predefined maintenance window to minimize impact to CLEC operations. **[Solis Testimony at 25]**

19. Frontier shall not charge CLECs for any training related to new systems being implemented as a result of the transaction, and shall reimburse CLEC for any substantial costs incurred related to such training. **[Solis Testimony at 43]**

20. Frontier shall retain technical staff sufficient to address any subsequent OSS failures within reasonable timeframes. **[Solis Testimony at 36]**

Ordering, Provisioning and Maintenance Processes and Intervals.

21. Frontier shall ensure that post transaction ordering, provisioning, and maintenance processes and intervals are at least equal to that which Verizon currently provides. This includes, but is not limited to, processes for outage notification, Request for Outage reports, and trouble ticket resolution. **[Solis Testimony at 30-32]**

22. Frontier shall provide and maintain on a going-forward basis updated escalation procedures, contact lists and account manager information at least 30 days prior to the transaction close date. The updated contact list shall identify and assign a single point of contact for each CLEC with the authority to address ordering, provisioning, billing and OSS systems maintenance issues of that CLEC. Frontier shall maintain its escalation procedures and contact list on a publicly posted webpage. **[Solis Testimony at 34-35]**

23. Frontier shall adopt, at minimum, Verizon's standard business rules and process intervals for all services (e.g. local number portability, high capacity transport, Mid-Span Fiber Meet Document and process for project planning fiber meet deployment, etc.). **[Solis Testimony at 31-32]**

24. Frontier shall ensure that the legacy Verizon Wholesale and CLEC support centers are sufficiently staffed by adequately trained personnel so as to provide a level of service that is no less than that which was provided by Verizon prior to the transaction. **[Solis Testimony at 36]**

25. Frontier shall establish performance metrics as a means of determining if it maintains at least the same level of performance in providing services and facilities under its interconnection agreements as Verizon provided prior to the transaction. **[Solis Testimony at 35-36]**

Local Number Portability ("LNP")

26. Frontier must implement a one business day porting interval as set forth in FCC 09-41 pursuant to the provisions applicable to carriers with more than 2 percent of the nation's subscriber lines installed in the aggregate nationwide. **[Solis Testimony at 39-42]**

27. Frontier shall maintain Verizon's existing processes for retrieving CSRs and submitting LSRs for LNP orders, including maintaining the same set of fields required to validate such orders. **[Solis Testimony at 39-42]**

28. Frontier shall be prohibited from rejecting any LNP order due to pending service orders associated with the account, or due to non-payment status of the subscriber. **[Solis Testimony at 39-42]**

29. The Combined Company shall not limit the number of orders for simple ports, change orders, or directory listings orders to be processed within standard intervals via service guides, posted procedures or other unilateral means.**[Solis Testimony at 39-42]**

30. Frontier shall implement and/or maintain a process for porting or reassigning of Toll Free Service numbers and the associated local telephone number that will ensure that the Toll Free Service is not impacted by the porting of the local telephone number. **[Solis Testimony at 39-42]**

911

31. Prior to the transfer of any OSS, Frontier shall identify the location in which it will assume responsibility for hosting the local ALI database and provide all related documentation associated with CLECs interfacing with said ALI DBMS. **[Solis Testimony at 42]**

Certification of Compliance

32. Frontier shall, on a semi-annual basis, file with the State Commission a declaration by an officer of the corporation attesting, and certifying, that Frontier has complied with the terms of these conditions in all material respects. The first certification of compliance shall be filed within ninety (90) days of closing, and another certification 90 days thereafter, and then every 180 days, until three years after the closing date. **[Solis Testimony at 42-43]**

Exhibit Comcast/3

Frontier/Verizon Interrogatory Response No. 8

Docket No. UM-1431
Verizon and Frontier Responses to Comcast Data Requests Nos. 1-52
July 31, 2009

DATA REQUEST NO. 8:

Please provide the number of carriers, including competitive local exchange carriers ("CLECs"), wireless carriers, and interexchange carriers ("IXCs"), to which Frontier provides wholesale telecommunications services in the state of Oregon according to the following categories:

(e) The number of CLECs with which Frontier has an interconnection agreement;

(f) The number of wireless carriers with which Frontier has an interconnection agreement;

(g) The number of carriers to which Frontier provides special access services; and

(h) The number of IXCs to which Frontier provides switched access services.

Response:

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 4, 6, 7, and 10. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

(e) Citizens Telecommunications Company of Oregon ("CTC-Oregon") has *****BEGIN CONFIDENTIAL***** *****END CONFIDENTIAL***** effective agreements entered into per the Communications Act of 1934 (47 U.S.C. §151 et seq.), as amended by the Telecommunications Act of 1996 with competitive local exchange carriers ("CLECs") in the state of Oregon.

(f) CTC-Oregon has *****BEGIN CONFIDENTIAL***** *****END CONFIDENTIAL***** effective interconnection agreements entered into per the Communications Act of 1934 (47 U.S.C. §151 et seq.), as amended by the Telecommunications Act of 1996 with wireless carriers in the state of Oregon.

(g) CTC-Oregon provides special access services to *****BEGIN CONFIDENTIAL***** *****END CONFIDENTIAL***** unique carrier ACNAs in Oregon.

(h) CTC-Oregon provides switched access services to *****BEGIN CONFIDENTIAL***** *****END CONFIDENTIAL***** carriers in Oregon.

CONFIDENTIAL – SUBJECT TO GENERAL PROTECTIVE ORDER

Prepared By: Cassandra Guinness
Date: July 31, 2009

Exhibit Comcast/4

Frontier/Verizon Interrogatory Response No. 7

Docket No. UM-1431
Verizon and Frontier Responses to Comcast Data Requests Nos. 1-52
July 31, 2009

DATA REQUEST NO. 7:

Please provide the number of carriers, including competitive local exchange carriers ("CLECs"), wireless carriers, and interexchange carriers ("IXCs"), to which Verizon Northwest Inc. provides wholesale telecommunications services in the state of Oregon according to the following categories:

(a) The number of CLECs with which Verizon Northwest Inc. has an interconnection agreement;

(b) The number of wireless carriers with which Verizon Northwest Inc. has an interconnection agreement;

(c) The number of carriers to which Verizon Northwest Inc. provides special access services; and

(d) The number of IXCs to which Verizon Northwest Inc. provides switched access services.

Response:

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 4, 7, 8, 10 and 11. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

(a) Verizon Northwest Inc. has *****BEGIN CONFIDENTIAL*** ***END CONFIDENTIAL***** effective agreements entered into per the Communications Act of 1934 (47 U.S.C. §151 et seq.), as amended by the Telecommunications Act of 1996 with competitive local exchange carriers ("CLECs") in the state of Oregon.

(b) Verizon Northwest Inc. has *****BEGIN CONFIDENTIAL*** ***END CONFIDENTIAL***** effective interconnection agreements entered into per the Communications Act of 1934 (47 U.S.C. §151 et seq.), as amended by the Telecommunications Act of 1996 with wireless carriers in the state of Oregon.

(c) Verizon Northwest Inc. provides special access services to *****BEGIN CONFIDENTIAL*** ***END CONFIDENTIAL***** unique carrier ACNAs in Oregon.

(d) Verizon Northwest Inc. provides Switched Access services to *****BEGIN CONFIDENTIAL*** ***END CONFIDENTIAL***** unique ACNAs in Oregon.

CONFIDENTIAL – SUBJECT TO GENERAL PROTECTIVE ORDER

Exhibit Comcast/5

Frontier/Verizon Interrogatory Response No. 49

Docket No. UM-1431
Verizon and Frontier Responses to Comcast Data Requests Nos. 1-52
July 31, 2009

DATA REQUEST NO. 49:

Please provide the number of orders Frontier has processed on a monthly basis in Oregon during calendar year 2008 separately for each of the following types of orders:

(a) Access service requests ("ASRs") or other orders for special access services or other tariffed services or facilities that Frontier has provided on a wholesale basis to other carriers;

(b) ASRs or local service requests ("LSRs") for interconnection facilities or services purchased by carriers pursuant to their interconnection agreement(s) with Frontier;

(c) LSRs for porting telephone numbers;

(d) LSRs for directory listings;

(e) Orders for all other services or facilities provided to other carriers pursuant to their interconnection agreement(s) with Frontier.

Response:

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 4, 6, 7, and 10. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

a. Citizens Telecommunications Company of Oregon ("CTC-Oregon") does not track monthly volumes of ASRs. However, *****BEGIN CONFIDENTIAL*** ***END CONFIDENTIAL***** ASRs were processed during 2008. These included new, change, and disconnect ASRs for all service types including DS-0, DS-1, DS-3 & Sonet. There were *****BEGIN CONFIDENTIAL*** ***END CONFIDENTIAL***** ASRs for new orders for DS1 and DS3 services.
b. There were none
c. CTC-Oregon ported *****BEGIN CONFIDENTIAL*** ***END CONFIDENTIAL***** numbers. More than one telephone number may be ported on a LSR. CTC-Oregon does not maintain the count of LSRs.
d. There were none.
e. There were none.

CONFIDENTIAL – SUBJECT TO GENERAL PROTECTIVE ORDER

Prepared By: Cassandra Guinness
Date: July 31, 2009

Exhibit Comcast/6

Frontier/Verizon Interrogatory Response No. 50

Docket No. UM-1431
Verizon and Frontier Responses to Comcast Data Requests Nos. 1-52
July 31, 2009

DATA REQUEST NO. 50:

Please provide the number of orders Verizon Northwest Inc. has processed on a monthly basis in Oregon during calendar year 2008 separately for each of the following types of orders:

(a) Access service requests ("ASRs") or other orders for tariffed services or facilities that Verizon Northwest Inc. has provided on a wholesale basis to other carriers;

(b) ASRs or local service requests ("LSRs") for interconnection facilities or services purchased by carriers pursuant to their interconnection agreement(s) with Verizon Northwest Inc.;

(c) LSRs for porting telephone numbers;

(d) LSRs for directory listings;

(e) Orders for all other services or facilities provided to other carriers pursuant to their interconnection agreement(s) with Verizon Northwest Inc.

Response:

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 4, 6, 7, 8, and 10. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

a – e: See Confidential Attachment OR Comcast Set1 VZ50 Attach1 ASR LSR Orders 2008 CONFIDENTIAL.

Prepared By: James Miggans
Date: July 31, 2009

Comcast/6
Pelcovits/2

Confidential Exhibit
Redacted

Exhibit Comcast/7

Frontier/Verizon Interrogatory Response No. 40

Docket No. UM-1431
Verizon and Frontier Responses to Comcast Data Requests Nos. 1-52
July 31, 2009

DATA REQUEST NO. 40:

Will Frontier, for the legacy Verizon territories, retain Verizon's current level of staffing and training of personnel in its wholesale and CLEC support centers after the Transaction closes as it retains today? If not, please explain why not, what the expected staffing levels will be, what training the staff will have with the legacy Verizon OSS and business rules, and describe the process the company will use to make changes to such staffing and training levels.

Response:

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 4, 6, 7, and 10. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

Frontiers intends to staff its wholesale organization support centers to ensure that it provides at least the same level of service provided by Verizon at the time of closing.

Prepared By: Cassandra Guinness
Date: July 31, 2009

Exhibit Comcast/8

FCC Local Competition Report as of 6/30/08 (July 2009)

Local Telephone Competition: Status as of June 30, 2008

Industry Analysis and Technology Division
Wireline Competition Bureau
July 2009

This report is available for reference in the FCC's Reference Information Center, Courtyard Level, 445 12th Street, SW, Washington, DC. Copies may be purchased by contacting Best Copy and Printing, Inc., 445 12th Street, SW, Room CY-B402, Washington, DC 20554, telephone (800) 378-3160, or via their website at www.bcpiweb.com. The report can also be downloaded from the Wireline Competition Bureau Statistical Reports Internet site at www.fcc.gov/wcb/stats.

Local Telephone Competition: Status as of June 30, 2008

We present here summary statistics of the latest data on local telephone service competition in the United States as reported in the Commission's local competition and broadband data gathering program (FCC Form 477).[1] The summary statistics provide a snapshot of local telephone service competition based on switched access lines in service and state-specific mobile telephony service subscribers as of June 30, 2008.[2]

Twice a year, all incumbent local exchange carriers (incumbent LECs) and competitive local exchange carriers (CLECs) are required to report to the Commission basic information about their local telephone service, and all facilities-based mobile telephony providers are required to provide information about their subscribers. Prior to June 2005, the FCC collected data from carriers with at least 10,000 switched access lines, or mobile telephony subscribers, in service in a particular state. Small carriers, many of whom serve rural areas with relatively small populations, were therefore underrepresented in the earlier data.[3] With the inclusion of these carriers, the number of incumbent LEC and CLEC holding companies and unaffiliated carriers reporting local telephone service information as of December 31, 2005 tripled, and the number of reporting facilities-based mobile telephony providers doubled.[4]

Based on the latest information now available, we summarize the following observations:

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[1] *Local Competition and Broadband Reporting*, CC Docket No. 99-301, Report and Order, 15 FCC Rcd 7717 (2000); *Local Telephone Competition and Broadband Reporting*, WC Docket No. 04-141, Report and Order, 19 FCC Rcd 22340 (2004) *Development of Nationwide Broadband Data to Evaluate Reasonable and Timely Deployment of Advanced Services to All Americans, Improvement of Wireless Broadband Subscribership Data, and Development of Data on Interconnected Voice over Internet Protocol (VoIP) Subscribership*, WC Docket No. 07-38, Report and Order, 23 FCC Rcd 9691 (2008); Order on Reconsideration, 23 FCC Rcd 9800 (2008). Qualifying entities file FCC Form 477 each year on March 1 (reporting data for the preceding December 31) and September 1 (reporting data for June 30 of the same year). The first data collected by Form 477 were data as of December 31, 1999. Effective with the filing of data as of December 31, 2008, Form 477 is a Web-based electronic filing system, and the reporting of information about voice service subscribers is mandatory for providers of interconnected Voice over Internet Protocol (VoIP) service as well as for local exchange carriers and facilities-based providers of mobile telephony service. Information about this system is available at http://www.fcc.gov/form477/.

[2] Statistical summaries of the earlier Form 477 data collections appeared in previous releases of the *Local Telephone Competition* report, available at www.fcc.gov/wcb/iatd/comp.html.

[3] As of December 31, 2005, filers with fewer than 10,000 switched access lines in a state (including entities that previously filed on a voluntary basis) reported about 4.5 million lines (about 2.0 million incumbent LEC lines and about 2.5 million CLEC lines). By contrast, the data filed for December 2004 included about 0.6 million lines filed on a voluntary basis (about 0.2 million incumbent LEC lines and about 0.4 million CLEC lines). Mobile telephony service providers with fewer than 10,000 subscribers in a state reported about 364,000 subscribers as of December 31, 2005. Such filers reported (on a voluntary basis) about 69,000 subscribers a year earlier.

[4] The nationwide number of CLEC holding companies and unaffiliated entities reporting local telephone service information increased from 149 in December 2004 to 382 in December 2005, and the number of incumbent LEC entities increased from 190 to 807. See Tables 3 and 4. The number of entities reporting mobile telephony subscribers increased from 76 to 155.

- End-user customers obtained local telephone service by utilizing approximately 124.6 million incumbent LEC switched access lines, 30.0 million CLEC switched access lines, and 255.3 million mobile telephony service subscriptions at the end of June 2008.[5] See Tables 1 and 14.

- CLECs reported 30.0 million (or 19.4%) of the approximately 154.7 million nationwide end-user switched access lines in service at the end of June 2008, compared to 28.7 million (or 18.1%) of the 158.4 million lines reported six months earlier. See Table 1.

- About 41% of switched access lines in service to CLEC end users served residential customers at the end of June 2008, whereas about 62% of switched access lines in service to incumbent LEC end users served residential customers. See Table 2.

- CLECs reported providing 44% of their end-user switched access lines over their own local loop facilities,[6] 36% by using unbundled network elements (UNEs) they leased from other carriers, and 20% through resale arrangements with unaffiliated carriers.[7] See Table 3.

- Incumbent LECs reported providing about 11% fewer UNE loops with switching (referred to as the UNE-Platform) to unaffiliated carriers at the end of June 2008 than they reported six months earlier (4.9 million compared to 5.5 million) and about 7% fewer UNE loops without switching (3.8 million compared to 4.1 million). See Table 4.

- About 9.4 million end-user switched access lines were provided by CLECs over coaxial cable connections. These lines represent about 71% of the 13.1 million end-user switched access lines that CLECs reported providing over their own local loop facilities, about 31% of all end-user switched access lines that CLECs reported, about 75% of CLEC lines to residential end users, about 6% of total end-user switched access lines, and about 10% of total residential switched access lines. See Tables 2, 3, and 5.

- Incumbent LECs were the presubscribed interstate long distance carrier for 59% of the switched access lines they provided to end users, while CLECs were the interstate long distance carrier for 79% of their switched access lines. See Table 6.

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[5] For this report, end-user switched access lines reported for the incumbent LEC operations of certain entities (i.e., AT&T Inc. and Verizon Communications Inc.) have been increased to reflect merger with a CLEC – to the extent the CLEC operated in the incumbent LEC's service territory – and lines reported for the CLEC operations of these entities have been decreased by the same amount. Such adjustments are necessary when the merged entity treats the former CLEC operations as a separate business unit, and files a separate Form 477 for that business unit.

[6] Form 477 filers report that end-user switched access lines are provided over their own local loop facilities when the filer (including affiliates) owns the local loop to the end user's premises. Therefore, unbundled network elements (UNEs) or services for resale that a CLEC acquires from an incumbent LEC become own-facilities lines, for purposes of Form 477, if the two entities merge. As previously noted, such lines are treated as incumbent LEC lines in this report, rather than as CLEC lines.

[7] CLEC "resale" lines should include lines that the CLEC provides by using special access lines or other facilities that it obtains from unaffiliated ILECs or CLECs as tariffed services or under commercial agreements.

- The Commission's data collection program collates information about CLEC local telephone service lines (and the CLEC share of total local telephone service lines) in individual states. Relatively large numbers of CLEC lines are associated with the more populous states.[8] With respect to the calculated CLEC share of switched access lines in service, however, some less populous states, such as Nebraska, New Hampshire, Rhode Island, and South Dakota had larger CLEC shares than some more populous states, such as California, Florida, and Illinois. See Tables 7 - 10.[9]

- Among the 50 states, only Alaska and Hawaii had fewer than 10 reporting CLECs. See Table 13.

- Mobile telephony service providers reported 255.3 million subscribers at the end of June 2008, which is 17.0 million, or 7%, more than a year earlier. About 8% of these subscribers were billed by mobile telephony service resellers.[10] See Table 14.

- There was at least one CLEC serving customers in 82% of the nation's Zip Codes at the end of June 2008. About 97% of United States households resided in those Zip Codes. Moreover, multiple carriers reported providing local telephone service in the major population centers of the country. See Table 15 - 17, and the map that follows Table 19.

As other information from FCC Form 477 becomes available, it will be routinely posted on the Commission's Internet site. Note that, on June 12, 2008, the Commission released a Report and Order (FCC 08-89) that revises the Form 477 reporting requirements to, among other things, require all providers of interconnected Voice over Internet Protocol (interconnected VoIP) service to submit subscribership information, which will be reflected in future reports.

We invite users of the information presented in this statistical summary to provide suggestions for improved data collection and analysis by:

- Using the attached customer response form,
- E-mailing comments to James.Eisner@fcc.gov or Suzanne.Mendez@fcc.gov,
- Calling the Industry Analysis and Technology Division of the Wireline Competition Bureau at (202) 418-0940, or
- Participating in any formal proceedings undertaken by the Commission to solicit comments for improvement of FCC Form 477.

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[8] The largest numbers of CLEC lines are reported for New York (3.1 million lines), California (3.1 million lines), and Texas (1.9 million lines), the third, first, and second most populous states, respectively.

[9] CLEC shares appearing in Table 8 are based on CLEC and ILEC lines in Tables 9 and 10.

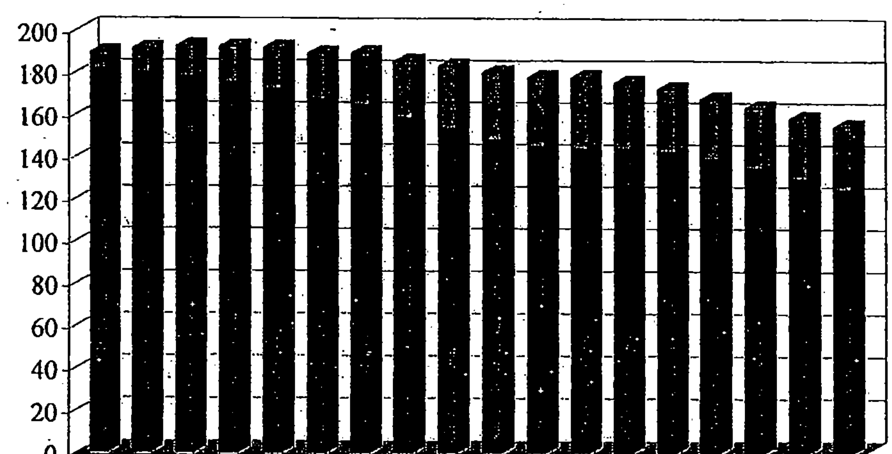
[10] The mobile "resale" percentage should not include any subscribers that the facilities-based provider serves on a pre-paid basis. For reporting purposes, a "facilities-based" mobile telephony service provider serves subscribers using spectrum licenses that it has obtained or manages.

Table 1
End-User Switched Access Lines Reported

Date	ILEC Lines	CLEC Lines	Total	CLEC Share
Dec 1999	181,202,853	8,194,243	189,397,096	4.3 %
Jun 2000	179,648,725	11,557,381	191,206,106	6.0
Dec 2000	177,561,022	14,871,409	192,432,431	7.7
Jun 2001	174,752,275	17,274,727	192,027,002	9.0
Dec 2001	171,917,359	19,653,441	191,570,800	10.3
Jun 2002	167,330,006	21,644,928	188,974,934	11.5
Dec 2002	164,386,452	24,863,691	189,250,143	13.1
Jun 2003	158,274,538	26,985,345	185,259,883	14.6
Dec 2003	153,157,843	29,775,438	182,933,281	16.3
Jun 2004	147,993,218	32,033,915	180,027,133	17.8
Dec 2004	144,809,899	32,880,812	177,690,711	18.5
Jun 2005	143,757,708	33,975,336	177,733,044	19.1
Dec 2005	143,773,101	31,387,839	175,160,940	17.9
Jun 2006	142,293,047	29,896,109	172,189,156	17.4
Dec 2006	138,833,928	28,625,971	167,459,899	17.1
Jun 2007	134,640,143	28,729,220	163,369,363	17.6
Dec 2007	129,692,836	28,725,315	158,418,151	18.1
Jun 2008	124,605,542	30,049,305	154,654,847	19.4

Only LECs with at least 10,000 lines in a state were required to report through December 2004. Beginning with the June 2005 data all LECs are required to report. Some data for December 2007 have been revised.

Chart 1
End-User Switched Access Lines Reported
(Lines in Millions)



	Dec 1999	Jun 2000	Dec 2000	Jun 2001	Dec 2001	Jun 2002	Dec 2002	Jun 2003	Dec 2003	Jun 2004	Dec 2004	Jun 2005	Dec 2005	Jun 2006	Dec 2006	Jun 2007	Dec 2007	Jun 2008
CLEC lines	8.2	11.6	14.9	17.3	19.7	21.6	24.9	27.0	29.8	32.0	32.9	34.0	31.4	29.9	28.6	28.7	28.7	30.0
ILEC Lines	181.2	179.6	177.6	174.8	171.9	167.3	164.4	158.3	153.2	148.0	144.8	143.8	143.8	142.3	138.8	134.6	129.7	124.6

■ ILEC Lines ■ CLEC lines

Table 2
End-User Switched Access Lines by Customer Type

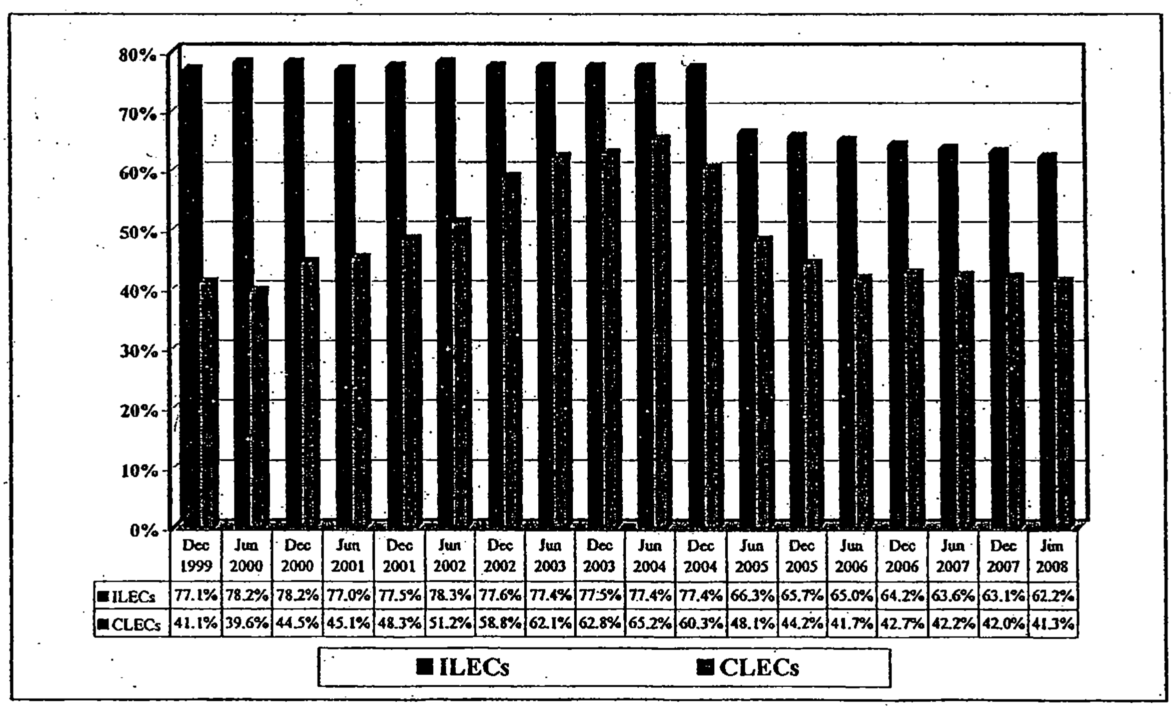
Date	Reporting ILECs			Reporting CLECs		
	Residential [1]	Business [2]	% Residential	Residential [1]	Business [2]	% Residential
Dec 1999	139,694,481	41,508,372	77.1 %	3,368,702	4,825,541	41.1 %
Jun 2000	140,566,144	39,082,581	78.2	4,579,501	6,977,880	39.6
Dec 2000	138,824,111	38,736,911	78.2	6,620,471	8,250,938	44.5
Jun 2001	134,530,884	40,221,391	77.0	7,793,071	9,481,656	45.1
Dec 2001	133,320,119	38,597,240	77.5	9,489,049	10,164,392	48.3
Jun 2002	130,937,328	36,392,678	78.3	11,080,676	10,564,252	51.2
Dec 2002	127,494,698	36,891,754	77.6	14,608,495	10,255,196	58.8
Jun 2003	122,573,530	35,701,008	77.4	16,770,561	10,214,784	62.1
Dec 2003	118,658,867	34,498,976	77.5	18,702,229	11,073,209	62.8
Jun 2004	114,533,368	33,459,850	77.4	20,871,756	11,162,159	65.2
Dec 2004	112,054,420	32,755,479	77.4	19,811,711	13,069,101	60.3
Jun 2005	95,315,689	48,442,019	66.3	16,338,117	17,637,219	48.1
Dec 2005	94,392,526	49,380,575	65.7	13,873,331	17,514,508	44.2
Jun 2006	92,453,320	49,839,727	65.0	12,474,434	17,421,675	41.7
Dec 2006	89,166,539	49,667,389	64.2	12,210,978	16,414,993	42.7
Jun 2007	85,633,336	49,006,807	63.6	12,117,114	16,612,106	42.2
Dec 2007	81,798,361	47,894,475	63.1	12,050,749	16,674,566	42.0
Jun 2008	77,456,946	47,148,596	62.2	12,395,783	17,653,522	41.3

Only LECs with at least 10,000 lines in a state were required to report through December 2004. Beginning with the June 2005 data all LECs are required to report. Some data for December 2007 have been revised.

[1] Included small business lines through December 2004.

[2] Excluded small business lines through December 2004.

Chart 2
Percent of Lines That Serve Residential Customers [1]



[1] Included small business lines through December 2004.

Table 3
Reporting Competitive Local Exchange Carriers
(End-User Switched Access Lines in Thousands)

Date	CLECs Reporting	Total End-User Lines	Acquired from Other Carriers		CLEC-Owned	Percent		
			Resold Lines	UNEs [1]	Lines [2]	Resold	UNEs	CLEC-Owned
Dec 1999	81	8,194	3,513	1,959	2,723	42.9%	23.9%	33.2%
Jun 2000	78	11,557	4,315	3,201	4,042	37.3	27.7	35.0
Dec 2000	89	14,871	4,114	5,540	5,217	27.7	37.3	35.1
Jun 2001	91	17,275	3,919	7,580	5,776	22.7	43.9	33.4
Dec 2001	94	19,653	4,250	9,332	6,072	21.6	47.5	30.9
Jun 2002	96	21,645	4,478	10,930	6,236	20.7	50.5	28.8
Dec 2002	112	24,864	4,677	13,709	6,479	18.8	55.1	26.1
Jun 2003	125	26,985	4,887	15,728	6,370	18.1	58.3	23.6
Dec 2003	136	29,775	4,842	17,888	7,045	16.3	60.1	23.7
Jun 2004	137	32,034	4,927	19,624	7,483	15.4	61.3	23.4
Dec 2004	149	32,881	5,417	18,961	8,503	16.5	57.7	25.9
Jun 2005	326	33,975	5,826	19,025	9,124	17.1	56.0	26.9
Dec 2005	382	31,388	6,704	14,521	10,163	21.4	46.3	32.4
Jun 2006	400	29,896	6,548	12,547	10,802	21.9	42.0	36.1
Dec 2006	397	28,626	5,819	11,663	11,144	20.3	40.7	38.9
Jun 2007	406	28,729	6,193	11,511	11,025	21.6	40.1	38.4
Dec 2007	443	28,725	6,430	10,582	11,713	22.4	36.8	40.8
Jun 2008	469	30,049	6,073	10,884	13,093	20.2	36.2	43.6

Only LECs with at least 10,000 lines in a state were required to report through December 2004. Beginning with the June 2005 data all LECs are required to report. Figures may not add to totals due to rounding. Some data for December 2007 have been revised.

[1] Includes unbundled network element (UNE) loops leased from an unaffiliated carrier on a stand-alone basis and also UNE loops leased in combination with UNE switching or any other unbundled network element.

[2] Lines provided over CLEC-owned "last-mile" facilities.

Chart 3
Competitive Local Exchange Carriers' End-User Lines

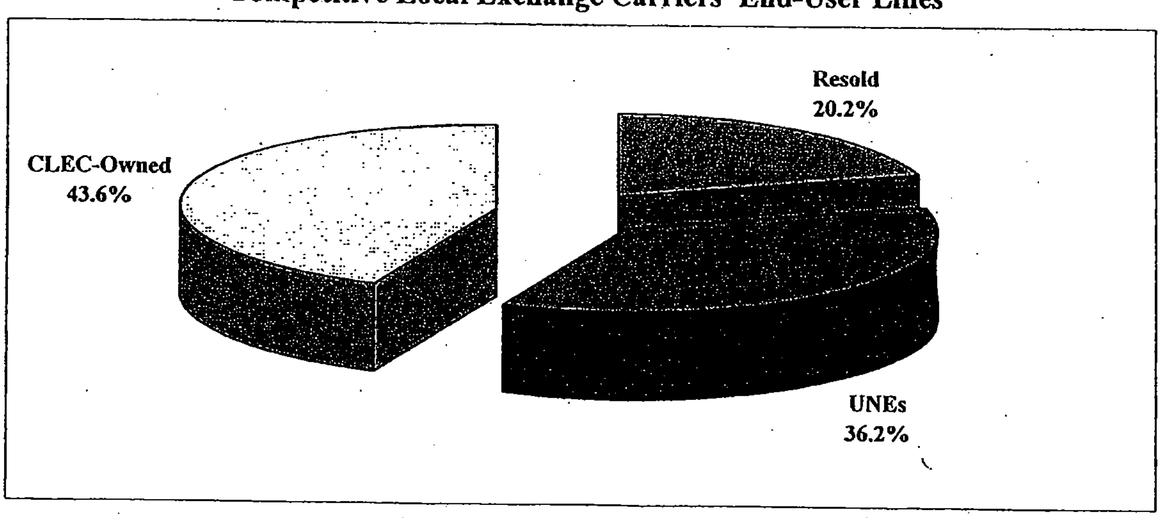


Table 4
Reporting Incumbent Local Exchange Carriers
(Switched Access Lines in Thousands)

Date [1]	ILECs Reporting	Total Lines	End-User Lines	Provided to Other Carriers					
				Resold Lines	UNEs			Total UNEs & Resold Lines	Percent of Total Lines
					Without Switching	With Switching	Total UNEs		
Dec 1997	9	159,008	157,132	1,743			133	1,876	1.2 %
Jun 1998	8	161,810	159,118	2,448			244	2,692	1.7
Dec 1998	7	164,614	161,191	3,062			361	3,423	2.1
Jun 1999	7	167,177	162,909	3,583			685	4,268	2.6
Dec 1999	168	187,190	181,203	4,494	1,004	489	1,493	5,987	3.2
Jun 2000	159	188,058	179,649	5,098	1,696	1,616	3,312	8,409	4.5
Dec 2000	166	188,223	177,561	5,388	2,436	2,838	5,274	10,662	5.7
Jun 2001	156	187,092	174,752	4,417	3,161	4,761	7,922	12,340	6.6
Dec 2001	164	185,391	171,917	4,014	3,679	5,781	9,460	13,474	7.3
Jun 2002	166	182,345	167,330	3,475	4,061	7,478	11,540	15,015	8.2
Dec 2002	174	181,616	164,386	2,743	4,259	10,227	14,487	17,229	9.5
Jun 2003	181	177,770	158,275	2,232	4,227	13,036	17,263	19,495	11.0
Dec 2003	185	174,453	153,158	1,833	4,287	15,176	19,463	21,296	12.2
Jun 2004	185	171,050	147,993	1,600	4,322	17,136	21,458	23,057	13.5
Dec 2004	190	167,063	144,810	1,490	4,217	16,546	20,763	22,253	13.3
Jun 2005	757	164,449	143,758	1,796	4,300	14,596	18,895	20,691	12.6
Dec 2005	807	160,881	143,773	1,793	4,469	10,846	15,315	17,108	10.6
Jun 2006	805	156,872	142,293	1,723	4,413	8,443	12,856	14,579	9.3
Dec 2006	814	151,958	138,834	1,613	4,408	7,103	11,511	13,124	8.6
Jun 2007	816	146,672	134,640	1,517	4,285	6,230	10,515	12,032	8.2
Dec 2007	805	140,808	129,693	1,460	4,122	5,534	9,655	11,115	7.9
Jun 2008	800	134,846	124,606	1,473	3,827	4,941	8,768	10,241	7.6

Figures may not add to totals due to rounding. Some data for December 2007 have been revised.

[1] Data prior to December 1999 are from Common Carrier Bureau voluntary surveys. Only LECs with at least 10,000 lines in a state were required to report data for December 1999 through December 2004, after which all LECs are required to report.

Chart 4
ILEC Lines and the Percent Provided to Other Carriers

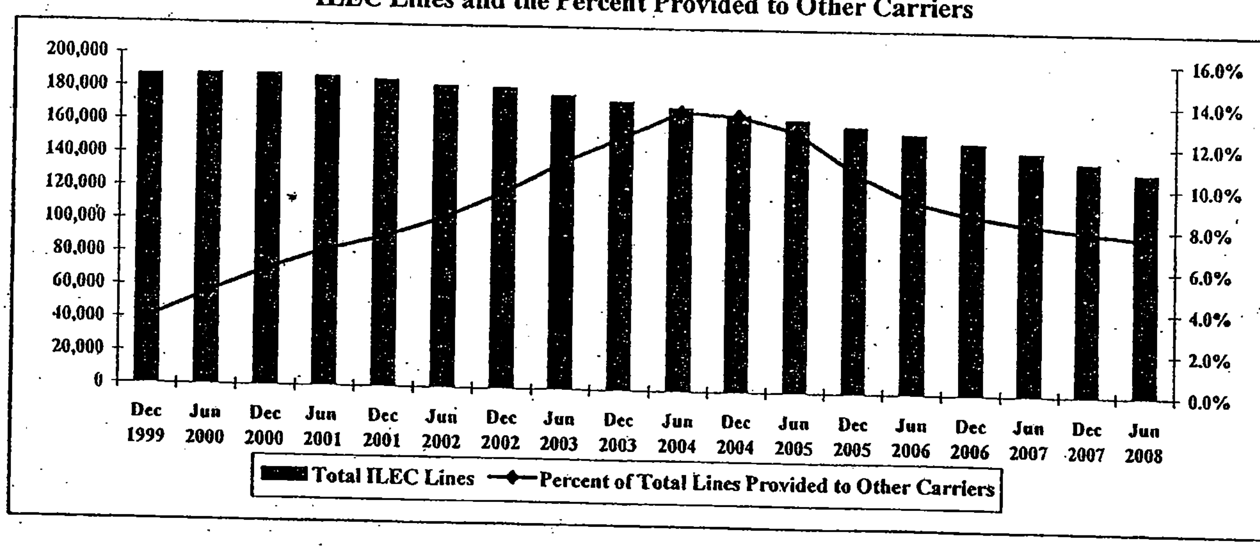


Table 5
Competitive Local Exchange Carrier Lines by Type of Technology
(End-User Switched Access Lines in Thousands)

Date	Coaxial Cable	Other Technologies	Total	Percent Coaxial Cable
Dec 1999	308	7,886	8,194	3.8 %
Jun 2000	614	10,943	11,557	5.3
Dec 2000	1,125	13,746	14,871	7.6
Jun 2001	1,876	15,399	17,275	10.9
Dec 2001	2,246	17,408	19,653	11.4
Jun 2002	2,597	19,048	21,645	12.0
Dec 2002	3,071	21,793	24,864	12.4
Jun 2003	3,123	23,863	26,985	11.6
Dec 2003	3,301	26,474	29,775	11.1
Jun 2004	3,338	28,696	32,034	10.4
Dec 2004	3,706	29,174	32,881	11.3
Jun 2005	4,571	29,404	33,975	13.5
Dec 2005	5,100	26,287	31,388	16.2
Jun 2006	6,070	23,826	29,896	20.3
Dec 2006	6,751	21,875	28,626	23.6
Jun 2007	7,730	21,000	28,729	26.9
Dec 2007	8,385	20,340	28,725	29.2
Jun 2008	9,352	20,697	30,049	31.1

Only LECs with at least 10,000 lines in a state were required to report through December 2004. Beginning with the June 2005 data all LECs are required to report. Some data for December 2007 have been revised.

Chart 5
Competitive Local Exchange Carrier Lines by Type of Technology
(End-User Switched Access Lines in Thousands)

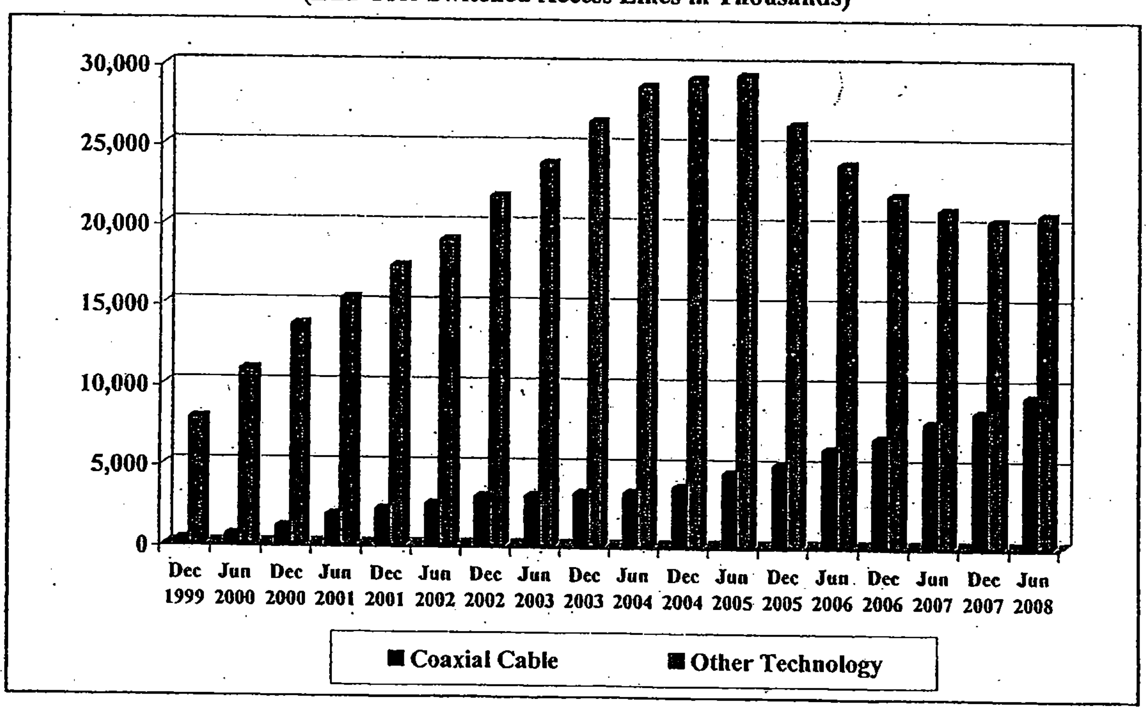


Table 6
Presubscribed Interstate Long Distance Lines
(In Thousands)

	June 30, 2008				
	RBOC	**Other ILEC**	**ILEC Total**	**CLEC**	**Total**
Residential					
Presubscribed	40,690	10,236	50,926	10,944	61,870
Not Presubscribed	20,847	5,684	26,531	1,451	27,983
All Lines	61,537	15,920	77,457	12,396	89,853
Percent Presubscribed	66%	64%	66%	88%	69%
Business					
Presubscribed	20,077	2,893	22,970	12,698	35,668
Not Presubscribed	20,508	3,671	24,178	4,956	27,983
All Lines	40,585	6,564	47,149	17,654	64,802
Percent Presubscribed	49%	44%	49%	72%	55%
Total					
Presubscribed	60,767	13,129	73,896	23,642	97,538
Not Presubscribed	41,355	9,355	50,709	6,407	57,117
All Lines	102,122	22,484	124,606	30,049	154,655
Percent Presubscribed	60%	58%	59%	79%	63%
	December 31, 2007				
	RBOC	**Other ILEC**	**ILEC Total**	**CLEC**	**Total**
Residential					
Presubscribed	43,600	9,953	53,553	10,494	64,048
Not Presubscribed	22,498	5,747	28,245	1,556	29,801
All Lines	66,098	15,700	81,798	12,051	93,849
Percent Presubscribed	66%	63%	65%	87%	68%
Business					
Presubscribed	20,591	2,691	23,282	11,753	35,035
Not Presubscribed	20,993	3,619	24,612	4,922	29,801
All Lines	41,584	6,310	47,894	16,675	64,569
Percent Presubscribed	50%	43%	49%	70%	54%
Total					
Presubscribed	64,191	12,645	76,836	22,247	99,083
Not Presubscribed	43,491	9,366	52,857	6,478	59,335
All Lines	107,682	22,010	129,693	28,725	158,418
Percent Presubscribed	60%	57%	59%	77%	63%

Figures may not add to totals due to rounding. Some data for December 2007 have been revised.

Table 7
End-User Switched Access Lines Served by Reporting Local Exchange Carriers
(As of June 30, 2008)

State	ILECs	CLECs	Total	CLEC Share
Alabama	1,860,990	352,315	2,213,305	16 %
Alaska	294,400	*	*	*
American Samoa	10,523	0	10,523	0
Arizona	1,942,613	1,128,827	3,071,440	37
Arkansas	1,069,106	174,970	1,244,076	14
California	17,149,129	3,100,548	20,249,677	15
Colorado	1,973,364	448,513	2,421,877	19
Connecticut	1,632,418	291,481	1,923,899	15
Delaware	396,400	84,691	481,091	18
District of Columbia	787,537	136,080	923,617	15
Florida	7,932,251	1,276,387	9,208,638	14
Georgia	3,674,523	764,062	4,438,585	17
Guam	62,130	*	*	*
Hawaii	516,106	115,108	631,214	18
Idaho	608,538	78,804	687,342	11
Illinois	5,562,408	874,798	6,437,206	14
Indiana	2,665,296	313,043	2,978,339	11
Iowa	1,162,113	273,176	1,435,289	19
Kansas	977,368	375,357	1,352,725	28
Kentucky	1,542,330	331,113	1,873,443	18
Louisiana	1,709,563	449,000	2,158,563	21
Maine	578,667	181,045	759,712	24
Maryland	2,792,131	479,070	3,271,201	15
Massachusetts	2,609,427	870,843	3,480,270	25
Michigan	3,718,987	927,291	4,646,278	20
Minnesota	2,006,436	572,272	2,578,708	22
Mississippi	1,017,589	121,968	1,139,557	11
Missouri	2,567,972	470,523	3,038,495	15
Montana	406,450	96,131	502,581	19
Nebraska	606,104	273,966	880,070	31
Nevada	1,042,093	372,099	1,414,192	26
New Hampshire	507,413	167,073	674,486	25
New Jersey	3,936,466	866,469	4,802,935	18
New Mexico	783,261	75,038	858,299	9
New York	6,901,625	3,124,937	10,026,562	31
North Carolina	3,714,922	952,924	4,667,846	20
North Dakota	247,817	76,188	324,005	24
Northern Mariana Isl.	17,902	0	17,902	0
Ohio	4,536,900	1,365,001	5,901,901	23
Oklahoma	1,266,683	474,427	1,741,110	27
Oregon	1,358,675	300,482	1,659,157	18
Pennsylvania	5,493,866	1,423,145	6,917,011	21
Puerto Rico	785,674	186,449	972,123	19
Rhode Island	302,228	300,542	602,770	50
South Carolina	1,727,608	398,682	2,126,290	19
South Dakota	260,666	124,402	385,068	32
Tennessee	2,435,555	522,858	2,958,413	18
Texas	9,020,265	1,918,912	10,939,177	18
Utah	811,137	210,689	1,021,826	21
Vermont	323,463	46,692	370,155	13
Virgin Islands	62,446	0	62,446	0
Virginia	3,421,579	1,043,129	4,464,708	23
Washington	2,508,883	471,045	2,979,928	16
West Virginia	752,289	141,479	893,768	16
Wisconsin	2,335,642	744,475	3,080,117	24
Wyoming	217,615	50,515	268,130	19
Nationwide	124,605,542	30,049,305	154,654,847	19 %

* Data withheld to maintain firm confidentiality.

Table 8
Competitive Local Exchange Carrier Share of End-User Switched Access Lines

State	2001		2002		2003		2004		2005		2006		2007		2008
	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun
Alabama	5 %	5 %	5 %	9 %	11 %	13 %	15 %	16 %	16 %	15 %	16 %	13 %	13 %	14 %	16 %
Alaska	*	*	*	*	*	*	*	*	*	*	26	*	*	*	*
American Samoa	NA	NA	NA	NA	NA	NA	NA	NA	0	0	0	0	0	0	0
Arizona	7	9	11	12	16	22	25	25	27	30	30	32	33	34	37
Arkansas	*	*	*	10	*	11	12	12	13	11	12	13	14	14	14
California	7	8	9	11	13	15	16	17	18	13	13	14	14	14	15
Colorado	10	13	14	15	16	17	17	16	17	20	19	17	17	16	19
Connecticut	7	7	9	9	10	10	11	13	14	11	12	12	13	14	15
Delaware	0	0	*	*	9	12	16	16	20	20	18	18	19	17	18
District of Columbia	12	13	16	14	16	17	19	19	20	17	14	14	14	14	15
Florida	7	7	9	13	13	14	16	16	16	17	15	13	13	13	14
Georgia	10	11	13	15	17	18	19	20	21	18	19	14	16	16	17
Guam	NA	NA	NA	NA	NA	NA	NA	NA	NA	0	0	0	0	*	*
Hawaii	*	*	*	*	*	*	*	*	6	7	9	11	13	16	18
Idaho	*	*	*	*	5	6	7	7	10	10	11	10	11	11	11
Illinois	13	15	17	19	19	20	21	22	20	15	15	15	14	14	14
Indiana	5	5	7	8	9	13	14	13	14	10	10	10	9	9	11
Iowa	11	12	12	13	13	13	14	14	14	14	15	16	17	18	19
Kansas	8	9	12	17	21	21	22	24	25	21	24	23	25	26	28
Kentucky	*	*	*	4	5	8	11	11	14	15	16	15	16	19	18
Louisiana	4	4	5	7	9	10	12	14	19	17	18	16	17	18	21
Maine	*	*	*	*	8	10	14	18	20	20	16	16	17	20	24
Maryland	6	4	6	7	10	14	16	18	18	18	16	15	15	14	15
Massachusetts	12	15	16	16	18	21	23	25	25	25	24	24	23	24	25
Michigan	9	13	18	21	22	25	26	26	25	19	18	17	18	19	20
Minnesota	11	13	14	17	17	19	20	21	21	24	23	22	24	23	22
Mississippi	4	3	2	6	7	9	10	10	14	12	13	10	10	10	11
Missouri	6	7	8	10	10	11	13	13	14	11	13	13	14	14	15
Montana	*	*	*	*	3	4	4	4	8	10	12	14	16	18	19
Nebraska	*	12	16	18	20	21	22	25	25	26	27	28	29	30	31
Nevada	10	*	*	11	9	10	11	11	13	13	17	15	24	22	26
New Hampshire	8	10	13	14	16	17	20	23	25	25	24	23	23	23	25
New Jersey	4	5	6	10	15	19	20	22	22	21	17	18	17	17	18
New Mexico	*	*	*	*	*	*	8	8	8	7	8	8	8	8	9
New York	23	25	25	24	27	28	30	30	30	31	27	27	28	29	31
North Carolina	6	6	6	8	9	9	11	13	13	15	16	16	18	19	20
North Dakota	*	*	*	*	*	8	8	7	20	19	20	21	21	22	24
Northern Mariana Isl.	NA	NA	NA	NA	NA	NA	NA	NA	NA	0	0	0	0	0	0
Ohio	4	5	7	9	11	14	15	15	15	15	15	16	18	20	23
Oklahoma	6	8	10	11	11	14	13	16	18	18	20	21	23	25	27
Oregon	5	7	7	9	8	12	13	16	13	19	16	17	18	18	18
Pennsylvania	13	14	15	16	17	19	20	22	23	23	20	19	20	20	21
Puerto Rico	*	*	*	*	*	*	*	*	*	*	*	*	*	*	19
Rhode Island	10	16	18	21	25	28	32	35	40	42	43	46	47	48	50
South Carolina	4	3	5	7	9	9	10	11	13	13	15	14	16	17	19
South Dakota	*	*	*	*	14	18	*	*	30	33	33	30	30	31	32
Tennessee	8	8	7	9	10	11	14	15	16	17	18	15	16	17	18
Texas	14	16	16	17	18	18	19	19	19	16	16	17	16	17	18
Utah	11	13	13	15	19	20	23	24	23	22	24	21	22	20	21
Vermont	*	*	*	*	*	*	*	*	14	12	12	12	12	12	13
Virgin Islands	0	0	0	0	0	0	0	0	*	*	*	0	0	0	0
Virginia	9	11	12	12	14	17	20	21	21	22	21	22	22	23	23
Washington	6	8	9	10	10	11	13	14	14	14	14	14	15	14	16
West Virginia	*	*	*	*	*	*	*	11	12	12	12	13	13	14	16
Wisconsin	9	11	12	13	15	18	19	18	19	18	19	20	21	23	24
Wyoming	*	*	*	*	*	*	*	*	11	12	14	15	17	18	19
Nationwide	9 %	10 %	11 %	13 %	15 %	16 %	18 %	18 %	19 %	18 %	17 %	17 %	18 %	18 %	19 %

* Data withheld to maintain firm confidentiality. NA is an abbreviation for not applicable. Some data for December 2007 have been revised.

Only LECs with at least 10,000 lines in a state were required to report through December 2004. Beginning with the June 2005 data all LECs are required to report.

Table 9
End-User Switched Access Lines Served by Reporting Competitive Local Exchange Carriers

State	2001	2002	2003	2004	2005	2006		2007		2008
	Jun	Jun	Jun	Jun	Jun	Jun	Dec	Jun	Dec	Jun
Alabama	121,059	118,721	265,556	365,060	393,856	365,944	300,675	297,649	315,229	352,315
Alaska	*	*	*	*	*	116,432	*	*	*	*
American Samoa	0	0	0	0	0	0	0	0	0	0
Arizona	231,777	354,592	519,128	814,194	864,526	970,453	1,017,866	1,042,689	1,070,962	1,128,827
Arkansas	*	*	*	162,996	181,656	162,545	166,346	178,090	173,107	174,970
California	1,668,232	2,158,878	3,046,959	3,774,501	4,030,126	2,900,279	3,045,769	2,898,469	2,984,085	3,100,548
Colorado	325,983	434,125	495,007	498,583	496,728	528,727	452,270	425,205	394,574	448,513
Connecticut	164,379	222,815	234,372	272,385	316,131	261,681	261,499	260,817	264,784	291,481
Delaware	0	*	53,473	92,810	121,800	101,513	100,159	99,237	84,588	84,691
District of Columbia	124,630	161,114	174,584	215,421	222,977	144,600	143,615	137,088	130,863	136,080
Florida	864,892	1,035,417	1,552,996	1,785,001	1,744,981	1,617,538	1,339,771	1,298,169	1,264,763	1,276,387
Georgia	515,730	704,651	861,156	977,358	1,032,383	909,236	654,696	729,770	725,125	764,062
Guam	0	0	0	0	0	0	0	0	*	*
Hawaii	*	*	*	*	38,447	60,696	74,309	87,551	103,498	115,108
Idaho	*	*	33,864	47,398	77,018	80,698	76,063	78,053	74,962	78,804
Illinois	1,113,112	1,468,057	1,616,765	1,672,522	1,601,784	1,139,239	1,075,230	949,607	908,594	874,798
Indiana	180,221	252,722	348,159	501,936	493,450	338,113	335,322	292,751	283,833	313,043
Iowa	164,637	190,869	195,860	199,115	216,229	229,603	238,161	250,859	268,858	273,176
Kansas	121,294	176,322	318,862	316,946	362,494	346,533	327,099	349,366	358,278	375,357
Kentucky	*	*	97,288	218,810	302,425	337,467	313,256	327,737	370,671	331,113
Louisiana	108,820	115,220	212,363	283,333	459,748	394,199	357,862	363,022	383,465	449,000
Maine	*	*	70,275	113,957	168,895	134,610	122,984	135,213	150,079	181,045
Maryland	211,499	232,793	379,961	615,757	716,741	590,557	552,190	527,181	475,200	479,070
Massachusetts	576,442	736,932	846,276	997,760	1,089,068	978,953	928,137	865,351	844,441	870,843
Michigan	583,653	1,211,379	1,384,973	1,575,267	1,482,865	992,598	882,821	923,265	892,684	927,291
Minnesota	353,245	443,739	534,965	604,152	643,452	675,623	641,373	658,897	612,880	572,272
Mississippi	51,496	22,966	93,912	131,218	174,913	161,058	124,832	125,099	112,407	121,968
Missouri	224,442	279,342	334,319	430,538	451,936	425,768	402,764	436,388	447,830	470,523
Montana	*	*	17,473	19,204	43,205	61,726	71,746	82,330	93,177	96,131
Nebraska	*	159,617	190,754	205,560	228,138	244,058	248,839	257,518	265,020	273,966
Nevada	144,453	*	132,684	149,735	185,347	245,553	218,960	355,806	306,513	372,099
New Hampshire	67,315	109,610	136,510	170,433	217,847	195,539	182,196	171,449	165,481	167,073
New Jersey	300,594	396,865	1,009,996	1,319,513	1,389,235	993,630	977,119	896,827	859,086	866,469
New Mexico	*	*	*	76,469	75,643	76,512	75,169	76,701	72,931	75,038
New York	3,138,133	3,259,221	3,478,918	3,684,036	3,574,947	3,043,468	2,941,533	2,867,919	2,940,611	3,124,937
North Carolina	323,594	328,715	443,600	576,538	627,184	797,793	767,508	846,146	887,960	952,924
North Dakota	*	*	*	22,502	68,767	68,351	70,031	70,727	70,767	76,188
Northern Mariana Isl.	0	0	0	0	0	0	0	0	0	0
Ohio	280,088	510,623	754,020	979,885	981,363	963,094	962,245	1,068,758	1,170,979	1,365,001
Oklahoma	125,912	203,028	217,854	242,737	328,505	361,715	387,450	419,998	445,128	474,427
Oregon	118,425	154,492	167,965	267,121	260,065	305,519	317,921	325,293	308,306	300,482
Pennsylvania	1,122,623	1,329,357	1,413,458	1,706,036	1,877,661	1,572,224	1,437,452	1,520,708	1,407,131	1,423,145
Puerto Rico	*	*	*	*	*	*	*	*	*	186,449
Rhode Island	69,237	119,112	167,714	213,787	267,486	275,526	287,218	291,057	289,737	*300,542
South Carolina	90,241	121,331	204,252	226,284	290,102	329,943	321,155	348,666	369,062	398,682
South Dakota	*	*	49,243	*	128,053	135,275	119,025	116,651	119,051	124,402
Tennessee	272,211	247,056	349,588	475,312	538,227	575,957	464,505	483,262	510,117	522,858
Texas	1,891,131	2,170,914	2,266,028	2,320,273	2,332,263	1,905,521	1,968,836	1,858,766	1,943,573	1,918,912
Utah	145,603	161,193	235,170	288,009	280,696	281,796	244,772	242,423	211,581	210,689
Vermont	*	*	*	*	60,569	49,094	47,827	47,415	47,368	46,692
Virgin Islands	0	0	0	0	*	*	0	0	0	0
Virginia	402,528	558,206	738,479	994,588	1,058,163	1,046,894	1,031,839	1,048,063	1,034,298	1,043,129
Washington	229,693	358,933	386,104	494,375	505,432	506,360	479,283	479,502	427,850	471,045
West Virginia	*	*	*	*	117,620	117,009	119,160	121,173	132,252	141,479
Wisconsin	322,735	420,200	526,343	626,809	644,787	611,912	652,562	683,624	709,494	744,475
Wyoming	*	*	*	*	30,425	39,443	43,552	46,164	48,391	50,515
Total	17,274,727	21,644,928	26,985,345	32,033,915	33,975,336	29,896,109	28,625,971	28,729,220	28,725,315	30,049,305

* Data withheld to maintain firm confidentiality.

Only LECs with at least 10,000 lines in a state were required to report through December 2004. Beginning with the June 2005 data all LECs are required to report.
Some data for December 2007 have been revised.

Table 10

End-User Switched Access Lines Served by Reporting Incumbent Local Exchange Carriers

State	2001	2002	2003	2004	2005	2006		2007		2008
	Jun	Jun	Jun	Jun	Jun	Jun	Dec	Jun	Dec	Jun
Alabama	2,413,440	2,330,940	2,183,237	1,997,058	2,024,441	1,978,871	2,016,443	1,982,341	1,990,748	1,860,990
Alaska	365,242	341,753	318,056	309,016	328,415	324,892	321,138	317,632	300,601	294,400
American Samoa	0	0	0	0	10,659	11,008	10,737	10,705	10,427	10,523
Arizona	3,062,586	2,947,967	2,700,186	2,415,432	2,325,669	2,226,531	2,175,239	2,109,166	2,035,188	1,942,613
Arkansas	1,412,863	1,304,659	1,220,542	1,172,200	1,216,081	1,192,839	1,163,744	1,131,562	1,104,667	1,069,106
California	23,103,077	22,315,423	20,645,363	19,478,761	18,944,739	19,479,382	18,926,123	18,485,441	17,864,058	17,149,129
Colorado	2,805,532	2,717,320	2,557,814	2,439,132	2,370,884	2,276,358	2,206,511	2,133,138	2,056,820	1,973,364
Connecticut	2,363,687	2,305,082	2,219,140	2,102,689	1,984,587	1,928,048	1,848,934	1,784,922	1,680,726	1,632,418
Delaware	567,381	537,498	546,684	497,466	478,837	467,676	450,371	432,092	413,943	396,400
District of Columbia	887,590	829,592	932,576	915,583	894,341	891,832	854,986	832,308	797,348	787,537
Florida	11,211,674	10,603,872	10,133,865	9,633,565	9,345,496	9,013,194	8,974,705	8,707,976	8,356,113	7,932,251
Georgia	4,905,002	4,604,834	4,308,760	4,044,935	3,972,427	3,843,615	4,045,038	3,956,794	3,823,945	3,674,523
Guam	0	0	0	0	0	67,721	68,091	66,984	65,532	62,130
Hawaii	739,979	729,239	707,634	683,146	643,998	608,403	583,800	562,078	541,030	516,106
Idaho	732,814	707,180	687,342	666,914	682,165	666,382	664,163	651,097	628,434	608,538
Illinois	7,558,613	7,322,494	6,741,172	6,326,988	6,214,096	6,354,337	6,154,122	5,975,780	5,772,625	5,562,408
Indiana	3,576,710	3,542,715	3,327,235	3,095,055	3,070,315	3,079,875	2,971,103	2,874,513	2,765,611	2,665,296
Iowa	1,379,872	1,357,155	1,296,148	1,232,364	1,355,951	1,301,575	1,273,178	1,245,227	1,199,854	1,162,113
Kansas	1,441,940	1,324,804	1,186,953	1,102,696	1,110,300	1,100,313	1,073,934	1,046,251	1,012,435	977,368
Kentucky	2,170,191	2,141,611	2,024,894	1,841,495	1,791,507	1,731,842	1,725,176	1,684,001	1,616,405	1,542,330
Louisiana	2,505,961	2,428,935	2,251,091	2,040,518	1,953,820	1,800,472	1,825,156	1,801,337	1,758,675	1,709,563
Maine	801,649	768,216	775,378	690,024	688,379	692,360	669,004	649,459	611,057	578,667
Maryland	3,599,027	3,488,961	3,541,493	3,239,029	3,173,227	3,166,012	3,079,098	2,984,383	2,886,157	2,792,131
Massachusetts	4,131,520	3,804,513	3,771,142	3,432,038	3,245,760	3,075,544	2,927,081	2,829,937	2,711,816	2,609,427
Michigan	6,027,730	5,498,139	4,819,294	4,487,619	4,410,849	4,490,783	4,303,103	4,118,050	3,895,173	3,718,987
Minnesota	2,861,684	2,804,937	2,572,413	2,377,827	2,384,842	2,273,378	2,209,799	2,137,158	2,078,200	2,006,436
Mississippi	1,356,136	1,332,853	1,235,339	1,148,580	1,117,163	1,089,448	1,108,030	1,090,688	1,035,350	1,017,589
Missouri	3,446,252	3,262,072	3,067,732	2,906,801	2,892,074	2,841,990	2,777,895	2,722,229	2,649,833	2,567,972
Montana	527,989	514,353	500,865	482,548	487,046	460,058	445,368	434,740	416,389	406,450
Nebraska	931,979	867,474	775,829	736,257	692,446	661,351	643,858	627,976	623,671	606,104
Nevada	1,366,124	1,351,282	1,304,641	1,272,060	1,251,993	1,233,166	1,200,201	1,158,231	1,106,314	1,042,093
New Hampshire	775,864	741,553	723,408	670,480	645,599	624,466	597,625	575,471	545,538	507,413
New Jersey	6,707,243	6,226,079	5,766,555	5,148,627	4,846,691	4,784,134	4,543,272	4,354,251	4,136,613	3,936,466
New Mexico	977,439	969,763	940,232	894,345	902,178	876,787	859,647	834,387	815,565	783,261
New York	10,689,293	9,806,596	9,588,446	8,685,767	8,292,109	8,297,089	7,900,420	7,416,834	7,067,751	6,901,625
North Carolina	5,040,317	4,942,113	4,682,253	4,440,280	4,239,339	4,059,971	4,067,105	3,973,280	3,846,867	3,714,922
North Dakota	312,573	303,326	280,507	265,881	280,323	271,969	267,339	261,387	253,392	247,817
Northern Mariana Isl	0	0	0	0	0	21,313	20,644	19,406	18,437	17,902
Ohio	6,876,434	6,705,911	6,131,768	5,697,351	5,504,901	5,367,588	5,167,995	4,973,233	4,762,633	4,536,900
Oklahoma	1,923,027	1,822,278	1,679,984	1,591,936	1,534,575	1,469,601	1,425,484	1,375,337	1,320,625	1,266,683
Oregon	2,079,221	2,005,347	1,871,970	1,743,918	1,672,650	1,627,341	1,561,802	1,501,815	1,429,395	1,358,675
Pennsylvania	7,818,599	7,288,959	7,146,626	6,638,982	6,400,366	6,385,263	6,174,592	5,953,091	5,775,167	5,493,866
Puerto Rico	1,300,665	1,288,718	1,212,779	1,111,894	1,047,636	1,035,002	993,726	916,442	808,542	785,674
Rhode Island	604,128	547,728	509,749	448,853	394,144	362,993	339,641	327,155	312,110	302,228
South Carolina	2,239,383	2,253,384	2,143,712	2,025,422	1,895,283	1,907,925	1,908,827	1,865,872	1,798,294	1,727,608
South Dakota	338,834	314,755	296,879	271,682	297,036	279,589	278,416	275,687	268,279	260,666
Tennessee	3,352,224	3,232,548	3,042,739	2,818,771	2,727,436	2,675,649	2,695,269	2,618,129	2,537,205	2,435,555
Texas	11,496,247	11,006,831	10,451,045	10,139,446	9,730,233	9,958,460	9,738,139	9,608,287	9,329,202	9,020,265
Utah	1,149,667	1,090,791	1,019,089	940,678	917,429	915,178	894,463	863,672	843,787	811,137
Vermont	399,084	383,917	385,901	366,716	369,720	369,731	362,375	355,423	340,436	323,463
Virgin Islands	70,426	71,984	71,132	70,672	70,462	69,272	68,269	67,321	63,763	62,446
Virginia	4,203,412	4,276,468	4,366,897	4,075,297	3,924,917	3,843,853	3,734,171	3,642,470	3,540,075	3,421,579
Washington	3,751,683	3,622,857	3,452,669	3,276,000	3,136,578	2,993,977	2,868,067	2,762,458	2,643,115	2,508,883
West Virginia	980,575	940,483	962,417	912,228	891,492	852,152	827,656	806,214	780,154	752,289
Wisconsin	3,151,854	3,145,341	2,953,647	2,754,836	2,725,490	2,669,652	2,604,820	2,515,546	2,422,046	2,335,642
Wyoming	259,839	256,403	241,316	235,360	248,614	244,836	238,035	232,779	224,700	217,615
Total	174,752,275	167,330,006	158,274,538	147,993,218	143,757,708	142,293,047	138,833,928	134,640,143	129,692,836	124,605,542

Only LECs with at least 10,000 lines in a state were required to report through December 2004. Beginning with the June 2005 data all LECs are required to report. Some data for December 2007 have been revised.

Table 11
CLEC-Reported End-User Switched Access Lines by State
(As of June 30, 2008)

State	Resold Lines	UNEs	CLEC-Owned	Total
Alabama	50,521	196,427	105,367	352,315
Alaska	*	*	*	*
American Samoa	0	0	0	0
Arizona	159,392	168,373	801,062	1,128,827
Arkansas	6,065	56,714	112,191	174,970
California	707,679	884,212	1,508,657	3,100,548
Colorado	116,669	206,941	124,903	448,513
Connecticut	50,966	97,618	142,897	291,481
Delaware	30,697	47,285	6,709	84,691
District of Columbia	57,293	32,438	46,349	136,080
Florida	398,908	631,875	245,604	1,276,387
Georgia	134,401	370,575	259,086	764,062
Guam	*	*	*	*
Hawaii	28,377	4,841	81,890	115,108
Idaho	24,602	34,696	19,506	78,804
Illinois	109,347	498,956	266,495	874,798
Indiana	31,006	142,616	139,421	313,043
Iowa	47,398	63,115	162,663	273,176
Kansas	28,893	105,548	240,916	375,357
Kentucky	60,031	105,935	165,147	331,113
Louisiana	34,667	139,360	274,973	449,000
Maine	27,805	67,339	85,901	181,045
Maryland	203,330	229,940	45,800	479,070
Massachusetts	316,556	341,003	213,284	870,843
Michigan	53,397	536,781	337,113	927,291
Minnesota	121,518	250,175	200,579	572,272
Mississippi	32,116	68,331	21,521	121,968
Missouri	39,031	163,563	267,929	470,523
Montana	9,447	12,579	74,105	96,131
Nebraska	*	*	215,712	273,966
Nevada	81,261	82,341	208,497	372,099
New Hampshire	41,313	89,963	35,797	167,073
New Jersey	436,041	321,389	109,039	866,469
New Mexico	31,616	24,273	19,149	75,038
New York	840,788	924,969	1,359,180	3,124,937
North Carolina	116,102	246,403	590,419	952,924
North Dakota	4,491	20,326	51,371	76,188
Northern Mariana Isl.	0	0	0	0
Ohio	111,050	347,616	906,335	1,365,001
Oklahoma	18,435	109,185	346,807	474,427
Oregon	49,234	208,960	42,288	300,482
Pennsylvania	426,809	649,133	347,203	1,423,145
Puerto Rico	70,183	0	116,266	186,449
Rhode Island	*	38,918	*	300,542
South Carolina	36,690	148,654	213,338	398,682
South Dakota	6,442	7,780	110,180	124,402
Tennessee	97,807	216,373	208,678	522,858
Texas	241,814	811,320	865,778	1,918,912
Utah	52,708	130,035	27,946	210,689
Vermont	*	21,733	*	46,692
Virgin Islands	0	0	0	0
Virginia	263,765	295,180	484,184	1,043,129
Washington	115,949	251,781	103,315	471,045
West Virginia	21,582	85,768	34,129	141,479
Wisconsin	24,533	333,281	386,661	744,475
Wyoming	2,483	10,413	37,619	50,515
Total	6,072,664	10,883,683	13,092,958	30,049,305

* Data withheld to maintain firm confidentiality.

Table 12
Percentage of Lines Provided to Residential Customers

State	ILECs		CLECs		Total	
	Dec 2007	Jun 2008	Dec 2007	Jun 2008	Dec 2007	Jun 2008
Alabama	70	69	40	40	65	64
Alaska	53	52	*	*	*	*
American Samoa	54	54	NA	NA	54	54
Arizona	63	61	63	62	63	62
Arkansas	67	66	40	40	63	62
California	60	59	44	45	57	57
Colorado	66	65	15	12	58	56
Connecticut	62	61	39	39	59	58
Delaware	62	61	25	22	56	54
District of Columbia	23	22	15	14	22	21
Florida	65	64	19	17	59	58
Georgia	61	60	30	31	56	55
Guam	52	51	*	*	*	*
Hawaii	61	60	51	53	59	59
Idaho	67	66	25	24	62	61
Illinois	57	57	30	28	54	53
Indiana	66	65	31	36	62	62
Iowa	69	68	64	62	68	67
Kansas	61	60	63	61	61	60
Kentucky	66	65	65	59	66	64
Louisiana	63	63	58	55	63	61
Maine	75	75	52	52	70	69
Maryland	57	56	31	29	53	52
Massachusetts	60	59	28	21	53	50
Michigan	59	58	55	59	58	58
Minnesota	70	70	35	25	62	60
Mississippi	66	65	41	38	63	62
Missouri	67	66	55	55	65	65
Montana	67	66	64	66	67	66
Nebraska	58	58	58	58	58	58
Nevada	62	61	48	46	59	57
New Hampshire	72	71	19	15	60	57
New Jersey	59	58	26	22	53	52
New Mexico	69	68	20	19	65	64
New York	61	60	45	43	56	55
North Carolina	66	65	50	53	63	63
North Dakota	68	68	61	64	67	67
Northern Mariana Isl.	49	48	NA	NA	49	48
Ohio	65	64	62	64	65	64
Oklahoma	65	64	64	66	65	65
Oregon	71	70	13	10	61	59
Pennsylvania	68	68	23	19	60	58
Puerto Rico	84	75	*	14	*	63
Rhode Island	64	63	60	60	62	62
South Carolina	68	67	49	51	65	64
South Dakota	64	64	71	71	66	66
Tennessee	68	67	29	31	62	61
Texas	63	62	46	45	60	59
Utah	66	65	15	14	56	55
Vermont	73	72	11	10	66	65
Virgin Islands	68	68	NA	NA	68	68
Virginia	58	57	45	42	55	54
Washington	68	67	15	15	60	59
West Virginia	77	77	24	28	70	69
Wisconsin	62	62	61	61	62	62
Wyoming	57	56	78	76	60	60
Nationwide	63	62	42	41	59	58

* Data withheld to maintain firm confidentiality. NA is an abbreviation for not applicable. Some data for December 2007 have been revised.

Table 13
Number of Reporting Local Exchange Carriers
(As of June 30, 2008)

State	ILECs	CLECs	Total
Alabama	20	51	71
Alaska	15	4	19
American Samoa	1	0	1
Arizona	13	29	42
Arkansas	19	35	54
California	15	55	70
Colorado	22	35	57
Connecticut	2	23	25
Delaware	1	28	29
District of Columbia	1	28	29
Florida	11	86	97
Georgia	26	65	91
Guam	1	2	3
Hawaii	2	7	9
Idaho	21	24	45
Illinois	43	71	114
Indiana	30	54	84
Iowa	137	57	194
Kansas	36	48	84
Kentucky	17	64	81
Louisiana	11	41	52
Maine	9	27	36
Maryland	2	50	52
Massachusetts	4	43	47
Michigan	27	55	82
Minnesota	60	57	117
Mississippi	14	51	65
Missouri	35	46	81
Montana	15	24	39
Nebraska	32	29	61
Nevada	14	28	42
New Hampshire	8	25	33
New Jersey	3	58	61
New Mexico	16	25	41
New York	27	63	90
North Carolina	20	58	78
North Dakota	20	23	43
Northern Mariana Isl.	1	0	1
Ohio	35	61	96
Oklahoma	35	43	78
Oregon	27	38	65
Pennsylvania	24	59	83
Puerto Rico	1	5	6
Rhode Island	1	22	23
South Carolina	17	53	70
South Dakota	26	23	49
Tennessee	19	50	69
Texas	51	77	128
Utah	11	23	34
Vermont	7	17	24
Virgin Islands	1	0	1
Virginia	14	47	61
Washington	18	43	61
West Virginia	7	25	32
Wisconsin	44	51	95
Wyoming	11	17	28
Nationwide - Unduplicated	800	469	1,269

Each report represents all of a company's operations in a given state. Carriers with both ILEC and CLEC operations in the same state provide separate reports.

Table 14
Mobile Wireless Telephone Subscribers[1]

State	Jun 2008		Subscribers								
	Carriers[1]	Percent Resold[2]	2001	2002	2003	2004	2005	2006	2007		2008
			Jun	Jun	Jun	Jun	Jun	Jun	Jun	Dec	Jun
Alabama	12	6 %	1,930,631	2,027,845	2,100,557	2,301,847	2,874,367	3,275,933	3,605,490	3,765,194	3,887,016
Alaska	7	11	218,424	242,133	*	307,323	340,507	397,429	431,653	459,703	480,069
American Samoa	*	*	0	0	0	*	*	*	*	*	*
Arizona	9	9	2,018,410	2,412,998	2,643,952	3,079,657	3,542,844	4,153,491	4,637,471	4,799,648	4,935,640
Arkansas	6	9	891,275	1,130,302	1,351,291	1,376,564	1,680,975	1,924,313	2,149,312	2,288,049	2,446,414
California	12	6	14,184,625	16,007,376	18,892,619	21,575,797	24,572,034	27,496,682	30,203,842	32,247,015	31,946,342
Colorado	9	10	1,983,405	2,247,166	2,426,929	2,727,910	3,040,589	3,428,381	3,756,215	3,967,902	4,065,993
Connecticut	4	6	1,418,367	1,577,873	1,791,944	2,064,204	2,328,966	2,582,367	2,786,594	2,883,780	2,958,633
Delaware	4	8	389,284	433,059	503,353	593,452	585,113	650,328	724,342	750,793	774,709
Dist. of Columbia	4	8	382,457	415,399	520,182	555,958	752,548	878,846	965,816	935,808	1,047,428
Florida	9	7	7,536,670	8,607,715	10,252,348	11,916,615	12,619,929	14,176,756	15,255,433	15,604,856	15,809,443
Georgia	10	5	4,076,119	4,300,831	4,709,288	5,332,517	6,001,411	6,865,466	7,598,387	7,940,514	8,142,364
Guam	*	*	*	*	*	*	*	*	*	*	*
Hawaii	4	4	543,283	640,247	732,262	819,262	934,405	1,010,341	1,066,608	1,096,181	1,115,274
Idaho	16	8	398,781	500,693	572,406	653,779	773,893	901,455	1,018,617	1,085,776	1,125,104
Illinois	10	7	5,621,044	5,409,370	6,834,217	7,529,966	8,227,185	9,147,657	9,949,126	10,330,274	10,633,730
Indiana	11	11	1,781,247	2,032,290	2,456,509	2,844,568	3,442,612	3,972,560	4,448,186	4,675,372	4,823,650
Iowa	61	9	861,382	1,157,580	1,250,305	1,445,711	1,633,697	1,867,015	2,058,022	2,165,772	2,244,649
Kansas	11	11	901,225	1,061,171	1,195,230	1,345,160	1,659,662	1,905,342	2,133,399	2,261,455	2,326,444
Kentucky	11	10	1,176,756	1,505,982	1,595,290	2,000,459	2,507,816	2,820,938	3,101,267	3,291,480	3,342,867
Louisiana	8	7	1,677,292	2,187,811	2,365,224	2,547,153	2,942,463	3,355,503	3,611,553	3,764,592	3,895,938
Maine	6	16	399,616	457,835	524,246	610,533	710,985	786,811	882,039	940,914	972,323
Maryland	5	7	2,446,818	2,684,441	3,108,086	3,575,747	3,967,969	4,470,542	4,818,275	5,023,573	5,124,208
Massachusetts	5	7	2,753,685	3,289,934	3,506,039	3,919,139	4,487,601	4,916,500	5,289,432	5,469,503	5,624,292
Michigan	11	8	4,071,091	4,758,538	4,889,269	5,430,637	6,229,949	6,862,582	7,333,242	7,608,420	7,820,609
Minnesota	8	10	2,014,317	2,254,895	2,564,783	2,823,079	3,132,453	3,542,865	3,833,826	4,048,413	4,164,322
Mississippi	10	7	993,781	1,106,700	1,232,750	1,411,277	1,631,331	1,923,365	2,069,897	2,196,392	2,252,244
Missouri	11	9	1,937,684	2,246,430	2,515,325	2,859,953	3,595,157	4,067,585	4,480,384	4,673,889	4,835,115
Montana	7	7	*	291,429	343,160	*	466,022	575,034	650,381	693,507	723,081
Nebraska	10	5	712,685	838,568	900,744	984,355	1,070,550	1,198,714	1,325,131	1,387,022	1,451,007
Nevada	9	8	766,581	895,586	1,077,380	1,319,684	1,604,713	1,883,273	2,092,872	2,166,680	2,249,231
New Hampshire	6	10	445,181	529,795	598,504	686,746	790,639	896,661	973,105	1,022,406	1,044,808
New Jersey	4	5	3,896,778	4,531,457	5,392,240	6,326,459	6,233,984	6,953,528	7,419,289	7,654,173	7,834,401
New Mexico	9	10	619,582	735,107	828,869	939,091	1,024,852	1,252,770	1,415,726	1,489,120	1,555,122
New York	8	8	6,749,096	7,915,526	8,829,070	9,939,759	12,995,534	14,573,548	15,901,378	16,395,371	17,259,751
North Carolina	11	8	3,377,331	4,610,120	4,305,521	4,875,916	5,503,202	6,209,483	6,961,656	7,305,964	7,427,570
North Dakota	7	6	*	*	*	*	367,850	456,806	492,101	513,238	541,042
Northern Mariana Isl.	*	*	*	*	*	*	*	*	*	*	*
Ohio	10	9	4,255,934	4,887,376	5,659,459	6,188,081	6,993,803	7,939,126	8,722,523	9,098,920	9,357,119
Oklahoma	15	8	1,200,234	1,366,475	1,574,588	1,724,505	2,001,835	2,317,197	2,571,878	2,722,901	2,807,607
Oregon	10	9	1,268,909	1,473,883	1,682,036	1,894,285	2,055,890	2,484,176	2,781,196	2,922,609	3,006,636
Pennsylvania	9	10	4,378,216	4,987,067	5,681,653	6,420,037	7,397,397	8,348,713	9,200,793	9,615,349	9,894,870
Puerto Rico	5	11	1,374,747	1,136,619	1,401,599	1,698,702	2,002,851	2,170,540	2,322,737	2,410,503	2,074,854
Rhode Island	4	8	401,805	463,636	527,366	615,398	689,209	765,355	828,969	848,249	873,565
South Carolina	12	8	1,502,345	1,830,516	2,041,541	2,337,367	2,606,827	3,000,861	3,339,733	3,500,297	3,572,588
South Dakota	8	6	*	292,210	344,825	382,906	433,927	513,850	569,513	596,470	610,945
Tennessee	10	7	2,251,208	2,660,068	2,800,735	3,171,487	4,065,964	4,730,704	4,970,756	5,245,513	5,790,638
Texas	25	6	8,294,338	9,650,715	10,776,234	12,091,134	14,424,253	16,927,880	18,792,225	19,677,302	20,389,774
Utah	11	8	833,492	970,854	1,094,563	1,229,029	1,413,756	1,649,265	1,874,345	1,970,501	2,045,870
Vermont	4	16	*	*	*	*	294,984	333,551	374,984	402,173	421,399
Virgin Islands	*	*	*	*	*	*	*	*	*	*	*
Virginia	8	8	3,059,420	3,429,450	3,879,582	4,392,319	4,851,206	5,325,173	6,148,261	6,415,881	6,242,155
Washington	12	10	2,493,214	2,849,043	3,102,750	3,567,896	4,062,372	4,494,964	5,034,885	5,292,298	5,460,640
West Virginia	9	16	452,036	549,722	579,983	713,657	820,838	964,649	1,095,038	1,172,699	1,235,610
Wisconsin	10	9	2,008,679	2,523,956	2,533,215	2,831,645	3,200,301	3,517,283	3,641,432	3,841,745	3,966,445
Wyoming	10	8	173,939	168,232	276,344	277,658	315,347	358,668	410,464	441,161	457,201
Nationwide	170	8 %	114,028,928	130,751,459	147,623,734	167,313,001	192,053,067	217,418,404	238,315,850	249,331,701	255,301,307

* Data withheld to maintain firm confidentiality. Some data for December 2007 have been revised.

[1] For data through December 2004, only facilities-based wireless carriers with at least 10,000 mobile telephony subscribers per state were required to report data, and they were instructed to use billing addresses to determine subscriber counts by state. Starting with the June 2005 data, all facilities-based wireless carriers are required to report, and to use the area codes of telephone numbers provided to subscribers to determine subscriber counts by state.

[2] Percentage of mobile wireless subscribers receiving their service from a mobile wireless reseller.

Table 15
Percentage of Zip Codes with Competitive Local Exchange Carriers (CLECs)

Number of CLECs	2001	2002	2003	2004	2005	2006		2007		2008
	Jun	Jun	Jun	Jun	Jun	Jun	Dec	Jun	Dec	Jun
Zero	40.0 %	33.0 %	26.8 %	21.0 %	17.4 %	17.7 %	17.7 %	17.7 %	19.4 %	18.3 %
One	16.3	19.5	18.6	15.3	10.5	11.3	11.1	11.1	11.7	11.6
Two	9.9	10.3	10.0	9.8	7.6	7.8	8.2	8.3	8.3	8.6
Three	8.2	7.9	6.7	7.5	6.0	6.2	6.7	6.7	6.2	6.3
Four	5.6	6.6	5.6	6.1	4.8	5.0	5.2	5.4	5.0	5.0
Five	4.1	4.9	5.0	5.4	4.2	4.2	4.4	4.4	3.9	4.1
Six	3.3	4.0	4.4	5.6	3.4	3.5	3.8	3.8	3.5	3.5
Seven	2.6	3.1	4.1	5.4	3.1	3.2	3.2	3.4	3.3	3.2
Eight	2.2	2.5	3.6	5.4	3.1	2.9	3.0	2.8	2.9	3.0
Nine	1.7	1.9	3.1	4.0	2.8	2.8	2.7	2.9	2.6	2.7
Ten or More	5.9	6.3	12.2	14.7	36.9	35.3	34.0	33.5	33.1	33.6

Table 16
Percentage of Households in Zip Codes with Competitive Local Exchange Carriers

Number of CLECs	2001	2002	2003	2004	2005	2006		2007		2008
	Jun	Jun	Jun	Jun	Jun	Jun	Dec	Jun	Dec	Jun
Zero	9.5 %	6.6 %	4.5 %	3.0 %	2.2 %	2.3 %	2.4 %	2.4 %	2.8 %	2.6 %
One	9.0	9.1	6.5	4.8	2.1	2.4	2.5	2.4	2.6	2.4
Two	8.8	9.0	6.1	4.8	2.3	2.1	2.2	2.2	2.4	2.4
Three	11.5	9.5	5.4	4.9	2.2	2.2	2.4	2.3	2.5	2.4
Four	10.1	10.3	6.0	5.6	2.2	2.3	2.4	2.4	2.2	2.2
Five	8.7	9.0	6.8	5.7	2.2	2.0	2.4	2.5	2.2	2.2
Six	7.6	8.4	7.1	7.0	1.9	1.9	2.4	2.3	2.2	2.1
Seven	6.0	7.6	7.9	8.1	2.0	2.2	2.4	2.4	2.5	2.3
Eight	5.6	6.0	8.0	9.8	2.6	2.3	2.5	2.4	2.8	2.8
Nine	4.5	4.6	7.2	8.4	2.4	2.7	2.5	2.8	2.8	2.7
Ten or More	18.8	19.7	34.6	37.9	77.9	77.4	76.1	75.8	75.0	75.9

Demographic data are from Demographic Power Pack, Current Year Update (2000), MapInfo Corporation. Only LECs with at least 10,000 lines in a state were required to report through December 2004. Beginning with the June 2005 data all LECs are required to report. Figures may not add to 100% due to rounding.

Table 17
Percentage of Zip Codes with Competitive Local Exchange Carriers as of June 30, 2008

State	Number of CLECs								
	Zero	One - Three	Four	Five	Six	Seven	Eight	Nine	Ten or More
Alabama	8 %	27 %	6 %	5 %	3 %	2 %	4 %	2 %	42 %
Alaska	87	13	0	0	0	0	0	0	0
Arizona	17	23	4	3	4	4	4	5	37
Arkansas	29	46	4	4	2	2	1	1	11
California	9	20	4	3	4	3	4	4	49
Colorado	27	20	4	2	4	3	1	4	35
Connecticut	4	35	9	9	5	7	8	5	17
Delaware	2	5	2	5	2	2	5	0	78
District of Columbia	0	12	0	0	0	0	0	0	88
Florida	2	9	2	2	4	4	4	3	70
Georgia	12	23	4	3	3	3	3	2	47
Hawaii	3	62	12	20	2	0	0	0	0
Idaho	42	32	5	3	2	2	3	1	9
Illinois	12	39	5	4	2	2	2	2	30
Indiana	13	35	7	5	4	3	3	3	26
Iowa	36	44	4	2	1	1	1	1	10
Kansas	38	26	5	5	3	2	3	1	16
Kentucky	14	36	9	6	4	6	3	2	19
Louisiana	7	28	5	5	5	5	3	2	40
Maine	13	37	12	11	7	4	2	2	12
Maryland	1	8	7	6	3	4	4	3	64
Massachusetts	1	7	2	3	5	3	5	4	70
Michigan	6	20	5	7	6	4	4	4	44
Minnesota	31	32	4	3	3	2	2	3	20
Mississippi	5	16	6	5	8	4	7	5	44
Missouri	38	27	4	3	3	2	2	1	20
Montana	64	20	4	2	3	0	1	1	5
Nebraska	64	21	2	2	2	1	1	1	7
Nevada	27	19	3	7	5	5	5	2	27
New Hampshire	2	23	9	7	8	6	7	7	31
New Jersey	0	3	2	1	2	2	2	1	87
New Mexico	43	30	3	4	2	2	2	3	11
New York	3	17	4	5	5	4	3	4	55
North Carolina	8	25	7	5	5	5	4	5	37
North Dakota	75	18	2	1	1	1	0	0	3
Ohio	4	31	9	6	5	6	5	3	32
Oklahoma	32	25	3	4	2	3	3	2	25
Oregon	30	27	5	5	3	1	4	3	23
Pennsylvania	16	24	5	4	4	4	2	3	39
Puerto Rico	2	98	0	0	0	0	0	0	0
Rhode Island	1	15	4	7	8	7	4	7	47
South Carolina	12	18	5	4	4	5	2	6	43
South Dakota	65	26	3	1	1	0	1	0	1
Tennessee	18	18	5	5	4	4	2	2	42
Texas	0	32	5	4	2	3	3	3	48
Utah	21	28	5	7	1	2	4	1	29
Vermont	15	45	10	8	7	3	3	2	7
Virginia	18	32	6	5	3	3	3	2	27
Washington	22	24	4	3	3	4	3	4	33
West Virginia	21	45	10	5	4	3	3	3	6
Wisconsin	32	35	4	3	2	1	2	1	20
Wyoming	48	33	4	1	2	1	5	4	3
Nationwide	18 %	27 %	5 %	4 %	4 %	3 %	3 %	3 %	34 %

Table 18
CLEC-Owned End-User Switched Access Lines Served by Reporting Competitive Local Exchange Carriers
(In Thousands)

State	2001		2002		2003		2004		2005		2006		2007		2008
	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun
Alabama	40	18	6	50	68	76	76	89	70	72	76	87	90	104	105
Alaska	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
American Samoa	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Arizona	132	164	194	211	279	351	409	440	511	645	651	692	699	735	801
Arkansas	*	*	*	49	*	46	46	46	68	68	74	87	105	105	112
California	762	910	890	891	888	1,025	1,042	1,050	1,204	1,280	1,207	1,363	1,244	1,332	1,509
Colorado	151	172	183	207	200	163	155	155	161	273	193	148	110	79	125
Connecticut	78	91	97	105	104	104	111	122	136	113	125	130	133	130	143
Delaware	0	0	*	*	*	*	*	*	2	3	6	6	5	6	7
District of Columbia	70	80	74	67	69	71	72	81	110	61	49	51	41	46	46
Florida	372	260	302	344	309	331	364	418	320	434	332	304	220	223	246
Georgia	184	167	161	197	192	180	182	254	201	152	213	218	216	218	259
Guam	0	0	0	0	0	0	0	0	0	0	0	0	0	*	*
Hawaii	*	*	*	*	*	*	*	*	15	25	36	41	59	71	82
Idaho	*	*	*	*	*	*	*	*	12	24	27	18	13	16	20
Illinois	416	467	477	446	403	392	400	488	474	415	448	403	300	262	266
Indiana	59	76	76	72	69	79	91	92	94	90	112	114	89	100	139
Iowa	21	33	34	37	40	38	40	42	59	71	94	110	127	152	163
Kansas	18	25	26	46	56	64	76	102	135	133	172	180	207	225	241
Kentucky	*	*	*	50	28	79	83	91	95	34	131	143	160	203	165
Louisiana	24	21	24	38	53	77	93	100	160	153	178	191	208	238	275
Maine	*	*	*	*	2	2	20	27	47	52	48	45	54	68	86
Maryland	83	30	30	24	28	94	116	155	78	60	69	48	44	44	46
Massachusetts	277	317	310	366	363	375	390	420	428	394	406	378	292	260	213
Michigan	113	113	121	104	85	108	106	160	235	102	129	149	159	198	337
Minnesota	61	80	114	153	163	167	169	182	203	243	272	247	231	208	201
Mississippi	11	6	*	*	3	4	5	8	19	19	27	20	20	17	22
Missouri	51	37	50	70	54	50	55	89	129	142	207	206	236	251	268
Montana	*	*	*	*	13	14	15	16	20	30	39	50	59	71	74
Nebraska	*	91	103	115	125	130	135	142	168	181	184	192	196	207	216
Nevada	37	*	*	35	28	33	30	32	35	38	94	98	153	141	208
New Hampshire	29	43	45	59	60	63	65	76	84	80	71	60	47	40	36
New Jersey	95	71	88	88	89	92	105	156	144	177	118	145	117	103	109
New Mexico	*	*	*	*	*	*	15	15	15	11	23	25	19	18	19
New York	579	682	608	432	402	374	418	449	591	879	987	1,061	1,074	1,204	1,359
North Carolina	111	70	75	77	96	74	101	156	188	238	335	370	451	532	590
North Dakota	*	*	*	*	*	6	8	8	12	16	17	16	41	44	51
Northern Mariana Isl.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ohio	135	144	153	83	69	85	108	137	233	438	489	503	578	702	906
Oklahoma	77	89	115	114	111	174	138	178	188	205	238	265	298	322	347
Oregon	60	31	36	45	39	38	35	41	42	63	54	51	41	44	42
Pennsylvania	458	512	553	538	494	554	573	654	*	643	498	421	377	377	347
Puerto Rico	*	*	*	*	*	*	*	*	*	*	*	*	*	*	116
Rhode Island	45	62	76	90	100	116	131	151	171	*	*	*	*	*	*
South Carolina	26	7	7	20	25	25	28	38	56	73	112	138	167	192	213
South Dakota	*	*	*	*	26	35	*	*	25	79	79	63	109	111	110
Tennessee	117	92	56	103	95	90	94	124	92	146	157	155	143	161	209
Texas	418	414	406	426	430	436	462	590	659	677	771	881	815	876	866
Utah	77	72	80	91	80	73	68	76	62	86	96	63	42	21	28
Vermont	*	*	*	*	*	*	*	*	*	11	15	*	*	*	*
Virgin Islands	0	0	0	0	0	0	0	0	*	*	*	0	0	0	0
Virginia	179	203	221	275	285	438	492	494	373	430	460	456	444	465	484
Washington	115	156	161	178	155	144	149	147	157	178	165	144	92	77	103
West Virginia	*	*	*	*	*	*	*	6	9	10	10	13	14	24	34
Wisconsin	54	51	56	46	45	47	58	37	284	139	190	234	291	344	387
Wyoming	*	*	*	*	*	*	*	*	2	9	17	24	30	34	38
Total	5,776	6,072	6,236	6,479	6,370	7,045	7,483	8,503	9,124	10,163	10,802	11,144	11,025	11,713	13,093

* Data withheld to maintain firm confidentiality. Some data for December 2007 have been revised.

Only LECs with at least 10,000 lines in a state were required to report through December 2004. Beginning with the June 2005 data all LECs are required to report.

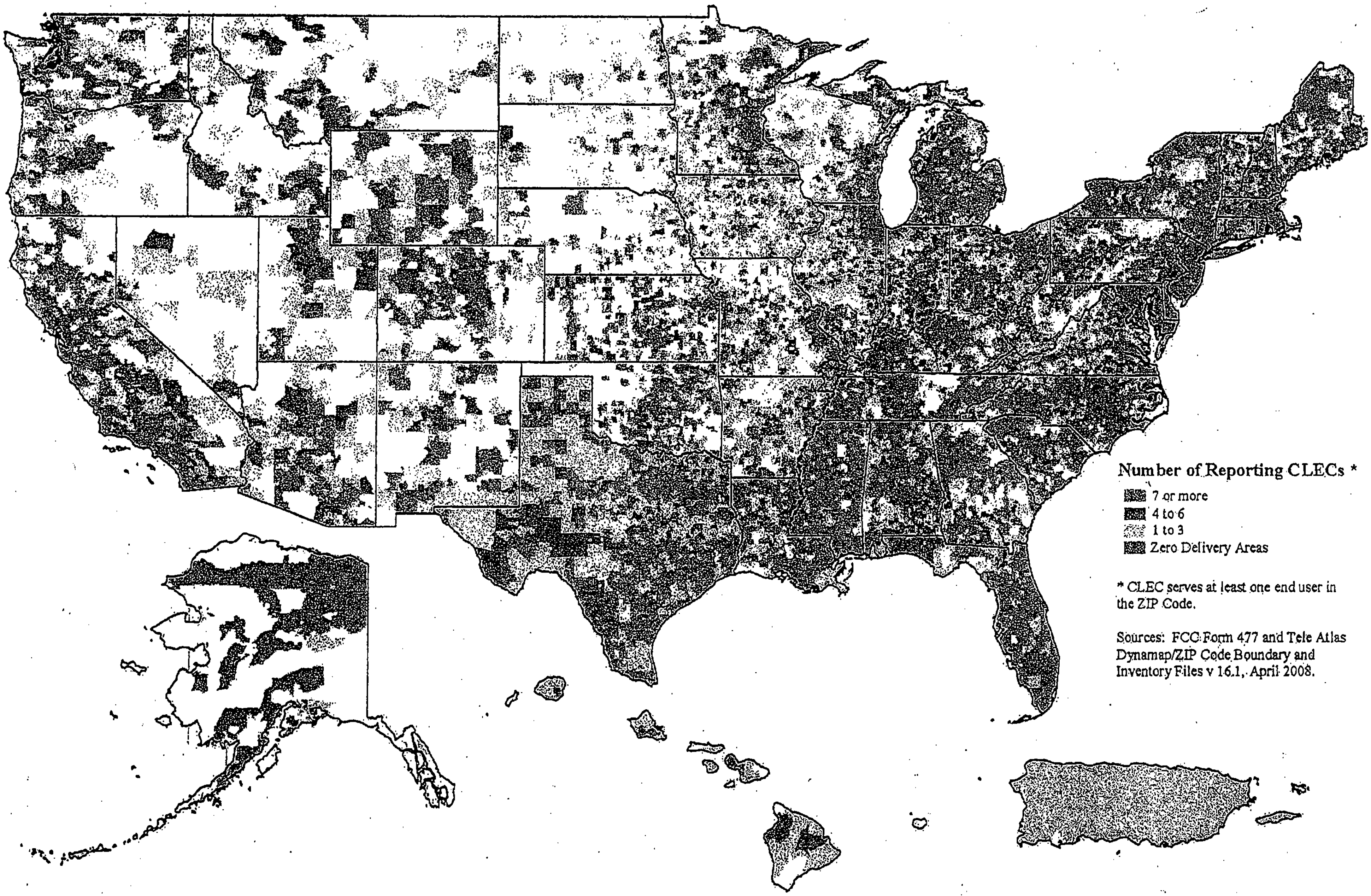
Table 19
UNEs Acquired from Other Carriers
(In Thousands)

State	2001		2002		2003		2004		2005		2006		2007		2008
	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun	Dec	Jun
Alabama	52	*	89	140	173	137	207	201	217	192	211	189	175	170	196
Alaska	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
American Samoa	0	0	0	0	0	0	0	0	0	0	0	0	0	0	*
Arizona	54	68	80	78	123	234	268	228	171	161	167	169	170	149	168
Arkansas	*	*	*	94	*	*	110	98	100	77	84	76	69	62	57
California	575	603	746	1,281	1,555	1,852	2,148	2,245	1,999	1,189	960	906	979	918	884
Colorado	140	148	161	154	187	222	234	199	243	223	243	204	209	190	207
Connecticut	*	7	18	42	47	68	93	101	110	92	86	83	97	92	98
Delaware	0	0	*	*	47	34	52	52	101	74	60	60	58	48	47
District of Columbia	34	10	42	47	60	63	82	62	74	62	40	42	41	29	32
Florida	252	377	482	849	852	871	1,020	1,037	933	936	782	704	647	613	632
Georgia	202	326	418	455	536	555	642	566	559	491	482	381	411	390	371
Guam	0	0	0	0	0	0	0	0	0	0	0	0	0	*	*
Hawaii	*	*	*	*	*	*	*	*	4	5	5	5	5	5	5
Idaho	*	*	*	*	*	*	26	25	51	38	38	41	39	36	35
Illinois	435	568	734	933	1,024	1,119	1,121	1,016	955	643	614	580	528	466	499
Indiana	66	79	122	158	228	326	357	328	332	228	200	182	173	155	143
Iowa	*	140	138	144	137	135	144	138	114	105	93	82	77	70	63
Kansas	43	103	132	190	206	201	215	208	202	150	146	134	128	119	106
Kentucky	*	*	*	26	51	66	112	103	136	119	127	115	105	116	106
Louisiana	52	42	46	94	120	110	156	170	220	144	164	150	135	105	139
Maine	*	*	*	*	*	46	63	68	84	67	45	46	50	52	67
Maryland	50	58	119	174	264	362	390	431	514	336	253	255	243	215	230
Massachusetts	88	117	102	161	260	391	416	429	460	340	270	269	279	266	341
Michigan	240	628	986	1,154	1,208	1,360	1,388	1,310	1,163	915	829	700	710	619	537
Minnesota	219	223	242	308	260	293	310	295	306	348	281	266	280	272	250
Mississippi	15	16	18	61	82	72	98	80	118	99	102	90	88	72	68
Missouri	61	110	157	204	217	240	322	260	282	208	181	174	174	166	164
Montana	*	*	*	*	4	*	*	5	16	15	14	13	13	15	13
Nebraska	*	29	30	33	37	41	43	41	21	19	17	*	16	*	*
Nevada	107	*	*	92	76	87	66	65	122	114	123	97	99	81	82
New Hampshire	12	14	23	46	57	63	81	83	97	80	75	76	79	82	90
New Jersey	82	93	110	415	682	925	987	997	1,015	499	312	311	288	247	321
New Mexico	*	*	*	*	*	*	47	47	30	23	30	21	22	26	24
New York	1,929	2,084	2,044	2,147	2,366	2,652	2,554	2,495	2,455	1,482	931	847	799	815	925
North Carolina	97	118	140	191	228	246	334	315	251	304	300	297	298	252	246
North Dakota	*	*	*	*	*	17	*	12	43	45	45	46	25	22	20
Northern Mariana Isl.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ohio	103	121	278	469	584	736	759	662	652	449	405	372	385	349	348
Oklahoma	27	30	45	72	82	69	81	84	113	115	119	118	118	114	109
Oregon	31	75	75	99	93	166	191	219	164	264	202	218	229	214	209
Pennsylvania	494	516	589	612	666	776	899	907	1,100	878	693	665	699	600	649
Puerto Rico	*	*	*	*	*	*	*	*	*	*	*	*	*	*	0
Rhode Island	13	26	19	44	54	59	71	66	72	53	47	43	40	38	39
South Carolina	49	*	66	98	127	114	133	151	179	169	173	166	160	153	149
South Dakota	*	*	*	*	20	29	*	*	71	52	26	24	5	4	8
Tennessee	115	128	130	153	180	216	316	261	287	255	295	250	224	222	216
Texas	1,186	1,440	1,542	1,468	1,548	1,546	1,596	1,387	1,376	1,030	963	865	838	796	811
Utah	46	48	39	49	79	97	141	131	157	122	134	135	135	118	130
Vermont	*	*	*	*	*	*	*	*	30	25	19	25	21	22	22
Virgin Islands	0	0	0	0	0	0	0	0	*	*	*	0	0	0	0
Virginia	146	272	244	288	377	354	415	421	559	396	305	319	325	301	295
Washington	59	94	114	118	118	183	256	240	259	249	251	246	259	220	252
West Virginia	*	*	*	*	*	*	*	89	94	76	77	78	81	84	86
Wisconsin	160	209	273	352	420	499	515	506	306	430	404	387	368	339	333
Wyoming	*	*	*	*	*	*	*	*	26	22	19	17	14	12	10
Total	7,580	9,332	10,930	13,709	15,728	17,888	19,624	18,961	19,025	14,521	12,547	11,663	11,511	10,582	10,884

* Data withheld to maintain firm confidentiality. Some data for December 2007 have been revised.

Only LECs with at least 10,000 lines in a state were required to report through December 2004. Beginning with the June 2005 data all LECs are required to report.

Reporting CLECs by 5-Digit Geographical ZIP Code
(As of June 30, 2008)



Prepared by the Federal Communications Commission,
Wireline Competition Bureau, Industry Analysis and Technology Division

Customer Response

Publication: *Local Telephone Competition: Status as of June 30, 2008*

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Exhibit Comcast/9

CDC "Wireless Substitution Early Release of Estimates"
July-December 2008 (May 2009)

Department of Health and Human Services

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Publications and Information Products

Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July-December 2008

by Stephen J. Blumberg, Ph.D., and Julian V. Luke, Division of Health Interview Statistics, National Center for Health Statistics

PDF version 358 KB

Page Content

Overview NHIS Early Release Program Methods Questionnaire Changes in 2007
Telephone Status Demographic Differences Wireless-Mostly Households
Selected Health Measures by Household Telephone Status Conclusions
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Overview

Preliminary results from the July-December 2008 National Health Interview Survey (NHIS) indicate that the number of American homes with only wireless telephones continues to grow. More than one of every five American homes (20.2%) had only wireless telephones (also known as cellular telephones, cell phones, or mobile phones) during the second half of 2008, an increase of 2.7 percentage points since the first half of 2008. This is the largest 6-month increase observed since NHIS began collecting data on wireless-only households in 2003. In addition, one of every seven American homes (14.5%) received all or almost all calls on wireless telephones, despite having a landline telephone in the home. This report presents the most up-to-date estimates available from the federal government concerning the size and characteristics of these populations.

NHIS Early Release Program

This report is published as part of the NHIS Early Release Program. In May and December of each year, the Centers for Disease Control and Prevention's National Center for Health Statistics (NCHS) releases selected estimates of telephone coverage for the civilian, noninstitutionalized U.S. population based on data from NHIS, along with comparable estimates from NHIS for the previous 3 years. The estimates are based on in-person interviews that NHIS conducts continuously throughout the year to collect information on health status, health-related behaviors, and health care utilization. The survey also includes information about household telephones and whether anyone in the household has a wireless telephone.

Two additional reports are published as part of the Early Release Program. **Early Release of Selected Estimates Based on Data from the National Health Interview Survey** is published quarterly and provides estimates of 15 selected measures of health. **Health Insurance Coverage: Early Release of Estimates from the National Health Interview Survey** is also published quarterly and provides additional estimates of health insurance coverage.

Methods

For many years, NHIS has included questions on residential telephone numbers, to permit recontacting of survey participants. Starting in 2003, additional questions were asked, to determine whether the family's telephone number was a landline telephone. All survey respondents were also asked whether "you or anyone in your family has a working cellular telephone."

A "family" can be an individual or a group of two or more related persons living together in the same housing unit (a "household"). Thus, a family can consist of only one person, and more than one family can live in a household (including, for example, a household where there are multiple single-person families, as when unrelated roommates are living together).

In this report, families are identified as "wireless families" if anyone in the family had a working cellular telephone at the time of interview. This person (or persons) could be a civilian adult, a member of the military, or a child. Households are identified as "wireless-only" if they include at least one wireless family and if there are no working landline telephones inside the household. Persons are identified as wireless-only if they live in a wireless-only household. A similar approach is used to identify adults living in households with no telephone service (neither wireless nor landline). Household telephone status (rather than family telephone status) is used in this report because most telephone surveys draw samples of households rather than families.

From July through December 2008, information on household telephone status was obtained for 12,597 households that included at least one civilian adult or child. These households included 23,726 civilian adults aged 18 years and over and 8,635 children under age 18.

Analyses of demographic characteristics are based on data from the NHIS Person and Household files. Demographic data for all civilian adults living in interviewed households were used in these analyses. Estimates stratified by poverty status are based on reported income only. Household income was unknown for nearly 18% of adults.

Analyses of selected health measures are based on data from the NHIS Sample Adult file. Health-related data for one civilian adult randomly selected from each family were used in these analyses. From July through December 2008, data on household telephone status and selected health measures were collected from 9,841 randomly selected adults.

Because NHIS is conducted throughout the year and the sample is designed to yield a nationally representative sample each week, data can be analyzed quarterly. Weights are created for each calendar quarter of the NHIS sample. NHIS data weighting procedures are described in more detail in an NCHS published report (**Series Report No. 2, Vol. 130**). To provide access to the most recent information from NHIS, estimates using the July-December 2008 data are being released prior to final data editing and final weighting. These estimates should be considered preliminary and may differ slightly from estimates using the final data files.

Point estimates and 95% confidence intervals were calculated using SUDAAN software, to account for the complex sample design of NHIS. Differences between percentages were evaluated by using two-sided significance tests at the 0.05 level. Terms such as "more likely" and "less likely" indicate a statistically significant difference. Lack of comment regarding the difference between any two estimates does not necessarily mean that the difference was tested and found to be not significant. Because of small sample sizes, estimates based on less than 1 year of data may have large variances, and caution should be used in interpreting these estimates.

Questionnaire Changes in 2007

From 2003 to 2006, families were considered to have landline telephone service if the survey respondent provided a telephone number, identified it as "the family's phone number," and said that it was not a cellular telephone number. If the family's phone number was reported to be a cellular telephone number, the respondent was asked if there was "at least one phone inside your home that is currently working and is not a cell phone."

In 2007, the questionnaire was changed so that the survey respondent for each family was asked if there was "at least one phone inside your home that is currently working and is not a cell phone," unless the respondent indicated not having any phone when asked for a telephone number.

From 2003 to 2006, the questions about cellular telephones were asked at the end of the survey. Because of incomplete interviews, more than 10% of households were not asked about wireless telephones. In 2007, the questions were asked earlier in the survey, resulting in fewer families with unknown wireless telephone status.

In 2007, a new question was added to the survey for persons living in families with both landline and cellular telephones. The respondent for the family was asked to consider all of the telephone calls that his or her family receives and to report whether "all or almost all calls are received on cell phones, some are received on cell phones and some on regular phones, or very few or none are received on cell phones." This new question permits the identification of persons living in "wireless-mostly" households, defined as households with both landline and cellular telephones in which all families receive all or almost all calls on cell phones.

Finally, in 2007, the questionnaire was redesigned to improve the collection of income information. Initial evaluations suggest that the resulting poverty estimates are generally comparable with those from years 2006 and earlier. However, as a result of the changes, the poverty ratio variable has fewer missing values in 2007 and 2008 compared with prior years.

Telephone Status

In the last 6 months of 2008, more than one of every five households (20.2%) did not have a landline telephone but did have at least one wireless telephone (Table 1). Approximately 18.4% of all adults--more than 41 million adults--lived in households with only wireless telephones; 18.7% of all children--nearly 14 million children--lived in households with only wireless telephones.

The percentage of households that are wireless-only has been steadily increasing. In fact, the 2.7-percentage-point increase from the first 6 months of 2008 is the largest 6-month increase observed since NHIS began collecting data on wireless-only households in 2003.

The percentage of adults living in wireless-only households has also been increasing steadily (see Figure 1). During the last 6 months of 2008, more than one of every six adults lived in wireless-only households. One year before that (that is, during the last 6 months of 2007), one of every seven adults lived in wireless-only households. And 2 years before that (that is, during the last 6 months of 2005), only 1 of every 13 adults lived in wireless-only households.

The percentages of adults and children living without any telephone service have remained relatively unchanged over the past 3 years. Approximately 1.9% of households had no telephone service (neither wireless nor landline). Nearly 4 million adults (1.7%) and 2 million children (2.4%) lived in these households.

Demographic Differences

The percentage of U.S. civilian, noninstitutionalized adults living in wireless-only households is shown by selected demographic characteristics and by survey time period in Table 2. For the period July through December 2008,

- More than three in five adults living only with unrelated adult roommates (60.6%) were in households with only wireless telephones. This is the highest prevalence rate among the population subgroups examined.
- Nearly two in five adults renting their home (39.2%) had only wireless telephones. Adults renting their home were more likely than adults owning their home (9.9%) to be living in households with only wireless telephones.
- More than two in five adults aged 25-29 years (41.5%) lived in households with only wireless telephones. Approximately one-third (33.1%) of adults aged 18-24 years lived in households with only wireless telephones.
- As age increased from 30 years, the percentage of adults living in households with only wireless

telephones decreased: 21.6% for adults aged 30-44 years; 11.6% for adults aged 45-64 years; and 3.3% for adults aged 65 years and over. However, as shown in Table 2 and Figure 2, the percentage of wireless-only adults within each age group has increased over time.

- Men (20.0%) were more likely than women (17.0%) to be living in households with only wireless telephones.
- Adults living in poverty (30.9%) and adults living near poverty (23.8%) were more likely than higher income adults (16.0%) to be living in households with only wireless telephones.
- Adults living in the South (21.3%) and Midwest (20.8%) were more likely than adults living in the Northeast (11.4%) or West (17.2%) to be living in households with only wireless telephones.
- Non-Hispanic white adults (16.6%) were less likely than Hispanic adults (25.0%) or non-Hispanic black adults (21.4%) to be living in households with only wireless telephones.

Wireless-Mostly Households

Among households with both landline and cellular telephones, 24.4% received all or almost all calls on the cellular telephones, based on data for the period July through December 2008. These wireless-mostly households make up 14.5% of all households.

The percentage of adults living in wireless-mostly households has been increasing (see Table 3). During the last 6 months of 2008, approximately 35 million adults (15.4%) lived in wireless-mostly households. Although this prevalence estimate was not significantly different from the estimate for the first 6 months of 2008 (14.4%), it was significantly greater than the estimate for the first 6 months of 2007 (12.6%).

Table 3 presents the percentage of adults living in wireless-mostly households by selected demographic characteristics and by survey time period. For the period July through December 2008,

- Adults with college degrees (18.0%) were more likely to be living in wireless-mostly households than were high school graduates (13.2%) or adults with less education (9.8%).
- Adults living with children (19.2%) were more likely than adults living alone (12.2%) or with only adult relatives (13.2%) to be living in wireless-mostly households.
- Adults living in poverty (9.5%) and adults living near poverty (11.3%) were less likely than higher income adults (18.2%) to be living in wireless-mostly households.
- Adults living in metropolitan areas (15.8%) were more likely to be living in wireless-mostly households than were adults living in more rural areas (13.4%).

Selected Health Measures by Household Telephone Status

Most major survey research organizations, including NCHS, do not include wireless telephone numbers when conducting random-digit-dial telephone surveys. Therefore, the inability to reach households with only wireless telephones (or with no telephone service) has potential implications for results from health surveys, political polls, and other research conducted using random-digit-dial telephone surveys. Coverage bias may exist if there are differences between persons with and without landline telephones for the substantive variables of interest.

The NHIS Early Release Program updates and releases estimates for 15 key adult health indicators every 3 months. Table 4 presents estimates by household telephone status (landline, wireless-only, or without any telephone service) for all but two of these measures. ("Pneumococcal vaccination" and "personal care needs" were not included because these indicators are limited to adults aged 65 years and over.) For the period July through December 2008,

- The prevalence of binge drinking (i.e., having five or more alcoholic drinks in 1 day during the past year) among wireless-only adults (36.7%) was nearly twice as high as the prevalence among adults living in landline households (19.7%). Wireless-only adults were also more likely to be current smokers than were adults living in landline households.

- Compared with adults living in landline households, wireless-only adults were more likely to report that their health status was excellent or very good, were more likely to engage in regular leisure-time physical activity, and were less likely to have ever been diagnosed with diabetes.
- The percentage without health insurance coverage at the time of the interview among wireless-only nonelderly adults (27.5%) was considerably higher than the percentage among nonelderly adults living in landline households (16.4%).
- Compared with adults living in landline households, wireless-only adults were more likely to have experienced financial barriers to obtaining needed health care, and they were less likely to have a usual place to go for medical care. Wireless-only adults were also less likely to have received an influenza vaccination during the previous year.
- Wireless-only adults (47.0%) were more likely than adults living in landline households (37.1%) to have ever been tested for HIV, the virus that causes AIDS.

Conclusions

The potential for bias due to undercoverage remains a real and growing threat to surveys conducted only on landline telephones. For more information about the potential implications for health surveys that are based on landline telephone interviews, see

- Blumberg SJ, Luke JV. Coverage bias in traditional telephone surveys of low-income and young adults. Public Opin Q 71:734-49. 2007.
- Blumberg SJ, Luke JV, Cynamon ML. Telephone coverage and health survey estimates: Evaluating the need for concern about wireless substitution. Am J Public Health 96:926-31. 2006.
- Blumberg SJ, Luke JV, Cynamon ML, Frankel MR. Recent trends in household telephone coverage in the United States. In: Lepkowski JM et al., eds., Advances in telephone survey methodology. New York: John Wiley and Sons, 56-86. 2008.

The potential for bias may differ from one state to another because the prevalence of wireless-only households varies substantially across states. For more information about state-level prevalence estimates from the 2007 NHIS, see

- Blumberg SJ, Luke JV, Davidson G, Davern ME, Yu T, Soderberg K. Wireless substitution: State-level estimates from the National Health Interview Survey, January-December 2007. National health statistics report; no 14. Hyattsville, MD: National Center for Health Statistics. 2009.

For More Information

For more information about the National Health Interview Survey or the NHIS Early Release program, or to find other Early Release reports, please see the following websites:

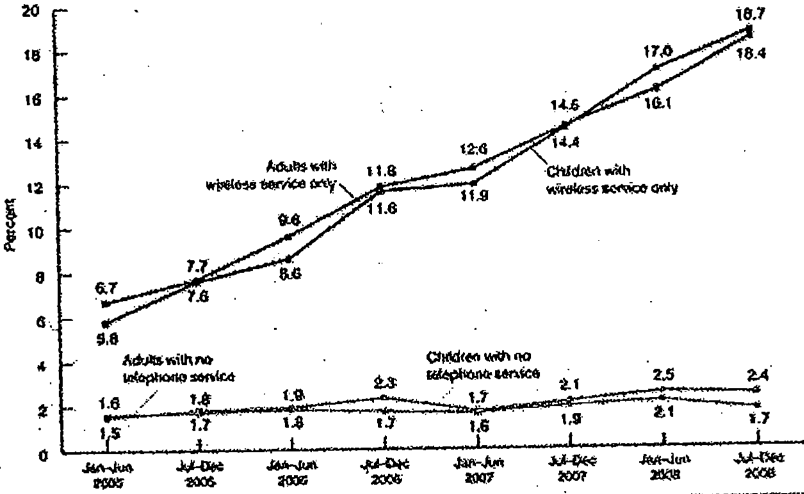
- National Health Interview Survey homepage.
- National Health Interview Survey - Early Releases of Selected Estimates.

Suggested Citation

Blumberg SJ, Luke JV. Wireless substitution: Early release of estimates from the National Health Interview Survey, July-December 2008. National Center for Health Statistics. May 2009. Available from: http://www.cdc.gov/nchs/nhis.htm.

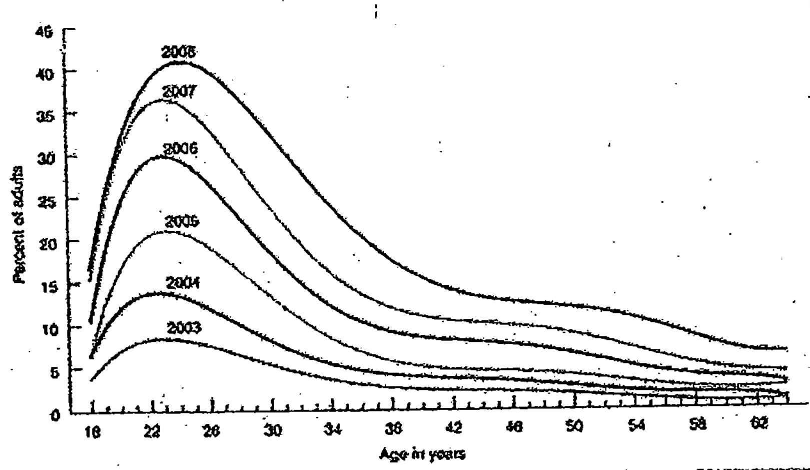
Figures

Figure 1



Percentages of adults and children living in households with only wireless telephone service or no telephone service: United States, 2005–2008

Figure 2



Polynomial regression equations fitted to a plot of the percentage of adults living in households with only wireless telephone service, by single year of age and by year of interview: United States, 2003–2008

Tables

View Tables

Page Last Modified: June 17, 2009

Content source: CDC/National Center for Health Statistics

What's New

- Early Release of Selected Estimates Based on Data From the January-March 2009 National Health Interview Survey..more (9/23/2009)
- Health Insurance Coverage: Early Release of Estimates From the National Health Interview Survey, January-March 2009..more (9/23/2009)
- Injury Episodes and Circumstances: National Health Interview Survey, 1997-2007..more (9/2/2009)

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Exhibit Comcast/10

MiCRA "Consumer Benefits from Cable-Telco Competition" (November 2007)

MiCRA *Microeconomic Consulting & Research Associates, Inc.*

1155 Connecticut Avenue NW, Suite 900
Washington, D.C. 20036
(202) 467-2500
www.micradc.com

Consumer Benefits from Cable-Telco Competition

Michael D. Pelcovits, PhD
Daniel E. Haar

Updated November 2007

* This report was commissioned by Comcast. The methodology, analysis, and conclusions are the authors' own.

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Executive Summary

What is new in the updated report

In August 2006, we released our report on the consumer benefits from cable-telco competition. Since then, cable voice service has penetrated the market at a much more rapid pace than we and others had predicted. Also, the cable companies and the incumbent local exchange carriers ("ILECs") have been cutting prices very aggressively, which brings even more benefits to consumers. This report describes these developments in the marketplace and presents new information on the benefits to date from cable competition as well as updated projections on the benefits from increased competition in the local voice market. Among the new findings in the report:

- As of June 2007 there were over 12 million cable voice subscribers, which is an increase of more than 4 1/2 million subscribers from June 2006.
- Preliminary estimates show 13 million cable voice subscribers as of September 2007.
- Subscribers to cable voice service save almost $12.00 a month on their telephone bills compared to the rates charged by the incumbents.
- Subscribers to "triple play" bundles of voice, Internet, and video service save far more than consumers who subscribe to the three services separately.
- The ILECs have been forced to respond to competition by lowering prices and offering attractive bundles. This creates enormous benefits to consumers.
- The total benefit from competition in residential and small business voice service markets during the period 2008 through 2012 is projected to be $111 billion.
- Consumers have already received benefits of $23.5 billion from cable voice competition over the past four years and from the competitive response of the ILECs over the past two years.

Summary of report

Competition in telecommunications has brought significant benefits to U.S. residential and small business customers. Over 12 million customers now subscribe to cable voice service, and that number is growing rapidly as cable providers are now realizing their goal to offer voice service to the vast majority of households in the United States. This has brought direct consumer benefits of $4.0 billion to the cable companies' subscribers and $19.5 billion in indirect consumer benefits due to the competitive response of the ILECs, for a total of $23.5 billion of consumer benefits.

Cable voice service has evolved to become an IP (Internet Protocol) based service. IP-based service is lower-cost, lower-priced, and rich with enhanced calling features compared to traditional telephone services. The major cable providers offer a comprehensive bundle of voice service, including unlimited calling within the United States, at prices at or below $40.00 per month.

We project that 32 million households will subscribe to cable voice services by the end of 2012. Based on an $11.70 average price difference between cable voice service and traditional telephone services, we calculate annual benefits of $2.26 billion in 2008 climbing to $4.46 billion in 2012. The sum total of these benefits for the five-year period is $17.2 billion.

VoIP providers, whose customers provide their own broadband connection (*over the top* or "OTP" VoIP), also bring competitive pressure to bear in the market. We estimate benefits to their customers in 2008 of $1.01 billion, which will increase to $1.37 billion in 2012. Over a five-year period, these benefits will amount to $6.11 billion.

These benefits, however, are dwarfed by the indirect benefits from the competitive pressure placed on the ILECs by competitors. The ILECs' response to competition has already benefited consumers. Initially, this response was to competition from the UNE-P-based CLECs, which obtained almost their entire network functions from the ILECs. With the threat from UNE-P now disappearing, however, continued and even growing benefits from this competitive response rests on the viability and profitability of facilities-based providers, and especially the cable companies.

Based on the competitive response observed to date, and even assuming no additional price cuts by the ILECs, we estimate benefits from competition in the voice market to the nearly 100 million households in the U.S. with wireline telephones to be approximately $71.7 billion over

the next five years.

Small business customers also benefit from competition for telephone service in general, and from cable voice service in particular. The small business customer can cut his or her telephone bill by about 50 to 70 percent by using a cable provider's voice service. We rely on a much more conservative assumption about the savings to small business customers from competition. We estimate that over a five-year period, cable voice service will provide small business customers with a savings of $811 million off their telephone bills. This class of customers will also benefit from the competitive pressure placed on the ILECs. We estimate this benefit, which will accrue to 5.5 million small businesses, will equal $15.5 billion over the next five years.

Total consumer benefits from all sources equal more than $111 billion over the next five years.

Total Savings from Cable-Telco Voice Competition (in millions)

[illegible]	[illegible]
Cable: Residential Market	$17,202
Cable: Small Business Market	$811
OTT VoIP	$6,110
ILEC Competitive Response: Residential Market	$71,723
ILEC Competitive Response: Small Business Market	$15,503
Total	$111,348

Note: Total may not compute exactly due to rounding.

Competition is not a sure thing. The incumbent local telephone carriers ("ILECs") continue to dominate the residential local telephone market with an 88% market share, and therefore have the incentive and ability to thwart competition by raising the costs of their rivals. Although the cable companies can control the costs of their own networks, they are not immune to the anticompetitive actions of the ILECs. So long as the cable companies have a much smaller share of the local voice market, the ILECs will be able to impose artificial interconnection costs on them, and thereby gain a significant competitive advantage.

Consequently, the consumer benefits from competition, which are estimated in this report, will not be realized unless Congress and federal and state regulators maintain vigilance over interconnection requirements, which voice service competitors have relied on since the passage of the Telecommunications Act of 1996.

I. Introduction and Background

The telecommunications industry in the United States has experienced a roller-coaster ride over the eleven-year period following passage of the Telecommunications Act of 1996. Passage of this Act was expected to stimulate intense competition in the telecommunications industry by facilitating entry into local markets by long distance carriers and other competitive local exchange carriers (CLECs). As a trade-off for long distance carrier entry into local markets, the Bell Operating Companies (BOCs) were provided with a mechanism to free themselves from the U.S. District Court restrictions on their entry into the long distance market. Most observers anticipated a complex and confusing transition period to competition; nevertheless, policymakers hoped it would result in vigorously competitive markets, which would benefit users in all segments of the telecommunications market.

Markets did not fulfill the expectations that robust competition would develop in all major local telephone markets. There was a "land rush" by competitors into some segments of the market. CLEC investment in fiber optic networks in major business districts exploded. The long distance companies entered local markets very aggressively using the unbundled network elements of the ILECs. And the BOCs broke through into the long distance market and quickly gained substantial shares of the market. As of December 2003, the CLECs provided almost 14% of residential and small business telephone lines and 24% of all business lines.[1] Competition from the CLECs in the residential market, however, rested on very thin ice. Of the total 18.7 million lines provided by CLECs to residential customers, 15.2 million were provided over the unbundled network element platform (UNE-P).[2] UNE-P permitted rapid, widespread entry by CLECs, but it was dependent totally on the will of the FCC to continue to pursue the goal of facilitating entry by UNE-P-based CLECs and on whether the FCC's interpretation of the 1996 Act would be upheld by the courts.

In December 2004, following a long period of litigation and regulatory warfare at the FCC and state commissions, the FCC adopted an order that eliminated the UNE-P requirement[3]. The impact of this decision was compounded by the acquisition of the two largest CLECs operating in

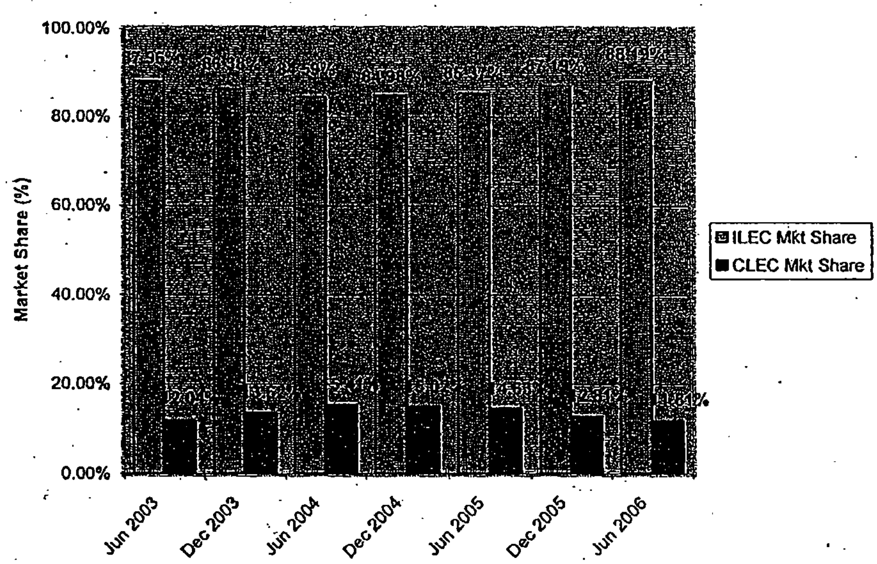
[1] Federal Communications Commission, *Local Telephone Competition: Status as of June 30, 2006*, January 2007, Table 2. (Hereafter: FCC Local Telephone Competition Report).
[2] FCC Local Telephone Competition Report, Tables 2 and 4.
[3] Federal Communications Commission, *Order on Remand*, WCC Docket No. 04-314, December 15, 2004; CLECs were allowed to continue to serve existing UNE-P customers for a brief transition period.

* This report was commissioned by Comcast. The methodology, analysis, and conclusions are the authors' own.

the residential market (*i.e.*, AT&T and MCI) by the two largest BOCs (*i.e.*, SBC and Verizon). As a result of these events, the share of the residential market served by CLECs leasing facilities owned by the ILECs has been shrinking steadily.[4]

Since the demise of the UNE-P rules, competition has grown in the residential and small business market from cable television companies, wireless carriers, and providers of voice services over the Internet, such as Vonage, that do not own local communications facilities. Nevertheless, the ILECs still maintain a dominant position in the provision of voice service to residential and small business customers, with an 88% share of residential access lines.[5] Until competition is fully established in these markets, which will take many more years under the best of circumstances, the ILECs will have the incentive and ability to foreclose competitors' access to the market by using a variety of tactics that can raise their rivals' costs.

Residential Lines Market Share: (2003-2006)

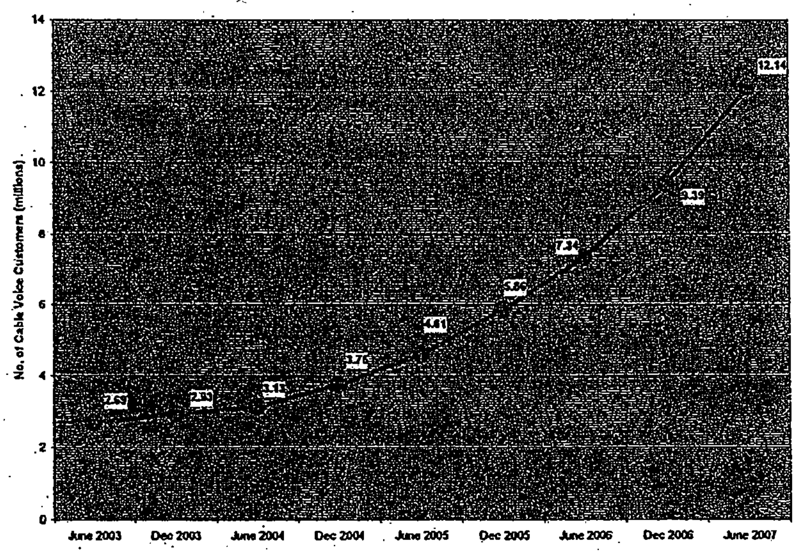


[4] Between June 2004 and June 2006 the number of UNE-P lines has fallen from 17.1 million to 8.4 million lines. Over the same period, resold lines increased by 123,000 and unbundled loops (without switching) increased by approximately 100,000. FCC Local Competition Report, Table 4.

[5] FCC Local Competition Report, Table 2. This report shows the ILECs with 94.4 million residential lines and the CLECs with 12.4 million lines, as of June 30, 2006.

Of these three classes of competitors, cable companies will provide the greatest competitive pressure over the long run. Cable television lines pass 96% of households in the U.S. and an increasing number of small businesses.[6] Cable companies provided voice service to 12.1 million homes as of June 30, 2007,[7] and approximately 13 million homes as of September 30, 2007.[8] Cable offers voice services to e service to more than approximately 80% of U.S. households within a short period of time. [9]

Number of Cable Voice Customers (in millions)
2003-2007



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[6] Residential statistics obtained from SNL Kagan,*Cable TV Investor, July 31, 2007, at 2.* Business market statistics obtained from the Insight Research Corporation, "Cable Telephony in Small Businesses: The Competitive Threat to ILECs 2004-2009, May 2004. (Hereafter, "Insight Report").
[7] SNL Kagan, *Broadband Technology*, August 24, 2007, at 9.
[8] Preliminary industry estimate for September 2007.
[9] Cable voice service homes passed was 100.4 million of the 126.7 million households in the United States representing a penetration rate of approximately 80%. (See SNL Kagan LC, *Broadband Technology*, June 20, 2007 at 4.) (Hereafter, "SNL Kagan Report"). Similarly, a recent study by Bernstein Research estimates that 76% of total households in the United States are passed by cable companies offering telephone service. (See Bernstein Research, *VoIP: The End of the Beginning*, April 3, 2007, at Exhibit 3; hereafter, "Bernstein Research Report").

Wireless competition is an important factor in the residential market, but does not provide as powerful a competitive threat as cable voice service for a number of reasons. First, only some households appear willing to "cut the cord" and use wireless service as a complete substitute for wireline service.[10] Most consumers do not view wireless as an effective substitute for wireline service, and it would be improper to put the two products in the same market for purposes of competition analysis.[11] The small number of customers that have ported their wireline number to their wireless phone also points to wireless service as more of a complement to wireline service, not a substitute, except for certain demographic groups.[12] Second, the customers that stand to benefit the most from cable voice competition are the big spenders on wireline service, who are typically not cutting the cord.[13] Third, the two largest wireless carriers (AT&T and Verizon) are owned or controlled by the BOCs, who have little incentive to cannibalize their own wireline businesses in region. Moreover, to the extent that independent wireless providers, such as Sprint, constitute a competitive threat to the ILECs, they too depend on the ILECs for the same essential inputs as the cable companies and are subject to the threat of significant cost increases for interconnection with the ILECs.

VoIP service providers unaffiliated with a cable company or ILEC, such as Vonage, are also important players in the market, but they do not control access to their own customers. Their customers must subscribe to a broadband service, which is provided either by an ILEC through DSL or by the local cable company. These VoIP companies cannot provide market discipline to the same degree as the major facilities-based competitors to the ILECs, *i.e.*, the cable companies.

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[10] As of 2005, approximately 10.5% of US households with telephone service had "cut the cord". Federal Communications Commission, *Trends in Telephone Service*, February 2007 at Table 7.4, shows that 11.3 million households of the total 107 million households with telephone service in 2005 had wireless service only.

[11] *Declaration of Simon Wilkie*, Exhibit A to Petition to Deny of Cbeyond Communications, et al.., Before the Federal Communications Commission, WC Docket No. 05-65, August 25, 2005, at 21; "Confronting Telecom Industry Consolidation, A Regulatory Agenda for Dealing with the Implosion of Competition," prepared for National Association of State Utility Consumer Advocates by Lee L. Selwyn, Helen E. Golding, and Hillary A. Thompson, Economics and Technology, Inc., April 2005.

[12] Since number portability to wireless service began in November 2003, only 1.8 million numbers have been switched from landline numbers to wireless numbers as of June 2006. This figure represents only 3.2% of the total numbers that were ported during the period. Similarly, during the same time period 54,000 wireless numbers were switched to landline numbers FCC Telephone Trends Report, Table 8.8

[13] "Cord-Cutting Reaches One in 20 Mobile Households," Charles S. Golvin, Forrester Research Inc., at 2

Competition in voice services brings enormous benefits to consumers. This has been proven time and time again by markets that were opened to competition and protected from monopoly abuse. Competition in the terminal equipment market, which had previously been controlled by the Bell System monopoly, encouraged the delivery of superior products and lower prices for all types of equipment, including telephone sets, PBXs, answering machines, and facsimile machines. Competition in the long distance market is a powerful and well-documented example of the benefits of moving from monopoly to competition.[14]

Competition is not inevitable. As shown by the rapid demise of UNE-P-based competition, CLEC competition was eliminated by a combination of legal and regulatory decisions and the abuse of market power by the Bell monopolies. Although owning network facilities allows the cable companies to control their costs, this does not mean they are immune to anticompetitive actions. Specifically, the cable companies cannot provide voice service unless they are able to connect their customers with the ILECs' customers. So long as the cable companies have a smaller share of the market, the ILECs can use their dominant position to impose artificial interconnection costs on them, and thereby maintain a significant competitive advantage. Consequently, future consumer benefits from competition, which are estimated in this report, will not be realized unless Congress and federal and state regulators maintain vigilance over interconnection requirements, which the competitors have relied on since the passage of the Telecommunications Act of 1996.

[14] Michael D. Pelcovits, "Long Distance Telecommunications," in *Network Access, Regulation, and Antitrust*, ed. Diana L. Moss, American Antitrust Institute, Routledge 2005.

An example of a recent threat posed by major changes in interconnection policy can be found in the "Missoula Plan" for so-called reform of Intercarrier Compensation, which was sponsored by a large coalition of ILECs and other telecommunications companies. This seemingly benign attempt to "accommodate today's Intermodal, competitive and increasingly Internet-oriented communications environment," will create artificial barriers to competition from cable companies, wireless carriers, and other non-facilities-based entrants.[15] Our report does not provide an analysis of how the Missoula Plan distorts markets and denies opportunities for competition. Rather the purpose of this report is to quantify the risk to consumers from measures that could lead to re-monopolization of the residential and small business telecommunications market. The benefits from competition measured in this report are at risk should pro-competitive policies not be maintained and enforced over the next several years.

[15] "Missoula Plan," filed at the FCC in CC Docket No. 01-92 on July 24, 2006, at 1.

II. Competition from Cable Voice Service

Cable voice service has already brought significant benefits to consumers. Until recently, cable companies provided voice service using older circuit-switched technology. This required significant investment in telephone-specific technology and limited the range of services that could be provided to customers. Subscription to cable voice service reached about three million customers using the old technology.[16]

Over the past two years, cable providers have initiated voice service by carrying voice signals over their managed IP networks. These IP-based services are made available at a lower cost and lower price than comparable traditional telephone services, and provide an astounding array of enhanced service features. The price of a cable voice service to residential customers, which includes unlimited local and long distance calling and a dozen calling features, is as low as $34.95 per month, plus approximately $6.00 in taxes and other fees. The features of a typical cable voice service are shown in the chart below.

Features of Typical Cable Voice Service

- Call Waiting, Caller ID, Call Blocking, Three-Way Calls
- Call Screening, Repeat Dialing, Speed Dialing, Voice Mail
- Unlimited Local and Long-Distance Calls, 911 Access, Bundled Billing
- Allow Customers to Manage Service Features and Listen to Voice Mail on the Internet
- Assign Specific Ringtones to Different Numbers

Price comparison between cable and ILECs

Customers using cable voice services save a significant amount compared to comparable services offered by the ILECs. For example, a subscriber to one of Verizon's Freedom packages

[16] Kagan Report, at 5.

pays in the range of $34.99 to $60.99 per month plus at least $10.00 in fees and taxes. Comparable services from AT&T and BellSouth cost at least $50.00 plus fees and taxes. Depending on the features sought by the customer, the savings provided by cable voice service can be as high as $29 per month, as shown in the table below.

[illegible]	[illegible]	[illegible]
Cable	Cablevision	[illegible]
	Comcast	[illegible]
	Cox	[illegible]
Traditional	AT&T One Rate USA	[illegible]
	BellSouth PreferredPack Plan - PreferredPack Unlimited	[illegible]
	Qwest Choice Home - Qwest Unlimited	[illegible]
	Verizon Freedom Value	[illegible]
	Verizon Freedom Essentials	[illegible]
	Verizon Freedom	[illegible]

Since our last report, Verizon has introduced a new product: Verizon Freedom Value. This product does not include voicemail, nor does it have any of the other desirable options included in the cable voice unlimited calling plans.

Also since the publication of the original report, both the ILECs and cable companies have introduced bundled packages containing high-speed Internet access, digital video and unlimited local and long distance calling. These new "Triple Play" bundles offer significant savings off the stand alone prices of the services included. The prices of the Triple Play bundles are as low as $89.95 for cable customers and $94.99 for ILEC customers.

Triple Play Product Type	[illegible]	[illegible]
Cable	Cablevision Optimum Triple Play	[illegible]
	Comcast Triple Play	[illegible]
	Time Warner All the Best Package	[illegible]
Traditional	BellSouth Triple Choice	[illegible]
	Qwest Choice Bundle	[illegible]
	Verizon Triple Freedom	[illegible]

III. Quantification of Benefits to Cable Voice Customers

We now quantify the benefits accruing to cable voice customers over the next five years. This requires an analysis and projection of the number of cable voice subscribers and an estimate of the average monthly savings per subscriber.

Forecasting Future Sales

We forecast future sales of cable voice subscriptions to both homes and small businesses using the Bass model of product adoption, which is well-recognized and widely used in business and academic settings.[17] The Bass model describes new sales in year t, S_t, as a function of three key parameters: the market potential, m, the coefficient of adoption due to external influences (such as the mass media), p, and the coefficient of adoption due to internal influences (*i.e.*, word-of-mouth from previous adopters), q. The functional form is:

$$S_t = p(m - N_{t-1}) + q(N_{t-1}/m)(m - N_{t-1}),$$

where N_{t-1} is the cumulative number of past subscribers as of the previous year. Thus, $m - N_{t-1}$ represents the total number of customers who have not yet, but will at some time, purchase cable voice service. This relationship indicates that a constant proportion, p, of not-yet-adopters ($m - N_{t-1}$), will adopt due to external media influences each year, while a growing proportion, $q^*(N_{t-1}/m)$, of not-yet-adopters will adopt due to word-of-mouth influences each year.

In the original version of the report, the average number of residential users of cable voice services in 2007 was forecasted to be 10.0 million. Due to the rapid customer growth experienced in 2006 and the beginning of 2007 (where at the end of the second quarter of 2007 the number of cable voice subscribers was already 12.1 million),[18] it now appears that this estimate was too low. Taking into account this trend, the new forecasted average number of cable voice users in 2007 is

[17] Frank Bass, "A New Product Growth Model for Consumer Durables," Management Science, 1969.
[18] Kagan Research, LLC, *Broadband Technology*, August 24, 2007, at 9.

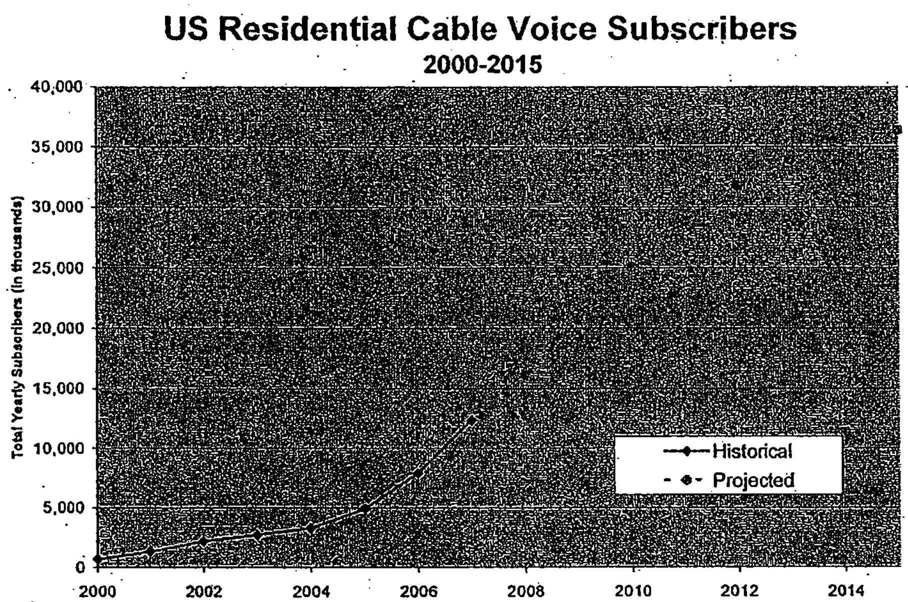
12.4 million.[19] Similarly, the size of the potential market has also grown from 107 million households to 110.8 million households since the original version of the report was published.[20]

Based on this updated data, we now estimate the market potential over the next fifteen years for cable voice services to be 38.8 million subscribers. Our methodology remains the same, wherein we base the expected growth of cable voice service on the experience in the long distance market where facilities-based providers achieved approximately a 35% share of the market within 15 years following divestiture. Using data on past adoption of cable voice by residential customers, we estimate the *p* and *q* parameters to be .00135 and .3867, given the estimated market potential of about 38.8 million subscribers.[21] Accordingly, we forecast average residential users of cable voice services to be around 16.1 million in 2008, growing to 31.8 million by 2012. The entire adoption curve for a 15-year period is shown in the chart below.

[19] The estimate of total subscribers in a year is the average of subscriber estimates for all four quarters. Kagan projects that there will be 14.3 million cable subscribers at the end of 2007 (See SNL Kagan Report at 1). Similarly, Bernstein Research forecasts that there will be 13.4 million cable voice subscribers by the end of 2007. (See Bernstein Research Report at 7).

[20] This number reflects the number of households in the United States with telephones as of March 2007. (See Federal Communications Commission, *Telephone Subscribership* in the United States, June 2007, Table 1).

[21] The potential market is the 110.8 million households with telephones in the US (*Telephone Subcribership in the United States.* FCC: June 2007.) This estimate of the entire market is then multiplied by 35%, which is the market share that major competitors to AT&T in the long-distance market reached after about 12 years of competition. This market share figure is based on data in: *Long Distance Market Shares: Fourth Quarter 1998.* FCC, March 1999.



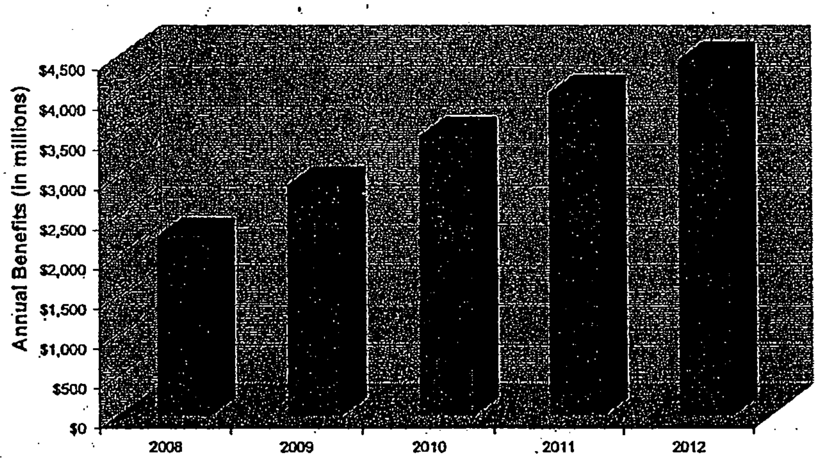
Calculating Consumer Savings

In the prior version of our study we based the estimate of customers' savings on voice service from a 2006 J.D. Power study of the average revenue per subscriber for cable and ILEC services, which found that cable voice services cost $11.19 less per month on average than the ILEC competitors' traditional phone services.[22] Based a more recent version of the J.D. Power study, we now estimate a somewhat larger cost saving. According to this new study, customers of cable voice service reported spending $39.80 per month on average for voice service.[23] Customers of the ILECs reported spending an average of $51.50 per month on telephone service. This indicates that cable voice services cost $11.70 less per month on average than their ILEC competitors' traditional telephone services.

[22] J.D. Power and Associates. *J.D. Power and Associates Reports: Cable Companies Dominate Customer Satisfaction Rankings for Local and Long Distance Telephone Service. July 12, 2006.*
[23] J.D. Power and Associates. *J.D. Power and Associates Reports: Bundling Video with Voice and Data Services Gives Cable Companies a Competitive Edge over Telephone Providers. July 11, 2007.*

Using the updated estimate of cost savings of $11.70 per month, we then apply it to the new number of cable voice subscribers derived from the market diffusion model. This yields an updated estimate of annual benefits of $2.26 billion in 2008, which increases to $4.46 billion in 2012. The graph below shows the updated estimate of the yearly benefits. The sum of these benefits for the five-year period is $17.2 billion.

Direct Benefits to Residential Customers of Cable Voice



The sum total of these benefits for the five-year period is $17.2 billion, as shown in the table below. (This does not include any benefits to small business customers, which are discussed in a subsequent section of the report.)

Direct Benefits to Residential Customers of Cable Voice (in millions)

	2008	2009	2010	2011	2012	Total
Cable Voice Subscribers	16.1	20.7	25.1	28.8	31.8	
Annual savings	$2,262.6	$2,904.5	$3,520.3	$4,050.0	$4,464.4	$17,201.7

Note: Total may not compute exactly due to rounding.

This estimate of $17.2 billion in total savings is very likely to underestimate the benefit to cable customers for a number of reasons: First, as shown above in our comparison of the total cost to the subscriber of the ILECs' calling plans and the corresponding plans of the cable providers, actual savings are likely to be much greater than the $11.70 differential used in the calculation. The price difference between comparable ILEC and cable bundled service plans is sometimes as high as $29 a month.

Second, the $11.70 average price difference between the ILEC and cable customers ignores any difference in the nature of services purchased by these customers. Since ILEC prices are generally higher and many customers are very slow to respond to either a competitor's price or the ILECs' own competitive response, the average ILEC customer will buy fewer services than the average cable customer. When an ILEC customer switches to a cable provider, the customer will not only get a lower price but also the benefit of the features and unlimited calling typical of the cable companies' plans, which are not included in the $17.2 billion savings.

IV. Benefits from Competition from OTP VoIP Providers

Another type of new entrant into the residential market is the "over-the-top" (OTP) VoIP provider, which provides service directly to customers who lease broadband access on their own. The largest of these providers, Vonage, serves approximately 2.4 million subscribers and has a market capitalization of $249 million.[24] As of the end of 2006, Vonage's estimated market share of the total VoIP market (inclusive of cable companies and OTP VoIP) was 23.9 percent.[25] Dozens of other OTP VoIP providers market their services to customers throughout the United States. It was estimated that there were 2.7 million OTP VoIP subscribers, excluding those provided by the BOCs.[26] Thus as of the end of 2006, Vonage provided service to approximately 82 percent of all OTP VoIP subscribers.[27]

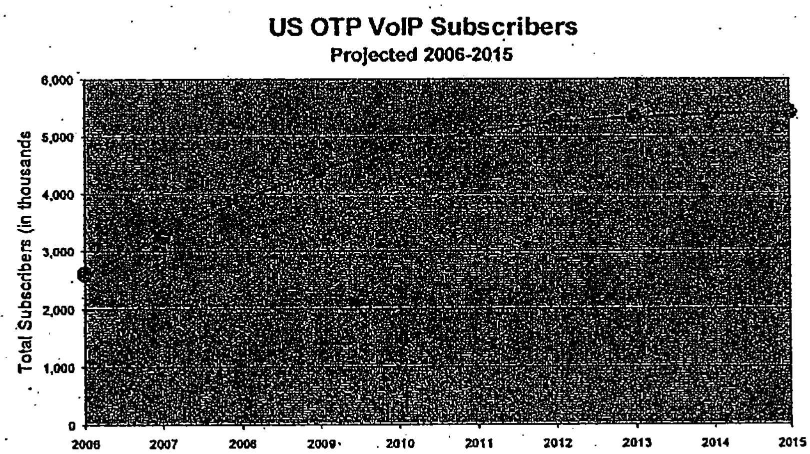
OTP VoIP providers generally offer service at prices below the cable providers. There are a number of reasons for this, aside from the reduced level of customer service and service features, such as the lack of a battery back-up and professional installation.

In order to estimate the direct benefits to consumers from the OTP VoIP providers, we assume that their average prices are $10 per month less than cable, which is the approximate price difference in the current market.[28] Therefore, these providers' customers will save $21.70 per month compared to the ILECs' prices, predicated on their subscribing to broadband Internet service anyway.

[24] Number of customers as of March 31, 2007 was 2.39 million. [See, Vonage First Quarter 2007 Shareholder Synopsis available at http://files.shareholder.com/downloads/VAGE/0x0x56424/ad50fa02-58fb-4dc5-abfc-5bd1100ce9be/FactSheet.pdf .] Market capitalization is given as of October 25, 2007.
[25] Vonage had 2.224 million subscriber lines as of the end of 2006. [See, Vonage First Quarter 2007 Shareholder Synopsis.] Market share information of the VoIP market is from the Bernstein Research Report at 3.
[26] Bernstein Research Report at Exhibit 1.
[27] This figure is calculated using the number of Vonage subscriber lines at the end of 2006 which was estimated to be 2.22 million.
[28] Vonage's Premium Unlimited residential bundle, for example, is currently priced at $24.99 per month ($10 less than Cablevision's price). See http://vonage.com/index.php?ic=1.

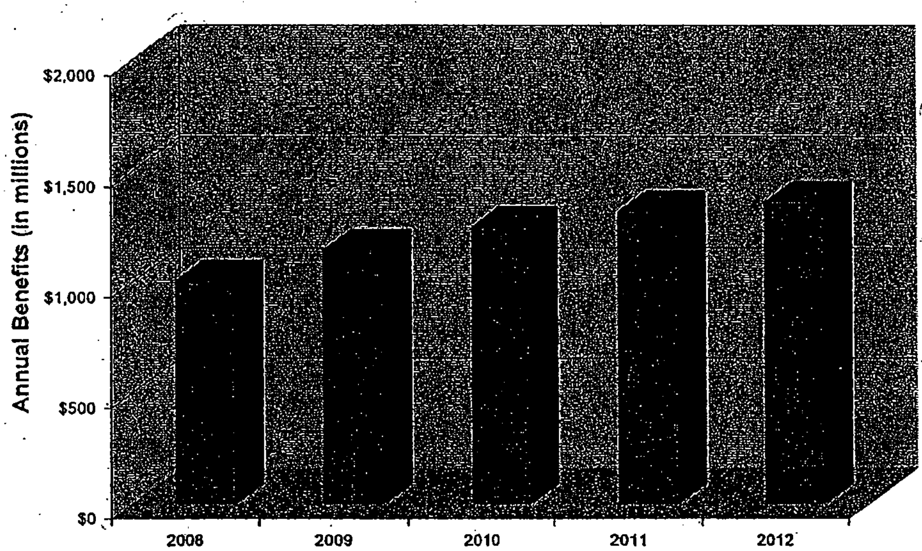
We approach the calculation of direct benefits for this market segment using the same method described above for the cable companies. We use the same market diffusion model, but adjust it to reflect a smaller initial level of sales and projected long-run adoption saturation level of sales from the OTP VoIP providers. In our prior report we estimated that the saturation market share of these providers would be 10%. This was based on the market share reached by the small long distance carriers after 12 years of competition in that market. Recent events in the market, including the patent litigation threatening Vonage's viability, and the rapid penetration of the cable companies VoIP services, suggest a lower saturation level for the OTP VoIP providers. Therefore, in this update, we cut the saturation market share in half to 5%. This results in a much lower estimate of the benefits from OTP VoIP providers.

The diffusion curve is shown in the graph below. Using the updated information regarding the size of the potential market, the new long run saturation level is estimated to be 5.5 million subscribers.[29]



We estimate yearly cost savings for OTP VoIP providers by multiplying the estimates of subscribers each year by the cost savings of $21.70 per month. This yields annual benefits, as shown in the graph below, ranging from $1.01 billion in 2008 to $1.37 billion in 2012.

[29] We estimate the long-run saturation by multiplying the potential market of 110.8 by 5%.



The sum of the yearly benefits over five years is $6.11 billion, as shown in the table below.

Direct Benefits to Residential Customers of OTP VoIP (in millions)

	2008	2009	2010	2011	2012	5 Year Total
VoIP Subscribers	3.9	4.4	4.8	5.1	5.2	
Annual Savings	$1,012.2	$1,151.7	$1,255.6	$1,324.4	$1,366.0	$6,109.9

Note: Total may not compute exactly due to rounding.

Competitive Response by the Incumbents

We have estimated the potential benefits from cable voice and OTP VoIP providers over the next five years to be $17.2 billion and $6.11 billion, respectively. These benefits, however, are dwarfed by the indirect benefits from the competitive pressure placed on the ILECs by competitors. The competitive response by the ILECs to competition will benefit all customers who use wireline service and have an alternative to the ILEC.[30]

The magnitude of indirect benefits can be gauged by looking at the ILECs' response to the entry by the CLECs into the local market. The CLECs introduced services that offered unlimited local and long distance services and bundled calling features, such as call waiting, caller ID, and voice mail. This led the ILECs to respond with their own bundled service offerings. The ILECs' new bundled services were priced well below the amount customers would have paid for the individually priced services in the package assembled at their tariffed rates.

Now that the pressure from the UNE-P-based providers has been eliminated, the consumer benefits from CLEC competition are at risk. The pressure on the ILECs to maintain low prices will come primarily from the cable companies and to a lesser extent from the wireless and OTP VoIP providers. We now attempt to measure the magnitude of these benefits.

Our approach to measuring these benefits is to examine the effect of UNE-P-based competition on the ILECs. The basis of this approach is the fact that, absent pressure from UNE-P-based CLECs, the effect of losing the competitive pressure from facilities-based cable providers would allow the ILECs to raise prices back to where they were prior to entry of the UNE-P-based competitors.[31]

[30] The benefit accrues to customers that stay with the ILECs and to customers that switch to a CLEC. For ILEC customers, this price reduction is their entire benefit. CLEC customers, however, benefit from the ILEC response to competition, which forms a new base price off of which the CLEC will still offer a discount.

[31] The market is now in a transition state between a monopoly and a state of full competition. We have measured the benefits from bringing the current, limited amount of competition into the market. If competition evolves further, the benefits to all customers will increase. The benefits from pro-competitive policies, therefore, are likely to be substantially higher than estimated in this study.

To estimate the effect of CLEC competition on the ILECs' rates and the resulting benefit to consumers, we compare the average monthly household expenditure on wireline service between 1998 (the pre-CLEC era) and 2004/2005, which was the height of success of the UNE-P based CLECs. According to the FCC, the average household spent $61 on local and long distance service per month in 1998. This same measure fell to $49 in 2004 and $48 in 2005.[32] In our prior report, we relied on TNS Telecoms data, which indicated that average spending in 2005 was $50.16.[33] In this report, we rely on the most recent FCC data, which provides a consistent data series over this entire period. To err on the conservative side, we base the estimated cost savings on the slightly higher price for 2004, rather than the 2005 price data, because the peak of UNE-P-based competition occurred toward the end of 2004. Based on this observed decline in spending between 1998 and 2004, we estimate that the effect of competition on average spending by residential customers was $12.00 per month.

We apply the competitive pricing effect to all households with wireline service, which we estimate to be 90% of the total 110.8 million households with telephone service.[34] This yields a figure of 99.7 million households in 2007, which are projected to grow by 1.5% per year. Furthermore, we subtract some households from the nationwide wireline total to account for the limited impact of competition on local markets served by small independent ILECs. Some of the smaller independent ILECs have refused to enter into interconnection agreements with competitors and may continue to withhold interconnection. We approximate the percentage of the market with a competitive impact by taking the ratio of access lines served by the largest eleven local exchange carriers to the total of all access lines, which is 0.955.[35]

These adjustments to exclude wireless-only households and households in areas served by the smaller ILECs generate our estimate that 96.7 million households will receive the benefits

[32] *Trends in Telephone Service.* FCC, April 2007, Table 3.2. The 2005 figure used in this calculation differs somewhat from the J.D. Power 2005 estimate of average spending of ILEC customers. There are many possible reasons for this, including the possible use of a different sample or the existence of sampling error. In any case, this should not bias the estimate obtained from the two sources for the two different effects of competition.

[33] The 2005 figure used in the previous report was taken directly from a TNS press release on March 13, 2006 (see http://www.tnstelecoms.com/press-3-13-06.html), which provided statistics for the fourth quarter of 2005. The minor disparity between the FCC number and the TNS number may be due to differences in what data from the TNS Bill Harvesting data is averaged.

[34] Households with wireless service only will also benefit to the extent that wireless carriers must respond to lower wireline prices. We have not included any benefits for these customers or any wireless customers that might benefit from increased pricing pressure from wireline service.

[35] *Trends in Telephone Service*, Table 7.3.

from a competitive response in 2008. We then apply the estimate of $12.00 per month per subscriber to this number of households, which yields our estimate of $13.9 billion in benefits from the competitive response in 2008. Applying the same methodology for all five years of the study, we estimate that consumers will receive benefits from a competitive response of $71.7 billion.

Savings from the ILECs' Competitive Response is $71.7 billion over 5 Years

We confirm this result in two ways. First, we estimated the reduction in real prices for voice service using the US City Average CPI for Telephone Services produced by the U.S. Bureau of Labor Statistics.[36] This yields a 24.0% real price decline from June 1998 to June 2007. Assuming that prices were $48.00 per month in 2006,[37] this implies that the average price was around $63.51 in 1998, a price decline of approximately $15.50 in that time period. This methodology suggests that indirect benefits from cable voice and OTP VoIP competition will be more than $100 billion over the next five years.

Indirect Benefits to Residential Voice Customers from Competition with Cable (in millions)

[illegible]	[illegible]	[illegible]	[illegible]
Household average expenditure	$61.00	$49.00	$12.00
CPI	$63.51	$48.00	$15.51

Finally, we present an estimate based on a study performed by the Phoenix Center in 2004.[38] This study showed that "all you can eat" long distance plans competing with the ILECs result in a savings of around $69 billion over five years, if these packages are priced at $50. The

[36] U.S. Bureau of Labor Statistics, CPI, series CUUR0000SEED and CUUR0000SA0.
[37] From the fourth quarter 2005 TNS figure cited above.
[38] Phoenix Center Policy Bulletin No. 8, January 27, 2004. The Phoenix Center study estimates consumer surplus for the average subscriber to the ILECs' service compared to the consumer surplus if that customer would subscribe to a UNE-P-based CLEC's bundled service offering. This analysis is based on a sample of 16,000 telephone bills in 1999. The study does not distinguish between direct and indirect benefits from competition.

latter estimate of savings is conservative, as the prices of several such "all you can eat" services are much lower than $50 a month; Verizon's Freedom Essentials plan, as mentioned above, costs $39.99 per month. Similarly, Verizon's Freedom Value plan costs $34.99 per month.

These results are confirmed by the recent response of the ILECs to the increased competition from cable companies and other service providers. Several ILECs have lowered the effective prices of their bundled voice service plans. The timing of the price reduction is closely related to the acceleration of voice service entry by cable providers in many markets. For example, Verizon introduced the Freedom Essentials Plan in 2005, and the Freedom Value Plan in 2006[39] which provide a $16 savings and a $21 savings respectively off of the original Freedom plan.[40] The Freedom Essentials Plan lacks a few features of the Freedom plan, but these are unlikely to be important or valuable to many customers.[41] Likewise, the Freedom Value Plan does not include voice mail or any other calling features. It is likely that Verizon has retained the old plan in order to avoid having to reduce rates on its base of customers, who do not seek lower prices in response to marketplace developments. For new customers or price-sensitive customers, however, the Verizon website directs their attention to the lower-priced Freedom Essentials and Value plans.

Also, as discussed earlier, the ILECs have responded more recently to competition from cable companies with bundled service plans that include high-speed Internet service and video service, along with the suite of voice services. This marketplace development, which has occurred since we wrote our prior report, provides even more compelling evidence that competition brings down prices dramatically across large swaths of the market. And in light of these new developments, we are confident that the price effect used in this paper to calculate benefits is very modest and likely understates the true benefits.

Although we do not have a complete count of the number of households served by smaller ILECs that do not interconnect with competitors, it is possible to estimate the additional benefits

[39] "In an effort to compete with the ever-growing customer base of cable companies, Verizon is rolling out two new nationwide plans that are 30 to 46 percent cheaper than its existing plans," *Telecom Happenings, v1, no. 12.* Tele-Tech Services, December 2005 (see http://www.telecomdb.com/Subscribers/Updates/december_05.htm).

[40] Monthly fees, exclusive of subscriber line charge, taxes, and other fees based on rates in Maryland. Comparable prices exist in other jurisdictions.

[41] The three major features that distinguish Verizon Freedom from Verizon Freedom Essential are unlimited calling to Canada, three-way calling, and speed dialing.

that would accrue from adding the previously excluded households served by the smaller ILECs to the benefit tally. These benefits would be equal to $3.4 billion over the five year study period, assuming the same $12.00 price response to competition. In all likelihood, however, the competitive response would be greater in areas that have experienced very little competition in the past.

In conclusion, we have found compelling evidence that the BOCs have been forced to respond to competition from the UNE-P-based CLECs and more recently by the cable providers, the OTP VoIP providers, and to some extent by wireless providers. Nevertheless the BOCs still retain a very large share of the residential market, and they are capable of using their dominant position to disadvantage rivals. Therefore, if policymakers were to eviscerate the competitive interconnection policies adopted in the wake of the Telecommunications Act of 1996, and upon which competitors to the BOCs have relied, competitive forces would be weakened and consumers would face a substantial price increase for voice services.

V. Effect of Competition in Small Business Market

Several of the cable providers offer voice service to small business customers. These offerings are generally priced far below comparable services offered by the ILECs. For example, Cablevision offers the Optimum Voice service to its online business customers at a price per line of $34.95 for three lines or fewer and $29.95 for four or more lines. Optimum Voice includes unlimited local, regional, and long distance calling within the U.S., Puerto Rico and Canada, and several other calling features shown in the box below.

Optimum Voice (Cablevision) Service Features:

- Call Waiting, Caller ID, Call Blocking, Three-Way Calling
- Other Call Blocking and Anonymous Calling Features, "Find Me" Forwarding Service
- "My Optimum Voice" Allows Customers to Manage Calling Features, Voice Mail, and Call Details on the Internet
- Assign Specific Ringtones for up to 32 Different Numbers

The savings to small business customers of these cable services are enormous. The average price paid for flat-rate local service by businesses with a single line in urban areas was $47.90 in October 2005.[42] This price is for local service only and does not include any calling features or long distance calling. When the cost of these other services are added to the expenditure on basic local service, the average small business pays about $100 per month,[43] which is between two and three times higher than the price of Cablevision's Optimum Voice product.[44] In other words, the small business customer can cut his telephone bill by about 50 to 70 percent by using a cable provider's voice service.

ILECs have responded to competition in the small business market. For example, Verizon offers a Freedom package to business customers at prices ranging from $36 to $42 per month. This package, however, does not include any calling features, which would cost an additional $5 to $25 per month, depending on the features chosen. On an apples-to-apples comparison, then, Verizon's product is in the range of $41 to $67 per month, which implies a price difference between $6 and $32 per month relative to cable voice offerings.

Size of the Small Business Market

It is difficult to draw precise boundaries on the definition of a small business. There are 7.25 million business establishments in the United States, and 5.20 million of these are owned by enterprises with fewer than 20 employees.[45] This cutoff would correspond to the definition used by Verizon in its description of the businesses to which it targets small business service offerings.[46]

We have chosen to use an even more conservative definition of small business by limiting this analysis to firms with fewer than 10 employees.[47] This narrows our focus to the type of businesses that are less likely to be served by the traditional CLECs and are much more

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[42] FCC Telephone Trends, Table 13.2.
[43] Lehman Brothers Equity Research, *Business Markets – Sizing the Cable Opportunity*, June 6, 2007 at 2. This figure is for the average monthly telecom spending by small business with 1 to 4 employees.
[44] The FCC figure and the SBA Survey include taxes and fees, so to compare their numbers to Optimum Voice it is necessary to use a price for this service that includes taxes and fees.
[45] Bureau of the Census, 2003 County Business Patterns.
[46] http://www22.verizon.com/pages/business.
[47] The estimate used in the paper appears very conservative in comparison to the recent Lehman Brothers Research Report, which estimates the number of small businesses with 1-4 employees to be 8 million. This group alone is estimated to spend $9 billion annually on wireline voice services.

dependent on competition from cable voice service. According to the U.S. Census reports, there are 4.55 million business establishments in this category.[48] This is a much smaller number than cited in other studies of the number of small business U.S. firms that cable companies compete for.[49]

Monthly expenditures on local and long distance wireline service by these establishments are shown in the table below.

Number of Employees	Number of Establishments	Average Expenditure on Local and Long Distance [illegible]
Less than 4	3,510,262	$153
5 to 9	1,037,799	$345
Total	4,548,061	$197

Source: Bureau of Census, SBA Survey.
Note: Expenditure for total is a weighted average for all firms.

Effect of Competition on Prices Charged to Small Business

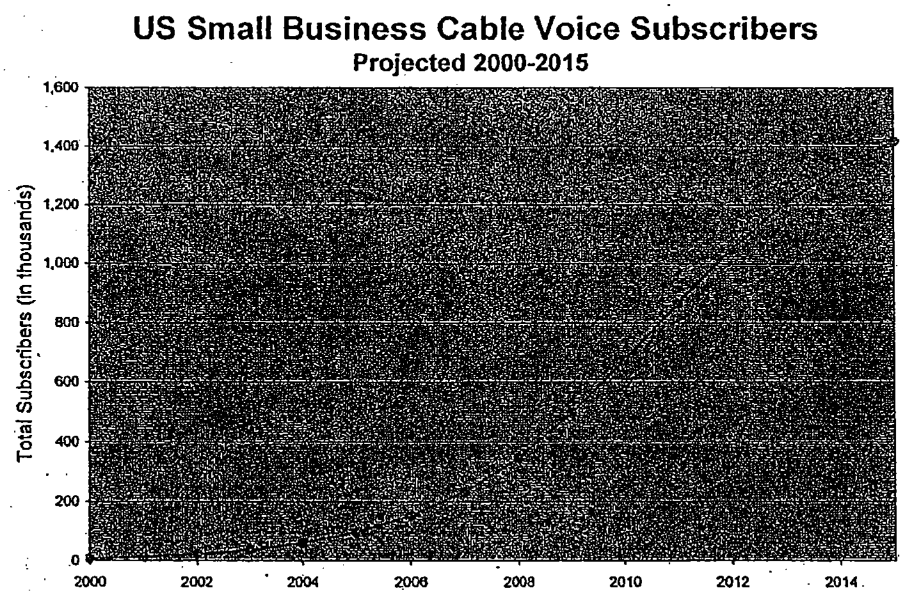
Increased competition, especially from cable companies, has the potential to bring enormous savings to small business customers. We estimate these savings using a number of very conservative assumptions:

- Cable penetration is estimated to follow the same growth pattern as in the residential market, but lagging two years behind.
- Cable is assumed to save a typical small business customer 10% (off the current price) on its monthly bill compared to prices charged by the ILECs after their competitive response. This is based on the comparison made earlier between Verizon Freedom Business and Cablevision's Optimum Voice.

[48] Bureau of the Census, 2003 County Business Patterns.
[49] Insight Research Corporation, *Cable Telephony: The Threat to Small Business ILEC Markets 2007-2012*, April 2007.

- The competitive response of the ILECs is assumed to provide all small business voice customers with a 25% price reduction off of their average monthly bills. This is far below the full potential, because the rates paid by most small business establishments are far above cost, comparable residential rates, or the competitive responses already seen in the marketplace.

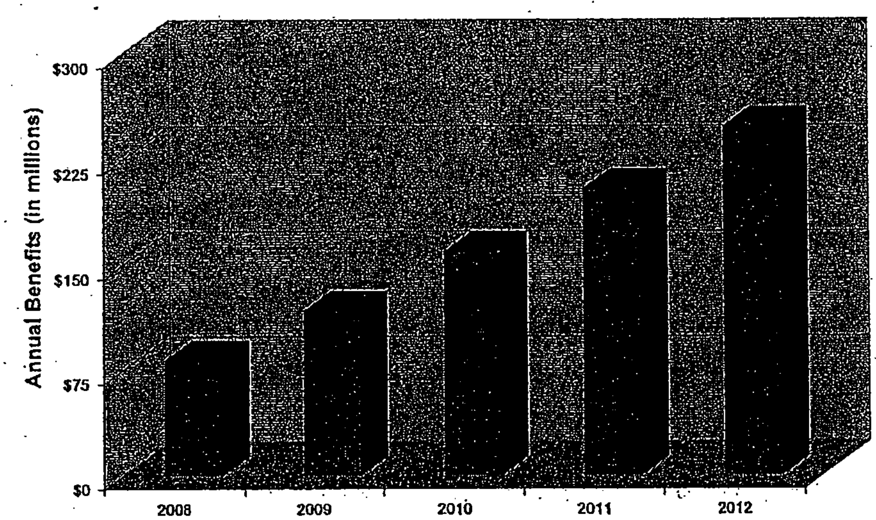
The savings from cable voice service in the small business market are shown below and are broken down into direct and indirect components. Though we do not have data on historical adoption by small businesses, we use the coefficients of external and internal influence estimated for residential consumers[50] and an adoption saturation level of 1.6 million[51] to forecast sales of cable voice to small businesses of around 314 thousand in 2008, growing to 859 thousand in 2012, as shown in the graph below.



[50] This is a conservative assumption as adoption of new technology by businesses often occurs more rapidly than adoption by consumers.
[51] This is estimated as 35% of the total number of small businesses in the US with 10 or fewer employees.

Using these forecasted sales and an estimated direct savings of $19.70 a month for business customers, which is a very modest 10% saving, we estimate yearly benefits ranging from $74.23 million in 2008 to $203.07 million in 2012.

Direct Benefits to Small Business Customers of Cable Voice



The total direct benefit to small business customers over a five-year period is $810.7 million as shown in the table below.

Direct Benefits to Small Business Customers of Cable Voice (in millions)

	2008	2009	2010	2011	2012	Total
Cable Voice Subscribers	0.3	0.5	0.7	0.9	1.0	
Annual savings	$82.0	$117.2	$159.3	$204.4	$247.8	$810.7

Note: Total may not compute exactly due to rounding.

We also compute the indirect savings to the small business market as a result of the competitive response by the ILECs. Based on the assumptions described above, the indirect savings to the average small business will be $49.25 a month. This benefit will accrue to all 4.5 million small businesses. Therefore, we estimate that over a five-year period the total indirect benefits to small business will be equal to $15.5 billion.

Total Savings from the ILECs' Competitive Response in the Small Business Market is $15.5 billion over Five Years

VI. Total Savings

Savings from the sources discussed above total $111.3 billion over the five-year period 2008-2012. These savings are summarized in the table below and depicted in the chart on the following page.

Total Savings from Cable-Telco Voice Competition
(in millions)

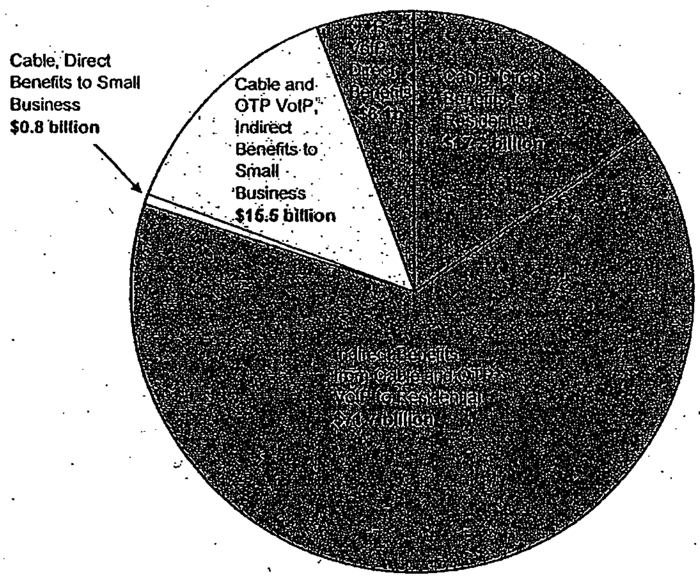
Category	Savings
Cable: Residential Market	$17,202
Cable: Small Business Market	$811
OTP VoIP	$6,110
ILEC Competitive Response: Residential Market	$71,723
ILEC Competitive Response: Small Business Market	[illegible]
Total	$111,348

Note: Total may not compute exactly due to rounding.

$24.1 billion of these benefits are directly observable in the lower prices that customers of cable voice and OTP VoIP pay as compared to traditional alternatives, although this calculation still leaves out the value of the increased features that cable voice services provide. Further, we estimate that the effect of competition from cable and other CLECs leads to a reduction in the overall level of prices of voice service provided to all customers, yielding total indirect savings of $87.2 billion in the next five years.

Benefits are also estimated on a statewide basis for all categories. These were computed by apportioning the nationwide benefits among the states based on the number of households (for residential benefits) and the number of small businesses (for the business market benefits). Results are shown on the attached table.

$111.3 Billion in Benefits to Consumers over 5 Years from Cable Voice and OTP VoIP Competition



Benefits to Residential and Small Business 2008-2012

State	Savings to Residential			Savings to Small Business		Total Savings
	Cable, Direct	Cable, Indirect	OTP VoIP, Direct	Cable, Direct	Cable, Indirect	
Alabama	$288,718,108	$1,203,814,336	$102,549,712	$10,391,189	$198,714,402	$1,804,187,746
Alaska	$38,075,940	$158,758,182	$13,524,183	$2,282,653	$43,651,894	$256,292,952
Arizona	$344,707,477	$1,437,262,819	$122,436,561	$13,055,294	$249,661,044	$2,167,123,195
Arkansas	$172,926,912	$721,021,263	$61,421,866	$7,074,693	$135,291,866	$1,097,736,598
California	$1,795,549,938	$7,486,571,478	$637,760,926	$94,053,306	$1,798,614,852	$11,812,550,501
Colorado	$281,966,936	$1,175,665,224	$100,151,764	$17,082,647	$326,677,532	$1,901,544,103
Connecticut	$198,340,038	$826,981,663	$70,448,348	$10,284,774	$196,679,399	$1,302,734,223
Delaware	$51,525,700	$214,837,153	$18,301,400	$2,621,504	$50,131,959	$337,417,716
District of Columbia	$38,786,464	$161,720,723	$13,776,554	$1,802,630	$34,472,326	$250,558,698
Florida	$1,123,128,532	$4,682,900,682	$398,923,738	$55,738,204	$1,065,901,514	$7,326,592,669
Georgia	$515,004,173	$2,147,317,359	$182,924,201	$22,846,676	$436,905,122	$3,304,997,531
Hawaii	$67,711,266	$282,323,105	$24,050,347	$3,360,702	$64,267,897	$441,713,318
Idaho	$81,159,063	$338,393,890	$28,826,867	$4,724,483	$90,347,969	$543,452,273
Illinois	$714,336,449	$2,978,436,172	$253,724,982	$34,499,153	$659,739,585	$4,640,736,341
Indiana	$377,294,277	$1,573,133,952	$134,011,058	$15,265,222	$291,922,282	$2,391,626,791
Iowa	$181,308,630	$755,968,959	$64,398,966	$8,809,231	$168,462,063	$1,178,947,850
Kansas	$166,183,592	$692,904,893	$59,026,708	$8,146,859	$155,795,281	$1,082,057,333
Kentucky	$258,432,134	$1,077,536,527	$91,792,444	$9,427,220	$180,280,075	$1,617,468,400
Louisiana	$269,213,818	$1,122,490,912	$95,621,987	$10,777,632	$206,104,494	$1,704,208,843
Maine	$94,886,190	$395,629,345	$33,702,602	$4,882,411	$93,368,090	$622,468,638
Maryland	$315,555,649	$1,315,713,851	$112,082,131	$14,633,331	$279,838,390	$2,037,823,351
Massachusetts	$374,691,966	$1,562,283,579	$133,086,744	$20,345,490	$389,074,045	$2,479,481,824
Michigan	$621,688,684	$2,592,139,972	$220,817,446	$25,834,838	$494,048,606	$3,954,529,746
Minnesota	$310,277,830	$1,293,707,905	$110,207,503	$16,270,545	$311,147,430	$2,041,611,213
Mississippi	$171,249,390	$714,026,812	$60,826,027	$6,383,444	$122,072,872	$1,074,558,546
Missouri	$359,586,699	$1,499,301,952	$127,721,608	$16,529,006	$316,090,065	$2,319,229,231
Montana	$59,352,264	$247,470,126	$21,081,316	$4,235,903	$81,004,684	$413,144,293
Nebraska	$106,255,139	$443,032,343	$37,740,736	$5,615,370	$107,384,723	$700,028,312
Nevada	$136,922,949	$570,902,218	$48,633,627	$5,763,851	$110,224,182	$872,446,827
New Hampshire	$80,723,943	$336,579,648	$28,672,317	$4,337,327	$82,944,242	$533,257,476
New Jersey	$478,834,603	$1,996,507,814	$170,077,141	$28,687,709	$548,605,277	$3,222,712,544
New Mexico	$115,762,030	$482,671,461	$41,117,486	$4,751,933	$90,872,911	$735,175,821
New York	$1,096,476,089	$4,571,772,937	$389,457,083	$62,360,323	$1,192,538,654	$7,312,605,066
North Carolina	$541,282,833	$2,256,885,780	$192,258,041	$22,504,973	$430,370,617	$3,443,302,044
North Dakota	$42,182,032	$175,878,595	$14,982,625	$2,298,696	$43,958,778	$279,300,727
Ohio	$696,466,070	$2,903,925,366	$247,377,606	$27,696,290	$529,646,008	$4,405,111,340
Oklahoma	$220,541,012	$919,548,945	$78,333,906	$9,657,695	$184,687,543	$1,412,769,101
Oregon	$215,300,072	$897,696,768	$76,472,378	$11,902,025	$227,606,663	$1,428,977,906
Pennsylvania	$755,218,308	$3,148,893,674	$268,245,799	$32,074,970	$613,381,072	$4,817,813,822
Rhode Island	$62,583,488	$260,942,760	$22,229,013	$3,494,745	$66,831,250	$416,081,257
South Carolina	$265,122,449	$1,105,431,890	$94,168,775	$10,651,075	$203,684,307	$1,679,058,496
South Dakota	$48,044,173	$200,320,876	$17,064,798	$2,848,771	$54,478,070	$322,756,688
Tennessee	$363,894,437	$1,517,263,126	$129,251,573	$13,183,099	$252,105,092	$2,275,697,326
Texas	$1,240,539,758	$5,172,448,490	$440,627,001	$51,069,513	$976,620,472	$7,881,305,233
Utah	$119,014,848	$496,234,135	$42,272,854	$6,924,607	$132,421,728	$796,868,172
Vermont	$42,669,457	$177,910,921	$15,155,754	$2,635,764	$50,404,657	$288,776,552
Virginia	$437,059,646	$1,822,326,527	$155,239,105	$19,594,884	$374,719,949	$2,808,940,111
Washington	$365,515,868	$1,524,023,707	$129,827,488	$19,475,814	$372,442,928	$2,411,285,806
West Virginia	$121,567,940	$506,879,287	$43,179,686	$4,353,013	$83,244,209	$759,224,135
Wisconsin	$345,488,675	$1,440,520,036	$122,714,035	$15,148,291	$289,686,165	$2,213,557,202
Wyoming	$32,621,716	$136,016,717	$11,586,899	$2,296,379	$43,914,465	$226,436,175
Total	$17,201,745,455	$71,722,926,854	$6,109,883,596	$810,686,160	$15,503,039,998	$111,348,282,062

Note: Total may not compute exactly due to rounding.

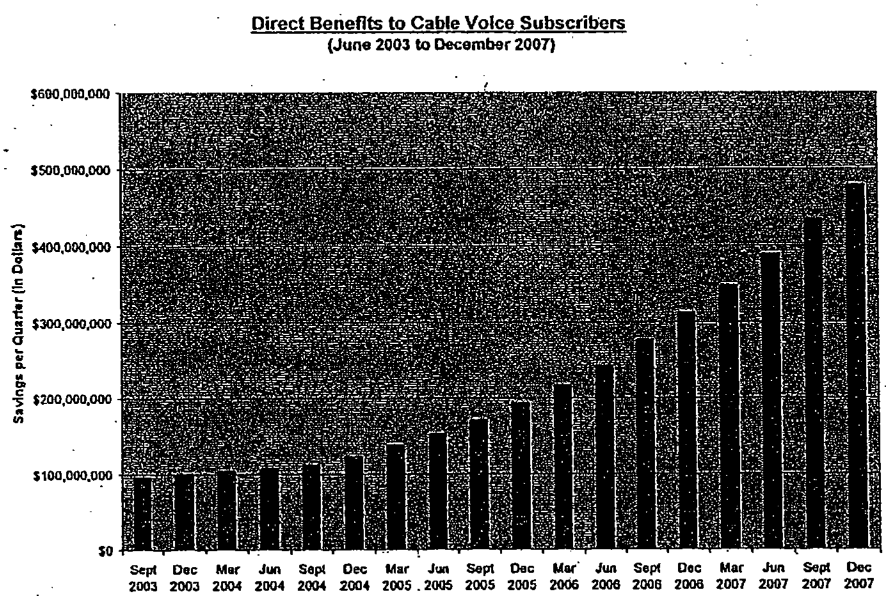
VII. Benefits Already Realized

In this updated report we include an estimate of the benefits from cable voice competition already realized. We calculate the benefit from two sources: the direct benefit to cable voice subscribers, and the indirect benefit to all voice subscribers resulting from the ILECs' competitive response to cable voice service. The savings over the past two years from these sources totals nearly $23 billion. (We also show benefits on a statewide basis, but only for 2007.)[52] Benefits for the entire period to date are estimate only for residential customers, since competition in the business market was very limited. Also, we exclude any benefits from OTP VoIP services.

Direct Benefits

We estimate direct benefits already realized using the same method and same data sources used earlier in the paper to estimate projected benefits to cable voice subscribers. Although benefits begin prior to 2003, we restrict our measurement to the period of time covered by the primary data sources described and utilized earlier. This covers a period of four years plus two quarters (third and fourth quarter 2003 and 2004 through 2007). Benefits are calculated as the monthly savings $11.70 x 3 (the number of months per quarter) x the number of cable voice subscribers during that quarter. The benefits are shown on a quarterly basis in the chart below. For the entire period, the benefit to cable voice subscribers totals $4.0 billion.

[52] Prior to 2007, cable penetration had not yet reached the level or geographic distribution where it would be reasonable to use the proportion of households in each state as a proxy for the number of cable voice customers in each state or the number of ILEC customers benefiting from a competitive response.

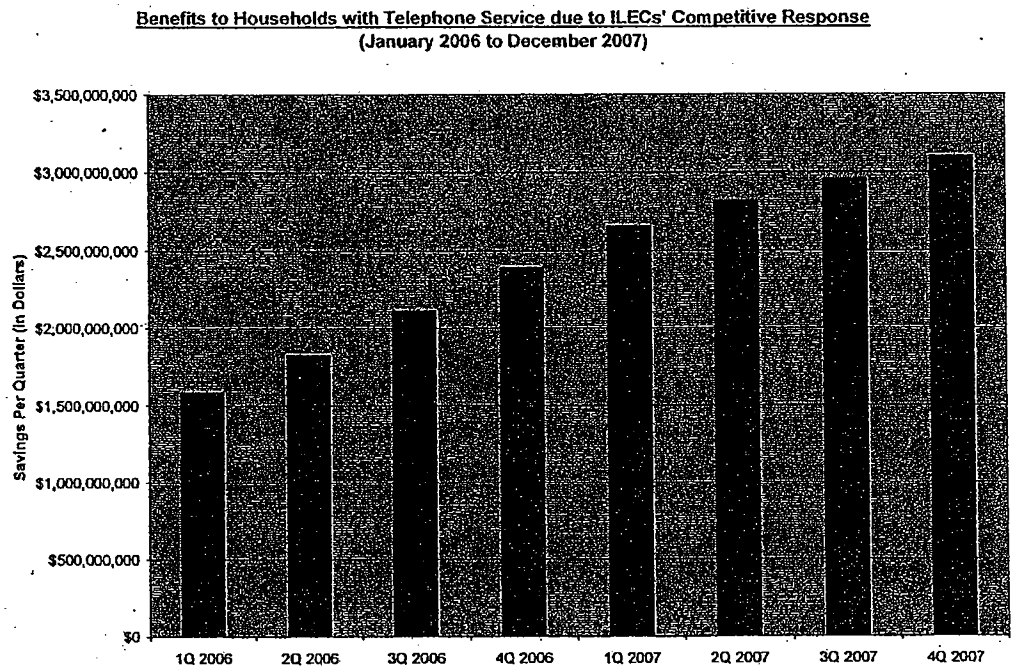

Direct Benefits to Cable Voice Subscribers
(June 2003 to December 2007)
Savings per Quarter (In Dollars)
$600,000,000
$500,000,000
$400,000,000
$300,000,000
$200,000,000
$100,000,000
$0
Sept 2003
Dec 2003
Mar 2004
Jun 2004
Sept 2004
Dec 2004
Mar 2005
Jun 2005
Sept 2005
Dec 2005
Mar 2006
Jun 2006
Sept 2006
Dec 2006
Mar 2007
Jun 2007
Sept 2007
Dec 2007

Indirect Benefits

In order to estimate indirect benefits from the ILECs' competitive response, we modify the methodology that was used in the main study to project future benefits. For this earlier period, we limit the indirect benefits to the customers in the residential market that were passed by cable companies offering voice service. Because cable voice competition was limited in geographic scope, it is unlikely that the ILECs were forced to respond everywhere. Therefore, we assume that the ILECs' response to competition only benefited consumers in the areas where cable voice service was available. Annual data on cable penetration of the voice market were obtained from the Kagan Report and extrapolated to estimate penetration on a quarterly basis.

We begin the benefit period in 2006, even though cable companies began offering voice service several years earlier. The reason is that prior to 2006 (or arguably prior to 2005), the ILECs faced widespread competition from UNE-P-based CLECs. Therefore, it is difficult to attribute their competitive response to the cable companies alone. Rather than allocate the benefits during this earlier period, we begin the benefit period after the UNE-P-based CLECs are forced to exit the market for new subscribers.

Benefits from the ILECs' competitive response are then estimated by multiplying the number of households in each quarter that were passed by cable companies offering voice service by our previously-derived estimate of the average monthly competitive reduction in price by ILECs, which is $12.00. Total benefits for all of 2006 and 2007 equal $19.5 billion. The benefits are shown on a quarterly basis in the chart below.


Benefits to Households with Telephone Service due to ILECs' Competitive Response
(January 2006 to December 2007)
Savings Per Quarter (In Dollars)
$3,500,000,000
$3,000,000,000
$2,500,000,000
$2,000,000,000
$1,500,000,000
$1,000,000,000
$500,000,000
$0
1Q 2006
2Q 2006
3Q 2006
4Q 2006
1Q 2007
2Q 2007
3Q 2007
4Q 2007

Benefits to Residential Customers in 2007

State	Savings to Residential		Total Savings
	Cable, Direct	Cable, Indirect	
Alabama	$27,710,453	$193,713,490	$221,423,942
Alaska	$3,654,435	$25,546,798	$29,201,233
Arizona	$33,084,174	$231,279,183	$264,363,357
Arkansas	$16,597,099	$116,024,158	$132,621,257
California	$172,332,460	$1,204,712,257	$1,377,044,717
Colorado	$27,062,492	$189,183,835	$216,246,327
Connecticut	$19,036,188	$133,074,926	$152,111,114
Delaware	$4,945,310	$34,570,825	$39,516,135
District of Columbia	$3,722,629	$26,023,519	$29,746,149
Florida	$107,795,110	$753,555,599	$861,350,708
Georgia	$49,428,832	$345,538,615	$394,967,447
Hawaii	$6,498,761	$45,430,422	$51,929,183
Idaho	$7,789,447	$54,453,132	$62,242,579
Illinois	$68,560,253	$479,279,277	$547,839,529
Indiana	$36,211,775	$253,143,079	$289,354,854
Iowa	$17,401,556	$121,647,816	$139,049,372
Kansas	$15,949,892	$111,499,773	$127,449,664
Kentucky	$24,803,680	$173,393,317	$198,196,997
Louisiana	$25,838,479	$180,627,216	$206,465,695
Maine	$9,106,943	$63,663,257	$72,770,199
Maryland	$30,286,254	$211,719,959	$242,006,212
Massachusetts	$35,962,012	$251,397,076	$287,359,088
Michigan	$59,668,148	$417,117,877	$476,786,025
Minnesota	$29,779,702	$208,178,841	$237,958,542
Mississippi	$16,436,095	$114,898,636	$131,334,731
Missouri	$34,512,246	$241,262,298	$275,774,544
Montana	$5,696,464	$39,822,006	$45,518,490
Nebraska	$10,198,107	$71,291,177	$81,489,284
Nevada	$13,141,527	$91,867,539	$105,009,067
New Hampshire	$7,747,685	$54,161,191	$61,908,876
New Jersey	$45,957,366	$321,270,884	$367,228,249
New Mexico	$11,110,554	$77,669,762	$88,780,316
New York	$105,237,074	$735,673,320	$840,910,394
North Carolina	$51,950,974	$363,169,973	$415,120,947
North Dakota	$4,048,528	$28,301,753	$32,350,281
Ohio	$66,845,098	$467,289,265	$534,134,362
Oklahoma	$21,166,983	$147,970,521	$169,137,504
Oregon	$20,663,970	$144,454,147	$165,118,118
Pennsylvania	$72,483,993	$506,708,687	$579,192,680
Rhode Island	$6,006,609	$41,989,974	$47,996,583
South Carolina	$25,445,799	$177,882,139	$203,327,938
South Dakota	$4,611,161	$32,234,918	$36,846,079
Tennessee	$34,925,692	$244,152,546	$279,078,237
Texas	$119,063,950	$832,331,878	$951,395,827
Utah	$11,422,752	$79,852,219	$91,274,971
Vermont	$4,095,309	$28,628,788	$32,724,097
Virginia	$41,947,908	$293,242,255	$335,190,163
Washington	$35,081,313	$245,240,434	$280,321,747
West Virginia	$11,667,791	$81,565,199	$93,232,990
Wisconsin	$33,159,152	$231,803,323	$264,962,475
Wyoming	$3,130,952	$21,887,323	$25,018,275
Total	$1,650,981,150	$11,541,396,400	$13,192,377,550

Note: Totals may not compute exactly due to rounding.

Exhibit Comcast/11

Frontier/Verizon Interrogatory Response No. 2

Docket No. UM-1431
Verizon and Frontier Responses to Comcast Data Requests Nos. 1-52
July 31, 2009

DATA REQUEST NO. 2:

Will any costs or expenses arising from or associated with the Transaction be recovered, directly or indirectly, from competitors or wholesale customers of the Applicants in wholesale rates or other fees? If so, please identify all such costs or expenses and the manner in which the Applicants intend to recover those costs.

Response:

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 4, 6, 7, and 10. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

No, Frontier will not seek to recover the costs or expenses related to the proposed transaction from its wholesale customers.

Prepared By: Cassandra Guinness
Date: July 31, 2009

Exhibit Comcast/12

State of Vermont Docket No. 7270,
Order Re: Cutover Readiness, (November 26, 2008)

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7270

Joint Petition of Verizon New England Inc., d/b/a Verizon Vermont, certain affiliates thereof, and FairPoint Communications, Inc. for approval of an asset transfer, acquisition of control by merger and associated transactions	)))))

Order entered: 11/26/2008

ORDER RE: NOTICE OF CUTOVER READINESS

I. INTRODUCTION

The Vermont Public Service Board ("Board") approved FairPoint Communications, Inc.'s ("FairPoint")[1] acquisition of the landline telecommunications system in Vermont owned and operated by Verizon New England Inc., d/b/a Verizon Vermont ("Verizon") on February 15, 2008. FairPoint and Verizon closed the transaction on March 31, 2008. At that time, FairPoint obtained ownership of the telecommunications network and became the service provider, but Verizon, through the Transition Service Agreement ("TSA"), continued to provide the Operation Support Systems ("OSS") used for functions such as ordering, provisioning, and billing until FairPoint's own systems were ready to assume the responsibility. The services provided under the TSA continue until the cutover of systems to FairPoint. Under the TSA, FairPoint must provide notice when it is ready for cutover to occur.

On November 12, 2008, FairPoint filed its Provisional Notice of Cutover Readiness, asserting that it "will be ready by November 30, 2008 to file an irrevocable notice of cutover

1. Since the acquisition, the Vermont entity is Telephone Operating Company of Vermont, LLC, d/b/a FairPoint Communications.

readiness with Verizon."[2] FairPoint and Verizon plan to have the cutover occur in the last weekend of January 2009. This operation would involve transferring all of the functions provided by the legacy systems operated by Verizon, as well as the data in those systems, to new OSS developed by FairPoint.[3]

Liberty Consulting Group ("Liberty"), the independent third-party monitor that FairPoint, with the agreement of the Department of Public Service ("Department"),[4] hired in response to our Order requiring the employment of such a monitor, has concluded that FairPoint has sufficiently satisfied the criteria for cutover readiness that, with appropriate conditions, the Vermont Public Service Board ("Board") should permit the cutover to occur. The Department concurs with this assessment. Several competitive local exchange carrier ("CLEC") parties, however, contest FairPoint's assessment and Liberty's analysis and recommendations, contending that FairPoint has not adequately tested its systems. The CLECs argue that FairPoint has failed to demonstrate that the cutover will not adversely affect them in significant ways, since they rely heavily on FairPoint's systems.

In this Order, the Board authorizes FairPoint to issue its irrevocable notice of cutover readiness, although we adopt additional requirements that FairPoint must meet to address cutover

2. Exh. FairPoint-102. FairPoint filed a Supplemental Statement Concerning Notice of Cutover Readiness on November 20, 2008, responding to additional concerns raised by parties and making the same assertion. Exh. FairPoint-101.

3. A more detailed explanation of these systems is set out in our Order of 12/21/07, beginning at p. 177. As we described in that Order:

> 472. "Conversion" or "cutover" is the process by which all data and business processes are transferred from the Verizon systems to their counterpart systems at FairPoint. The task involves a complex mapping of each source data element in Verizon's systems to the corresponding required data elements in FairPoint's systems, the development of conversion programs to automate the translation and loading of data to FairPoint's systems, and the confirmation that the FairPoint systems would operate accurately and responsively with the new data. Mills pf. at 5.
>
> 473. Conversion will require the replacement of most or all Verizon operational and business systems and the integration and conversion of over 1,500,000 new customers. Mills pf. at 5–6.

Order of 12/21/07 at 180.

4. The independent monitor, Liberty, has been hired with the approval not only of the Department, but also of the New Hampshire Public Utilities Commission ("NHPUC") and Maine Public Utilities Commission ("MPUC") and has worked at the direction of those three agencies.

issues raised during this proceeding.[5] The evaluation of FairPoint's systems, staffing, business processes, and training plans indicate that FairPoint should be well-positioned to operate its own, newly-developed systems and discontinue its reliance on Verizon's. Any transition this large and complicated (replacing work performed by some 600 Verizon systems), is likely to lead to issues; some aspects of the cutover may well experience problems as happened when FairPoint's pre-existing Vermont systems changed billing systems several years ago. The analysis prepared by the independent third-party monitor indicates that FairPoint's system testing, staffing, training and analysis of business processes have progressed sufficiently that such issues are likely to be minimized. Cutover to FairPoint's systems will also terminate the approximately $16 million monthly payments to Verizon for TSA services across the northern New England states; Vermont's share of this payment is approximately $3 million per month.

Notwithstanding our conclusion that FairPoint may issue its notice, we continue to have some concerns about the cutover of systems that will require further monitoring and action by FairPoint prior to cutover. These relate primarily to the wholesale systems. FairPoint needs to continue its testing of these systems, which it has committed to do through December 5, 2008. In particular, the Department and Comcast Phone of Vermont, LLC ("Comcast") have identified additional tests that we will require the OSS to pass. Comcast has also recommended specific tests that FairPoint, after consultation with Liberty, should consider running. Further, FairPoint must ensure that the Daily Usage Feed ("DUF") files distributed to CLECs are complete and accurate and distributed in a format that enables CLECs to import them.

In addition to the need for more work related to wholesale systems, FairPoint and Liberty concur that FairPoint has not completed its documentation of key business processes. We accept Liberty's conclusion that the "documentation is sufficiently complete and accurate and the

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5. The parties requested that we adopt these provisions as "conditions" on the Order, consistent with our normal practice. Under that approach, the permission that the Board grants the petitioning entity is operable subject to those conditions, whether they are conditions precedent or subsequent. In this case, FairPoint must issue its notice of cutover readiness, which is then irrevocable. Making the order contingent on conditions subsequent thus raises the question of whether the Board has, in fact, granted FairPoint permission to issue the notice, since by definition it could not later be revoked. To eliminate any uncertainty, we do not make this Order conditional (although paragraph 3 of the ordering clauses must be accomplished before the notice is issued). However, we do adopt additional requirements with which FairPoint must comply.

process of correction and improvement has been substantially institutionalized."[6] Similarly, FairPoint must continue the development of and implement its training programs for the new systems.

The Board intends to monitor the progress towards cutover after FairPoint provides its notice to Verizon. The third-party monitor obligations that we imposed as a condition of our approval of FairPoint's acquisition continue to apply; we expect that Liberty will continue its monitoring and bring any issues to the Board's attention.

II. Background and Procedural History

In our February 15 Order approving the acquisition, we included several conditions intended to assure that the cutover to the new systems did not occur until FairPoint's systems were fully functional and would provide necessary services to both retail and wholesale customers. These conditions were essential to avoid potential adverse affects on customers if the systems did not operate correctly. In reaching this conclusion, we were mindful that after Verizon's sale of its Hawaii properties, the last major telecommunications acquisition that required transition to new systems, major problems for wholesale and retail customers occurred that have taken years to correct. Accordingly, we specifically included a condition enabling us to review FairPoint's cutover decision and delay it:

> 49. Until FairPoint is obliged to give notice to Verizon to activate cutover on a specific date, the Board may order that cutover be delayed, if it has substantial concerns about FairPoint's readiness.[7]

In addition, the Board approved a plan whereby FairPoint would hire a consultant (with the concurrence of the Department), to independently monitor and report on cutover readiness.[8] As we found in the Order:

> Under the agreement, the monitor will review FairPoint's planned testing process, including the standards by which the readiness of the systems is assessed, to determine whether it is appropriate to proceed with the cutover of systems and functions provided by Verizon to FairPoint's Northern New England

6. Exh. DPS-101 at 21.
7. Order of 2/15/08 at 48.
8. *Id.* at 31–34, 48. *See also*, Order of 12/21/07 at 190–195.

> operation. . . . The Independent Monitor will also monitor the progress being made towards cutover readiness and flag any emerging issues for state regulators. . . . The Independent Monitor's review will examine both retail and wholesale functions, so that the concerns of CLECs can be addressed.[9]

Pursuant to this arrangement, Liberty has been actively engaged in monitoring cutover issues (since October 2007) and has filed monthly reports documenting FairPoint's progress, leading up to the report filed on November 12, 2008.

Supplementing Liberty's monitoring efforts, the Board convened workshops on cutover and other transition issues on May 21, June 20, July 16, August 20, September 18, and October 17.

Following Liberty's November 12, 2008, report, the Board convened a Status Conference on November 14, 2008. At that time, we concluded that enough questions remained about FairPoint's readiness to proceed with cutover that it was necessary to hold an evidentiary hearing. That hearing was held on November 21, 2008. In addition to FairPoint, Verizon, and the Department, the Board heard testimony on FairPoint's notice from Verizon Business Global LLC ("Verizon Business"), Comcast, One Communications, Inc. ("One Comm"), segTel, Inc. ("segTEL"), and Sovernet, Inc. Most of these parties also filed post-hearing briefs or recommendations.

III. Board Discussion and Conclusion

A. Criteria for Cutover Assessment

In order to determine readiness for cutover, FairPoint developed a Cutover Readiness Verification Plan. This plan specifies that FairPoint must demonstrate readiness in five different areas:

- Tests of FairPoint's new Capgemini-developed operational support systems, which will replace the Verizon systems
- Tests of FairPoint's ability: (a) to correctly accept the data extracted from Verizon's systems as will be necessary to operate FairPoint's business, and (b) to convert that data into a form that can be used by the new operational support systems

9. Order of 2/15/08 at 31–32 (citations omitted).

- Demonstration of the existence and documentation of the key business processes that must operate successfully at cutover
- Demonstration that key staff positions that are necessary at cutover are filled
- Demonstration that training of the FairPoint staff in the new systems and processes will be successfully completed by cutover.[10]

Liberty previously evaluated the Verification Plan and found it to be reasonable. Liberty and all parties used the Verification Plan as the framework against which to evaluate FairPoint's readiness for cutover, although Liberty and the CLECs have raised additional issues related to the effect of cutover on wholesale services that they believe FairPoint must address.

We find these criteria to be a useful framework for our review, although we agree with Liberty and the CLECs that it is important to consider issues outside of these criteria as well.

B. Liberty's Assessment

In its report, Liberty concluded that FairPoint had met several of the criteria. Specifically, FairPoint has demonstrated that the positions identified as key staff positions at the time of cutover have been filled.[11] In addition, FairPoint has met all of the criteria related to the automatic conversion of the data extracts from Verizon's source systems into the new FairPoint systems.[12] FairPoint has also successfully completed the testing of its OSS, except those related to provision of wholesale services to CLECs. This testing included evaluation of the stand-alone systems and linked operations, end-to-end performance testing using expected volumes, and testing by the system users.[13] No party challenges any of these conclusions (although, as we discuss below, certain CLECs suggest that more testing of retail systems may be appropriate because of what they characterize as flaws in the wholesale systems).

For the CLEC testing issues, Liberty concluded in its report that FairPoint had not yet met all of the criteria. During the hearing on November 21, 2008, Liberty revised that assessment and now concludes that:

10. Exh. DPS-101 at 2.
11. Exh. DPS-101 at 21–22.
12. Exh. DPS-101 at 19–20.
13. Exh. DPS-101 at 3–11, 17–19.

> Based on what we know today and based on the progress that FairPoint has made in addressing the issues that we've identified needed to be addressed, we don't believe that the remaining issues constitute a significant impediment to declaring cutover readiness.[14]

Several CLECs directly contest the adequacy of the testing. Others raise concerns about other aspects of the services that they receive from FairPoint that may be affected by cutover. These are addressed below.

Finally, Liberty concluded that FairPoint had not met the specific criteria of the Verification Plan related to the documentation and approval of key business processes and the development and completion of training proposals. As we discuss in more detail below, Liberty finds that FairPoint's progress and the expectation of completion prior to cutover are such that the present inadequacies should not serve as an impediment to cutover.

C. CLEC Issues

1. Testing

SegTEL, Comcast, and Verizon Business assert that the testing of FairPoint's wholesale OSS is inadequate and does not demonstrate that they will function properly. SegTEL focuses on the fact that FairPoint has intentionally limited and controlled CLEC testing, by limiting the number of tests that can be run and restricting the tests to only the "front-end" system. As a result, segTEL asserts that it cannot determine whether parity exists between the functionality the OSS provides to the CLECs as compared to that provided to its own retail operations. SegTel maintains that its testing (using the web Graphical User Interface ("GUI")) demonstrates that FairPoint's OSS is not adequate. More broadly, segTEL contends that neither FairPoint's testing nor Liberty's oversight complies with the market-opening requirements of the federal Telecommunications Act of 1996, because the OSS was not subject to the same rigorous testing that applied to companies seeking relief under Section 271 of that Act.

Comcast agrees with segTEL that the OSS testing does not meet the cutover readiness criteria. Comcast uses an electronically bonded ("e-bonded") interface (as opposed to the GUI). Comcast maintains that the testing has not fully demonstrated that the e-bonded interface is

14. Tr. 11/21/08 at 64 (King).

functional, citing an additional series of tests that it concludes that FairPoint must run. Moreover, Comcast faults FairPoint for not having fully tested the e-bonded interface on an end-to-end basis.[15] As a result, Comcast asks that the Board permit FairPoint to issue its notice of cutover readiness only if FairPoint conducts certain additional tests, including life cycle and regression testing, and certifies that it has conducted successful integration of the e-bonded system with FairPoint's other systems. Comcast also recommends that we adopt a requirement that FairPoint continue to develop and test its systems so that they function in a manner similar to the support CLECs received from Verizon.

Verizon Business also contends that the environment for the CLEC testing was unduly limited.[16] In addition, Verizon Business asserts that the GUI has not been tested under stress volumes. Overall, Verizon Business argues that FairPoint's systems contain missing, incomplete, or untested functionality and thus are not ready for cutover.

The Department recommends that the Board include a condition requiring FairPoint to successfully complete two additional tests on the e-bonded interface prior to issuing notice of cutover readiness.[17]

In response, FairPoint maintains that it conducted a series of additional tests based upon input from Liberty and the CLECs, conducting 12 additional tests following Liberty's report. FairPoint asserts that it has run a sufficient number of tests to minimize the likelihood of significant failures after cutover.[18] Moreover, FairPoint contends that it has completed all of the tests requested by Comcast.[19] Finally, FairPoint argues that its systems provide similar availability and range of functionality for testing to that which Verizon now provides when it makes changes to its OSS.

The disagreement between the CLECs and FairPoint (with the Department and Liberty siding with FairPoint) is in large part a debate about the appropriate level of testing that should apply to assessing the functionality of FairPoint's OSS. For their part, the CLECs are rightly

15. Comcast Post-Hearing Letter of 11/24/08 at 2–3.
16. Exh. Verizon-101 at 4–5.
17. Exh. DPS-102.
18. Exh. FairPoint-101 at 1–3.
19. Tr. 11/21/08 at 116 (Murtha).

concerned that if the systems do not function properly following cutover, they will suffer adverse consequences that could translate to a loss of customers. As a result, they seek a testing regimen that is equivalent to that which the FCC required for Bell Operating Companies seeking permission to enter the long-distance market, including extensive end-to-end testing of all components of the CLEC interface. These concerns are bolstered by the fact that FairPoint's testing of the e-bonded interface was limited, CLEC testing of that interface has been based upon a limited sample, and the GUI appears to produce unexplained errors at times.

By contrast, FairPoint focuses on the fact that its back office systems function properly and its full end-to-end testing of the GUI produced no significant errors. As to the e-bonded interface, FairPoint maintains that it and the CLECs have conducted testing on a reasonable sample of scenarios, with the tests being successfully completed.

We agree with the CLECs that it is essential that FairPoint's systems continue to provide CLECs with an equivalent level of access that they have now under Verizon's systems. It was for this reason that we included the following condition in the February 15, 2008, Order.

> 55. The Independent Monitor, established to ensure FairPoint's system conversion process is implemented in a manner which eliminates risk to customers, should include as one of its criteria an assurance that FairPoint's systems comply with the market opening requirements of the 1996 Act.[20]

However, this requirement was not intended to have the effect that the CLECs now seek to assign it. No party advocated during the deliberations on the sale nor did we require that FairPoint's systems undergo the same testing protocol that applied to companies seeking relief under Section 271. Thus, we had no expectation that the independent third-party monitor would require or suggest the same testing as was done for the Section 271 proceedings. For this reason, we do not accept segTEL's contention that Liberty has not complied with our requirements.

In resolving this dispute between the conflicting views of the CLECs and FairPoint as to the adequacy of the testing, we rely heavily on the independent assessment of Liberty and the Department. It was to provide such an unbiased, independent view that we required the employment of the independent monitor. Here, Liberty has represented that all of FairPoint's internal, retail systems function properly. In addition, Liberty's report and FairPoint's

20. Order of 2/15/08 at 49.

representations show that FairPoint extensively tested the functionality of the GUI, including end-to-end tests that showed no serious defects.[21] In addition, with the testing completed last week, FairPoint and Liberty assure us that the e-bonded interface appears to function as well.

We recognize FairPoint did not evaluate the end-to-end functionality of the e-bonded interface. The absence of this testing remains a concern, particularly since certain CLECs rely upon it for their services. The testing protocol that FairPoint established also did not permit the CLECs themselves to conduct end-to-end tests of the full system or conduct tests using their own data. Nonetheless, Liberty concluded that since (a) both the e-bonded and GUI front-end systems have been shown to function, (b) FairPoint's internal OSS function properly, and (c) the end-to-end GUI testing shows that the front-end and internal systems provide full functionality, the testing that FairPoint has done has effectively evaluated the end-to-end process. As Liberty explained:

> So if you put the two together, if the CLECs are coming in with EDI[22] and GUI transactions and they hit that front-end that has now been tested extensively going to all these other processes and systems, then I would say they have been tested end-to-end.[23]

We also do not find the absence of end-to-end CLEC testing to be a fatal flaw. This has not been used in the past when Verizon has made changes to its OSS. Nor did the CLECs test the OSS as part of the Section 271 process (testing was provided by an independent, third party).

Thus, we conclude that the testing of the wholesale systems has been adequate, with the exception of certain specific tests identified by the Department (these tests are similar to some of those recommended by Comcast). Accordingly, we will require that, prior to giving notice of cutover readiness, FairPoint complete and pass these tests. In addition, FairPoint shall, as it represented it would, continue to permit CLEC testing at least through December 5, 2008. We expect that FairPoint will continue to evaluate the results of these tests and update its systems to

21. Tr. 11/21/08 at 33–35 (Falcone, King).
22. Electronic Data Interchange.
23. Tr. 11/21/08 at 67–68 (Falcone).

remedy any errors. In addition, as FairPoint represented it would during hearings, FairPoint will extend this testing window if problems are identified.[24]

2. Daily Usage Feeds

Verizon now provides some CLECs with Daily Usage Feeds ("DUF"), which are files that contain usage information that some CLECs need to bill their customers.[25] As of the time of the hearing, FairPoint had not yet successfully provided correct and complete DUF files to the CLECs. The absence of this information could mean that CLECs would be unable to accurately bill their retail and wholesale customers and provide actual dialed call data records.[26] In its assessment of FairPoint's readiness for cutover, Liberty concluded that FairPoint should "assure that all defects are correctly identified and have assigned fix dates or acceptable workarounds, including those associated with the DUF files."[27] Liberty indicated that FairPoint was continuing to work on the problem, but that it was not fully resolved.

FairPoint responded that, while the DUF files may not meet all of the CLECs' needs, there are no system defects.[28] FairPoint expects to resolve all open issues by the end of November and plans to continue testing these files through December. FairPoint recommends that Liberty should continue to monitor FairPoint's performance.

The CLECs express concern over the state of the DUF files. Sovernet and One Comm both request that the DUF files be successfully transmitted to the CLECs at least 30 days prior to cutover. Sovernet recommends that, if there is an issue with the files such that the CLECs are unable to bill their customers, FairPoint be responsible for any loss of revenue arising from the error.[29]

24. Tr. 11/21/08 at 114, 117–118 (Nixon).

25. Tr. 11/21/08 at 19–20 (Falcone).

26. Tr. 11/21/08 at 123–124 (Maloney); exh. Verizon-101 at 3.

27. Exh. DPS-101 at 17.

28. Exh. FairPoint-101 at 7. Liberty concurred that the DUF files met industry standards, but that the issue was customization that CLECs had previously received. Tr. 11/21/08 at 74–75 (Falcone, King).

29. Tr. 11/21/08 at 124–125 (Maloney). This would not apply if FairPoint was able to successfully transmit usage and billing data within a reasonable time thereafter. *Id.* at 129–130 (Maloney).

We agree with the CLECs that the provision of accurate usage data to FairPoint's wholesale customers is essential. This information is necessary for a CLEC to generate accurate bills for their customers. We will require FairPoint to resolve all open issues and generate complete and accurate DUF files prior to cutover. After cutover, if FairPoint cannot provide a CLEC with such accurate and complete usage information within a reasonable time, FairPoint shall compensate the CLEC for any lost revenues. This means that if FairPoint provides inaccurate files or files that cannot be read, but is able to correct the DUF files within a reasonable time, it would not be subject to compensation. This should adequately address the CLECs' need for accurate information on which to bill their customers, without subjecting FairPoint to compensation where the problem is formatting rather than substance.

3. Hot Cut Process

In its assessment, Liberty noted that some CLECs had concerns about FairPoint's hot cut process.[30] A part of these concerns related to the fact that FairPoint's process was different from Verizon's. In addition, FairPoint's process was not fully automated. As a result, Liberty initially concluded that FairPoint should "modify its hot cut process to address the concerns raised by the CLECs, providing an acceptable workaround by cutover and a more permanent solution after cutover."[31]

Subsequent to Liberty's report, FairPoint developed an interim, modified hot cut process.[32] It discussed this process with CLECs at the wholesale users forum. Liberty has now concluded, based on its review of the modified process and the comments at the wholesale users forum, that the interim solution is acceptable.

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30. "Hot cut" refers to the process by which FairPoint transfers a customer whose line is connected to a FairPoint central office from one retail provider to another. It involves essentially transferring the wires from one switch to another. The hot cut process is designed to minimize service disruptions. Tr. 11/21/08 at 37 (Falcone).

31. Exh. DPS-101 at 17.

32. FairPoint plans to further refine the hot cut process following cutover. Tr. 11/21/08 at 81 (Murtha), 114–115 (Nixon).

In its comments, OneComm asks that the Board incorporate a condition requiring FairPoint to develop its long-term hot cut method within 30 days following cutover.[33] Verizon Business expressed a similar concern.[34] SegTEL contends that FairPoint and Liberty must ensure that FairPoint's interim and permanent hot cut processes provide CLECs with a meaningful opportunity to compete. FairPoint opposes the proposed 30-day deadline, but has agreed to develop the automated hot cut process within 90 days after cutover.[35]

There is no disagreement that FairPoint needs to complete development of an automated hot cut process, with full support to wholesale customers.[36] The question raised here is whether that process must be completed before cutover and, if not, how soon thereafter.

We accept Liberty's conclusion that the interim hot cut solution is a process that will adequately protect CLECs and their customers through the cutover period and until FairPoint can develop its automated procedure. FairPoint's solution should ensure that hot cuts continue to be performed in a manner that keeps the CLEC fully informed and minimizes disruption to customers. In addition, we conclude that FairPoint must implement its automated hot cut process no later than 60 days after cutover. This will allow FairPoint to focus on ensuring that its systems function properly and that any flaws are rapidly corrected immediately after cutover, while still getting the automated process in place quickly. In response to segTEL's concerns, it is our understanding that review of the development of the automated hot cut process is included within Liberty's scope of work. We expect that Liberty will raise any concerns it has to the Department and the Board. In addition, any party may ask the Board to review the automated process if they conclude that it is not consistent with a fair competitive environment.

33. Exh. One Comm CR-1 at 3.
34. Tr. 11/21/08 at 178 (Lichtenberg).
35. Tr. 11/21/08 at 114–115 (Nixon); FairPoint letter of 11/24/08 at 3.
36. For example, Verizon now offers a toll-free number with 24-hour support.

4. Line-Loss Reports

Verizon now provides automated line-loss reports to CLECs. This is a daily report that notifies CLECs when customers change carriers or disconnect their service. This allows companies to adjust their billing, thereby avoiding double billing of customers.[37]

To date, FairPoint has been unable to automatically "push" the line-loss data to CLECs; instead CLECs were forced to retrieve the information from FairPoint's web site.[38] Liberty concludes that the absence of this functionality should not affect the determination of cutover readiness. Liberty considers the ability to "pull" data to be an adequate substitute until FairPoint can complete the automated information distribution.[39] Moreover, FairPoint has now developed the ability to distribute the line-loss data automatically and plans to implement this functionality before cutover.[40]

Verizon Business asserts that the Board should not permit FairPoint to provide notice of cutover readiness until it has shown that it can provide accurate and timely line-loss reports.

We conclude that the line-loss report concerns are not an impediment to cutover. As Liberty testified, CLECs can still obtain accurate and complete line-loss reports even without the automated distribution. Moreover, we accept FairPoint's commitment to resolve this issue prior to cutover.[41]

5. Retail Billing

Verizon Business suggests that the errors in the wholesale billing process, such as the failure to provide correct and complete DUF files, suggests that retail billing may be an issue. Verizon Business states that the two systems are similar.

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37. Exh. Verizon-101 at 5; tr. 11/21/08 at 22–23 (Falcone).
38. Exh. DPS-101 at 15.
39. *Id.*; tr. 11/21/08 at 62–63 (Falcone).
40. Tr. 11/21/08 at 23 (Falcone).
41. Exh. FairPoint-101 at 10.

Liberty's report shows that FairPoint has done extensive testing of its billing system. All of the tests conducted were completed successfully, although some minor errors were identified; all of these errors were corrected quickly.[42]

We find that Verizon Business has not presented sufficient basis for us to determine that FairPoint's retail billing systems are not ready for cutover. They were extensively tested with only minor, easily corrected errors. Nothing presented by the parties demonstrates that the retail billing information is inaccurate. In fact, the evidence demonstrates that, contrary to Verizon Business's suggestion, the wholesale billing information is also accurate; the problems with the DUF files have pertained to formatting and coding flaws, not inaccurate data extracts.

A second issue related to retail billing arises from the fact that FairPoint plans to make changes to its billing formats at the time of cutover. There is no indication that these changes have resulted in errors. However, audits conducted by FairPoint revealed a number of differences compared to the current billing under the TSA. FairPoint has reviewed the differences with Liberty and plans to share them with each of the state commissions.[43]

The Department recommends that the Board adopt a condition requiring FairPoint to provide the Board and Department with a written description of any changes to its billing that it intends to implement at cutover pertaining to the application of tariffed rates, fees, surcharges, or taxes. The Department asks that FairPoint provide this information by December 5, 2008, and meet with the Department on or before that date. In addition, the Department proposes that, if Fairpoint does not agree with any changes the Department proposes, it shall seek review by the Board by December 19, 2008.[44] This condition would apply to both retail and wholesale bills.[45]

We agree with the Department's recommendation; our Order requires FairPoint to provide information related to the billing changes that are consistent with the Department's proposal.

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42. Exh. DPS-101 at 6–7.
43. Exh. FairPoint-101 at 9.
44. Exh. DPS-102.
45. Tr. 11/21/08 at 220 (Campbell).

6. Installation Intervals

Earlier this month, FairPoint established a revised installation interval guide to be used from mid-January through the end of March. These revised installation intervals would replace the normal intervals for order completion, which are based upon industry standards. The revised intervals, which will apply to both wholesale and retail customers, are intended to help manage expectations during the cutover period and immediately thereafter.[46]

Comcast asserts that the proposed porting intervals are not acceptable and must be shortened. Comcast contends that the proposed intervals constitute an impediment to competition.[47] SegTEL adds that any extension of the intervals "tends to impede and delay the choice that customers have made to leave FairPoint in favor of other carriers."[48] The Department also expressed concern about the intervals, stating that they would prefer to see them limited.[49] The Department proposed two conditions to address these concerns. The first would require FairPoint to return to normal provisioning intervals by March 16, 2009, and require credits to wholesale and retail customers for certain nonrecurring charges in the period from March 16–May 3, 2009, for certain missed orders or appointments. However, as proposed, this condition would not take effect if FairPoint provided adequate information on provisioning intervals by December 5, 2008.[50] A second condition would require that FairPoint file a plan by December 15, 2008, for communicating with the public concerning potential delays in service ordering during the cutover period.[51] FairPoint does not oppose these conditions.

We share the parties' concerns about the potential delays in processing orders that wholesale and retail customers may experience during the two-and-one-half month period in which FairPoint intends to extend the provisioning intervals. We recognize that the work that will be occurring around cutover is likely to lead to a delay in fulfilling some orders and that it is appropriate to create reasonable expectations reflecting this likelihood. However, any extended

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46. Exh. FairPoint-101 at 9; tr. 11/21/08 at 108–109 (Nixon).
47. Exh. CPVT-CR-1 at 9.
48. SegTEL post-hearing Brief at 15.
49. Tr. 11/21/08 at 223, 233–234 (Campbell).
50. Tr. 11/21/08 at 254 (Campbell).
51. Exh. DPS-102.

intervals should be as limited as practicable. To its credit, FairPoint has been working to reduce the extended intervals from those it originally proposed. We expect that this refinement will continue.

In terms of the potential effect on competitors, we note that many of the metrics in the Performance Assurance Plan ("PAP"), which applies to FairPoint's wholesale services, are parity measures. These require FairPoint to provide the same access to ordering and other functionality, as well as provisioning intervals, to its competitors that it provides itself. These measures should provide protection to CLECs against anti-competitive behavior. In addition, other measures in the PAP are absolute standards; FairPoint has not requested a waiver of any of these standards so they will continue to apply. We will review the provisioning intervals at the next workshop on transition issues; to the extent that CLECs continue to have concerns, they should raise them at that time. We will require FairPoint to provide its provisioning intervals to the Board in advance of the workshop.

We do agree with the Department that we should adopt requirements related to public information on the changed provisioning during the cutover period and on bill credits. FairPoint has accepted these provisions.

7. Other Requirements

One Comm asks that the Board adopt a condition requiring that cutover implementation issues identified by the CLECs, such as the extended proposed provisioning intervals through March 2009, be subject to a Board-sponsored technical session at least 30 days before cutover.[52] FairPoint contends that such a condition is unnecessary, noting that it had already reduced the provisioning intervals.[53]

We do not adopt the condition requested by One Comm as we find it unnecessary. The Board will continue to convene its monthly workshops to review transition issues. The next one is scheduled for December 19, 2008. One Comm and other parties are free to raise issues during that process.

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52. Exh. One Comm-CR-1 at 3.
53. Tr. 11/21/08 at 115–116 (Nixon).

D. Business Processes

The cutover-readiness criterion for the business processes is: "100 percent of key policies, processes, scripts, and methods and procedures are documented, reviewed, and approved by FairPoint senior management or their designees."[54] FairPoint has been working to document its business processes and has made substantial progress. However, FairPoint's work is not complete and still contains errors. Because of the ongoing updating of the business processes, Liberty concluded that FairPoint had not fully met the criterion. Nonetheless, Liberty concludes that "the process FairPoint is using to continually update and correct the documents is the correct approach and more realistic than what was contemplated when this cutover criterion was originally proposed."[55] This factor, and the two and one-half month period before the planned cutover date, leads Liberty to conclude that the documentation is "sufficiently complete and accurate and the process of correction and improvement has been sufficiently institutionalized" that it should not be an impediment to declaring cutover readiness.[56]

No party contested Liberty's recommendation, although the Department recommended that the Board adopt a condition requiring FairPoint to continue to provide regular updates to Liberty. In addition, the Department asks that FairPoint be required to provide supporting written documentation as requested.

We accept Liberty's recommendation. FairPoint's progress in developing its business processes and its ongoing efforts to finalize and correct the remaining processes lead us to conclude that we should not prevent a cutover-readiness declaration on this basis. In reaching this conclusion, we are mindful that FairPoint still has a substantial body of work to complete before system cutover at the end of January.

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54. Exh. DPS-101 at 20.
55. *Id.*
56. *Id.*

E. Training

FairPoint's cutover to the systems that it designed requires that it train employees on the use of the new system and the business processes. FairPoint developed four cutover-readiness acceptance criteria for staff training:

- 100 percent of train-the-trainer courses executed and the results are approved;
- The final version of training documentation has been delivered, reviewed and approved;
- Planned training courses are completed with 90 percent of students demonstrating proficiency; and
- The remaining training courses have time allotted to absorb additional training if needed.[57]

Liberty found that, at this time, FairPoint had not completed the second and third of these criteria and that, therefore, FairPoint had not demonstrated cutover readiness. Liberty's assessment was in part, a function of timing: training is designed to occur near cutover, after completion of initial system development, process development, system and process testing, and defect fixing.[58] This means that there is insufficient evidence to assess the completeness of the materials and the success of the training, since these are intended to happen after the notice of cutover readiness.[59] However, Liberty had an opportunity to observe the preparation of training materials and the quality of some of the training that has occurred. As a result, Liberty concludes that, even though not all of the readiness criteria have been met, the training should not be an impediment to declaring readiness for cutover. Implicit in this conclusion is the expectation that FairPoint will also complete its training before cutover.

57. Exh. DPS-101 at 22.
58. Exh. DPS-101 at 24.
59. Exh. FairPoint-103 at 10–11 (King).

F. Further Actions by Liberty

In its comments, OneComm asks that we adopt a condition requiring Liberty to continue its monitoring and reporting activities and provide updates to the Board and CLECs.[60] Comcast asks for a similar condition.[61] FairPoint stated during the hearing that it was not opposed to such a condition and that it expected Liberty to continue its efforts. In addition, the Department testified that Liberty would be continuing its work through and following the cutover.

In this Order, we adopt a condition that would require that the independent monitor continue to function through the system cutover.[62] Moreover, although we do not specifically order it at this time, we would also expect that, if significant issues remain following cutover, it would be appropriate for this function to continue. We note that such work was specifically contemplated by the Department, NHPUC, MPUC, and FairPoint when they negotiated the agreement concerning the independent monitor that we approved in our February 15 Order. As we found at the time, "if, after cutover, the State Regulators continue to have concerns, the scope of work would permit retention of the Independent Monitor to assess problems and assist in remediation."[63]

G. Data Extract Validation

One essential component of the cutover of systems from Verizon to FairPoint is the transfer of data from Verizon. As discussed above, Liberty assessed FairPoint's ability to incorporate the data extract and found that it met the readiness criteria. Liberty did not conduct such a review of the information generated by Verizon, although FairPoint has examined data extracts that Verizon has produced to date. FairPoint has also used this data in its testing.[64] However, FairPoint has also identified some errors in the information.[65]

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60. Exh. One Comm-CR-1 at 3.

61. Exh. CPTV-CR-1 at 3, 7.

62. As the selection of the independent monitor was made by the Department, MPUC, NHPUC, and FairPoint, our order does not specifically mandate that Liberty fulfill that function, although we expect that Liberty will continue that role.

63. Order of 2/15/08 at 33.

64. Tr. 11/21/08 at 89–90 (Haga, Nixon).

65. *Id.* at 102–103 (Haga).

The Department recommends that we include a condition related to the data extract that Verizon will provide in December. The Department's proposal sets requirements for Verizon to correct data and maintain copies of the existing data.

Verizon opposes the Department's proposed condition, which it maintains has three requirements upon Verizon that violate the TSA and the related Distribution Agreement. Verizon contends that, with the exception of an error that was corrected, the data extracts to date have been accurate. Verizon also argues that the Department's proposal impermissibly alters the terms of the TSA, in violation of the state and federal constitutions.

In this Order, we accept the Department's proposal with the exception of its proposed paragraph (d). These provisions simply set out requirements for the validation of data received from Verizon if there are questions raised as to the completeness and accuracy of that data. It in no way affects Verizon's and FairPoint's obligations under the TSA, nor is it intended to. Rather, it simply sets an affirmative process in place which is subject to the oversight of the Board. Moreover, because there is no change to the TSA, we do not need to address Verizon's constitutional arguments related to our ability to modify that agreement.

As to proposed paragraph (d), which would require Verizon to maintain an archive of all the data in its systems currently used to support FairPoint, we agree with Verizon that the standard is vague. Verizon has already committed to retain a copy of the data that it provides to FairPoint. In addition, in its Brief on cutover conditions, Verizon represents that it backs up the "golden source systems" that house the data to be extracted regularly. This appears to be sufficient to achieve the Department's goal. We will include a requirement that Verizon maintain the data consistent with its agreement.

IV. Conclusion

Overall, we are persuaded that FairPoint should be permitted to provide its notice of cutover readiness to Verizon, as it now intends. The testing of the OSS shows that these systems should function properly and provide the necessary functionality to FairPoint itself as well as to its wholesale customers. The CLECs have identified some shortcomings in the testing regimen employed by FairPoint. However, the third-party monitor that we required to provide an independent, unbiased view of FairPoint's readiness for cutover has represented that the testing shows that the systems will function. As a result, FairPoint may issue notice to Verizon, although we do adopt a number of requirements that we find necessary and appropriate to address presently outstanding issues in a timely manner.

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED by the Public Service Board of the State of Vermont that:

1. FairPoint Communications, Inc. ("FairPoint") may submit its notice of cutover readiness to Verizon New England Inc., d/b/a Verizon Vermont ("Verizon").

2. Consistent with the Memorandum of Understanding between FairPoint, the Department of Public Service ("Department"), the New Hampshire Public Utilities Commission, and the Maine Public Utilities Commission, the independent third-party monitor shall continue to provide oversight of cutover issues until such time as the Public Service Board ("Board") determines that such oversight is no longer necessary.

3. Prior to providing Notice of Cutover Readiness to Verizon, FairPoint shall determine that it has successfully tested and passed the Electronic Data Interchange-related competitive local exchange carrier ("CLEC") test cases identified as, "Parsed Customer Service Record on a multi-line Telephone Number" and "Billing Completion Notice Response" and shall file an affidavit with the Board and Department not later than two business days after it has done so. FairPoint shall not be required to fulfill this condition prior to Notice of Cutover Readiness if it makes a bona fide request to a CLEC which has requested these tests and the CLEC does not participate in the test during more than one test window.

4. FairPoint shall implement its automated hot cut process no later than 60 days following cutover.

5. No later than the date of cutover, FairPoint shall complete and implement a process for distributing line-loss data automatically.

6. FairPoint shall return to normal pre-cutover provisioning intervals for retail and wholesale installation, addition, and change orders not later than March 16, 2009. If FairPoint

meets fewer than 90% of retail installation appointments (as defined in its retail service quality plan) or of its wholesale due dates (as defined in Performance Assurance Plan metric, "PR-4 'Missed Appointments'") in a single week during the period March 16-May 3, 2009, it shall begin within one week to credit wholesale and retail customers any nonrecurring charges for any new missed installation appointments or wholesale orders missed through May 10, 2009. FairPoint shall file with the Board and Department by January 9, 2009, a listing of standard pre-cutover wholesale and retail provisioning intervals, based on historical practice. The requirements of Condition 3 will only go into effect if FairPoint does not provide to the Department detailed interval information that is reasonably satisfactory to the Department by December 5, 2008.

7. By December 15, 2008, FairPoint shall file a plan for communicating with the public about the potential for delays in ordering service due to the cutover period..

8. FairPoint shall complete the documentation, review, and approval by senior management of the key policies, processes, scripts, and methods and procedures before cutover to Verizon.

9. FairPoint shall continue to provide regular oral updates at least weekly to the independent third-party monitor on the status of FairPoint's pre-cutover training program and review and refinement of key business process documentation. FairPoint shall provide supporting written documentation as requested.

10. FairPoint shall resolve all open issues and generate complete and accurate DUF (Daily Usage Feed) files prior to cutover. After cutover, if FairPoint cannot provide a CLEC with such accurate and complete usage information within a reasonable time, FairPoint shall compensate the CLEC for any lost revenues arising due to the inaccurate or incomplete information.

11. By December 5, 2008, FairPoint shall file a written description of any changes to wholesale or retail bills it intends to implement at cutover related to the application of tariffed rates, fees, surcharges, or taxes compared to the manner in which Verizon billed these charges. By this date, FairPoint shall also meet with the Department to discuss the changes. Any party that disagrees with the proposed implementation may petition the Board by December 19, 2008.

12. FairPoint shall complete a review of the validity of all key data extracts provided to it by Verizon not later than December 12, 2008, and it shall consult with the independent third-party

monitor regarding the results in sufficient detail for the monitor to form an opinion regarding the likely completeness and accuracy of these data extracts.

(a) Upon notice by FairPoint after FairPoint consults with the independent third-party monitor that it is unable to adequately validate the accuracy and completeness of a particular key data extract prior to December 19, 2008, Verizon shall submit evidence of its own validation of key data extract accuracy and completeness to FairPoint.

(b) Verizon shall correct all data extract errors it becomes aware of prior to cutover or upon notice after cutover at no cost to FairPoint.

(c) FairPoint shall notify the Board and Department if it makes a request to Verizon to correct an error in a key data extract and Verizon does not agree to correct the error within 5 business days.

(d) Verizon shall maintain a copy of all the final data extract transferred to FairPoint for a period of at least one year.

Dated at Montpelier, Vermont, this 26th day of November, 2008.

s/James Volz	)	
	)	PUBLIC SERVICE
	)	
s/David C. Coen	)	BOARD
	)	
	)	OF VERMONT
s/John D. Burke	)	

OFFICE OF THE CLERK

FILED: November 26, 2008

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.

<u>**Exhibit Comcast/13**</u>

Liberty Consulting Group's
FairPoint Post-Cutover Status Report

FairPoint Post-Cutover Status Report
The Liberty Consulting Group
April 1, 2009

Introduction

At midnight on January 30, 2009, FairPoint Communications Inc. ("FairPoint") began a cutover from the Verizon Communications Inc. ("Verizon") systems to new systems and processes developed by Capgemini. After completion of the cutover process, FairPoint started fully operating on the new systems on February 9. This cutover has been the subject of much scrutiny by the Maine Public Utilities Commission, the New Hampshire Public Utilities Commission, and the Vermont Public Service Board and Department of Public Service ("Regulators") and their staffs ("Staffs"). This scrutiny has included the engagement of the Liberty Consulting Group ("Liberty") to monitor the preparations for and execution of the cutover and the resulting operations since the cutover.

It is well known at this point that both retail and wholesale customers have experienced a number of problems after the cutover. As FairPoint has noted, the scale of this systems implementation is unprecedented in the telecommunications industry. Verizon operated in northern New England using approximately 600 systems, which were developed and integrated over many decades. FairPoint is now performing the same functions with a much smaller number of newly designed systems using a very different architecture. These systems represent the full range of systems necessary to support telecommunications operations for both retail and wholesale services: pre-ordering, ordering, provisioning, maintenance and repair, network management, billing, equipment inventory, force management, engineering and construction, customer service records, call center support, accounting and finance, marketing and sales, and human resources, among other functions. Furthermore, the cutover conditions agreed to between FairPoint and Verizon required a simultaneous conversion of virtually all the systems involved, without the possibility of a reversion to the Verizon systems as problems arose. Even a system implementation for a single function, such as billing, is very difficult to complete without customer impact. A complete system replacement and implementation of this magnitude was almost certain to encounter significant problems. Some service degradation for customers was inevitable, no matter how much care was taken in:

- Design, development, and testing of the systems and data conversion
- Mapping the business processes and assuring integration of systems with the processes
- Training the employees in the use of the systems and processes.

Compounding the difficulty of the cutover has been the complexity of the transition of the wholesale customers. To Liberty's knowledge, this transition is the first of its kind in a former Regional Bell Operating Company (RBOC) territory, which has necessitated special attention to the market opening requirements of the Telecommunications Act of 1996 for RBOCs. FairPoint has had to replicate a set of specialized interface systems and processes for providing service to Competitive Local Exchange Carriers (CLECs) and other wholesale customers, which Verizon developed and has been enhancing for well over a decade. Simply understanding the detailed requirements for these systems and processes has been a monumental task. Furthermore, in contrast to cases of similar transitions in states like Hawaii, there is a much larger and more diverse CLEC marketplace in the three northern New England states. This has required FairPoint to provide a wide range of diverse wholesale products and services at large volumes.

Nevertheless, the magnitude of the disruptions and the impact on the customers from FairPoint's systems transition has been much larger than anticipated, given the steps FairPoint appears to have taken in preparation for cutover and the oversight of this process by the Regulators. Although in Liberty's judgment, the problems encountered so far have not reached the scale of those seen in the Hawaiian Telcom transition, the impact of the problems are still very significant. In particular, the nation's current financial crisis and economic downturn, coming in this case to an already contracting wireline business, have substantially diminished FairPoint's ability to withstand adverse conditions. The effect of financial and economic conditions on the citizens and businesses of the three northern New England states also makes the addition of significant service degradation even more troubling.

Both retail and wholesale customers continue to experience significant problems as of the date of this report. The Staffs have requested Liberty to summarize the current status of the problems and to provide some analysis of the sources of the problems and prospects for their resolution. The purpose of this report is to provide such a summary. The Regulators and Staffs have also asked Liberty eventually to provide an analysis of why the problems have arisen, given the extensive cutover preparations and scrutiny. At this point, such an analysis is not timely; it is correct for the attention of all to focus on finding solutions to resolve the current problems. Certainly, however, solutions to persistent and pervasive problems require an understanding of root causes. Liberty has been raising questions seeking to identify those root causes while observing and analyzing the current problems. Liberty describes the dialogue surrounding some of these questions in the appendix to this report.

Overview of Liberty's Post-Cutover Monitoring Activities

Beginning with the commencement of FairPoint cutover on January 30, Liberty has been involved in a number of activities to monitor the cutover and the post-cutover operations of the new FairPoint systems and processes:

- Observation of cutover operations from the FairPoint Cutover Mission Control Center in Manchester, NH at various times between the takedown of the Verizon systems and the commencement of the Verizon data extraction and transfer on January 30 and the final turning on of the last FairPoint systems on February 9
- Observation of network operations from the FairPoint Network Operations Center (NOC) in Manchester, NH during and after cutover
- Observations of the FairPoint retail and wholesale call centers in Portland, ME and Burlington, VT on five separate occasions during February and March

- Observation of the operations of the repair call center in Dover, NH in early February
- Face-to-face meetings during February and March with FairPoint and Capgemini executives and employees during seven separate visits to all three northern New England states and on a visit to Capgemini facilities in Atlanta
- Calls and electronic communication with FairPoint and Capgemini executives and employees generally daily
- Meetings, calls, or electronic communication with the Staffs generally daily, and meetings with regulators on at least three separate occasions during February and March
- Monitoring of most of the scheduled status calls between FairPoint and wholesale users, which started on a daily basis in early February and are now held twice a week
- Monitoring of all calls between FairPoint and the Staffs which started on a daily basis in early February and are now held twice a week
- Individual meetings with six different Competitive Local Exchange Carriers ("CLECs") in each of the three states during February and March.

Summary of Liberty's Observations

In reviewing the results of FairPoint's cutover and experience after initiating its new systems and processes, it is important to distinguish between the cutover process itself, which proceeded relatively smoothly, and the post-cutover operations, which have experienced and continue to experience significant problems.

Cutover Process

During the cutover process between January 30 and February 9, the following activities occurred:

- Support of FairPoint's northern New England operations by Verizon operational support systems was turned off on January 30, 2009[1] and Verizon began extracting data from its systems and transmitting the data to FairPoint. The extracted data was transmitted to FairPoint both electronically and through physical media (tapes and discs), conveyed by professional couriers and flown or driven by FairPoint employees from various Verizon locations throughout the United States. This proceeded largely on schedule.
- Upon receipt of the data, FairPoint and Capgemini began converting the data into a form suitable for the new systems and loading the data into these systems. The data conversion process, which continued throughout the first week of February, was a complex process because: (a) the data was extracted from many more Verizon systems than the replacement FairPoint systems and (b) there is not a simple correspondence between the Verizon and FairPoint system architectures.

[1] Some isolated systems were transitioned prior to January 30. These included such systems as the E911 systems in Maine, the LIDB/CNAM database, operator services and directory assistance.

There were a few delays in this process but the delays amounted to no more than a few hours.

- Beginning January 31 and continuing through February 4, various network management and monitoring systems were turned up. This activity proceeded mainly on schedule and largely successfully. The main challenge appeared to be the time necessary for each of the FairPoint NOC technicians to customize the software settings for alerts and alarms to meet their needs. This result was expected, and did not appear to lead to any significant problems.
- Beginning January 31, FairPoint set up the data network and other hardware necessary for the employees to operate the new systems (including such items as employee workstations, laptops, and other equipment), and configuring Automated Call Distribution (ACD) equipment in the call centers.
- On February 7 and 8, FairPoint and Capgemini ran "shake-out" tests of the new systems with the data from Verizon loaded. The start of this process was slightly delayed by the small delay in the completion of the data conversion and loading. Based on the results of the shake-out tests, FairPoint decided to turn up the main remaining FairPoint systems (those responsible for retail and wholesale pre-ordering, ordering, provisioning, repair, and billing) on the morning of February 9.
- During the "quiet" or "dark" period from January 30 and February 9, while no systems were operating, only emergency ordering and provisioning transactions were allowed. Maintenance and repair was managed manually without system support for both retail and wholesale customers. Beginning on January 23, to account for the fact that orders entered into the Verizon systems would likely not complete until after January 30, FairPoint began embargoing non-emergency retail orders, and asked the wholesale customers to do the same voluntarily. FairPoint recorded the embargoed retail orders manually and held them for manual entry into the new systems after cutover. However, FairPoint provided the capability for wholesale customers to queue embargoed orders in the wholesale ordering interface system to be held until after cutover for automatic entry into the new back-end systems.

Considering the complexity of the tasks involved, Liberty found that these main cutover activities proceeded very smoothly. However, this success was overshadowed by a significant problem involving transitioning customers using Verizon as an internet service provider (ISP) to FairPoint's ISP services. Such customers use these ISP services to access the internet, send and receive e-mail, and maintain personal webpages. This transition occurred largely separately from the main telephone systems transition. It needed to be coordinated with the main transition, however, because FairPoint uses the same ordering and billing systems for these transactions and for the principal telephone service transactions.

Internet customers began reporting problems not long after cutover began. Some of the internet-customer transition problems included missing information for customers of record after December 22, improper forwarding of email messages by Verizon, disconnection of the dial-up access telephone numbers needed by dial-up customers, loss of customer e-mail records, and poor communication to the customers by FairPoint about the transition and about the required customer actions for such matters as updating e-mail software. In addition, FairPoint significantly underestimated the number of customer calls to the ISP technical support center; the resulting volume revealed that FairPoint had inadequately scaled the circuit capacity to and staffing of that center and caused calls to overwhelm it. These factors created significant dissatisfaction and complaints by affected customers. Most of the internet problems appeared to have been resolved by the end of February.

Post-Cutover Operations

Despite the relative success of the cutover process itself, FairPoint has experienced and continues to experience significant problems with many of its systems and processes since all the systems became operational on February 9.

The following problems typify those experienced with the post-cutover operations:

- Other FairPoint call centers besides the ISP technical support center have experienced and continue to experience very large call volumes after cutover. Many of the early calls were made by customers affected by the internet customer conversion, who called other FairPoint call centers out of frustration at being blocked from or on hold at the ISP technical support center. Those contacts began to decrease significantly by late February, only to be replaced by other calls. Currently, the largest volumes of calls to the center involve billing inquiries about late bills, billing format, bill changes, and billing errors. Many of the remaining calls concern delays in provisioning services. In addition, the average call handling times are significantly higher than those experienced prior to cutover. These factors have reduced the number of calls answered in less than 20 seconds to a very small percentage, and increased call abandonment rates to very high levels.
- The Regulators in all three states have been receiving an unprecedented number of customer complaints, and have found FairPoint to be unacceptably slow or non-responsive in addressing complaints referred to them by the Staffs. This has hampered the ability of the Staffs to assist customers in resolving their problems.
- FairPoint employees experienced some initial difficulty in navigating the new systems.
- FairPoint's systems experienced slow response times and frequent timeouts to user requests.
- FairPoint employees and wholesale customers have experienced difficulties in creating orders for a number of different order types because of system defects.
- Although FairPoint has continued to operate since cutover using offered provisioning intervals longer than the standard intervals, provisioning has been late for large portion of all confirmed retail and wholesale orders.[2] Provisioning has been particularly delayed for complex orders.

[2] The fraction of late-provisioned confirmed orders reported by FairPoint to Liberty is approximately 50 percent. However, Liberty is aware of problems with these reported numbers and believes the actual fraction of late orders is much larger.

- The bills in the cycles for the first few weeks after cutover have been late for retail and for wholesale customers. Some retail and wholesale customers have reported that they have still not received expected bills. Some retail customers have reported receiving their February bill after the March bill.
- So far, billing errors appear to be relatively isolated in impact. However, given the ordering and provisioning problems, Liberty is concerned that retail and wholesale billing errors are likely to increase once the account changes reach billing. Liberty is also concerned that there may be an impact from the ordering and provisioning problems on the proper updating of key external databases, such as those used for E911 and directory assistance.
- Retail and wholesale customers have reported that orders shown as completed in FairPoint's systems have not in fact been completed.
- Many wholesale customers have raised concerns that recently entered orders are being worked before orders entered into the systems many weeks ago. This is in contrast to FairPoint's promise before cutover that queued wholesale orders would be worked on a "first-in, first-out" basis. Some retail customers have reported similar problems to the Staffs.
- Wholesale customers have experienced a number of additional problems, which these customers have identified as hampering their ability to do business:
    - There have been widespread failures of many pre-ordering transactions, particularly requests for customer service records (CSRs) and for loop qualifications. Initially, many CLECs were unable to perform these transactions at all. Even after CLECs were able to access these transactions, information was often missing or inaccurate in the returned fields.
    - Notification messages about order status (*e.g.*, Firm Order Confirmations, Rejects, Provisioning Completion Notifications, and Billing Completion Notifications) have often been unreliable and inaccurate.
    - Wholesale customers have found it difficult to respond to FairPoint error messages on rejected orders because the messages provide inadequate information about the nature of the problems.
    - Many wholesale customers found problems with format and content of the initial sets of Daily Usage Feed (DUF) files received from FairPoint. Some CLECs are still reporting DUF problems, including missing DUF files for certain message types.
    - CLECs started receiving line loss notifications only within the last couple of weeks. Liberty has not been able to confirm the completeness and accuracy of these reports.
    - FairPoint has been slow in responding to wholesale customer notifications of transaction problems and defects and to inquiries about order status.
    - Wholesale customers have obtained poor service from the FairPoint personnel assigned to help them with problems. CLECs have complained that FairPoint personnel assigned to them are generally poorly trained, have no tools available to them to help with problems, and are ineffective.

- A number of FairPoint suppliers have reported significant delays in receiving payments. The Staffs have informed Liberty that some of these suppliers have not received payments since November.

The nature and extent of the problems experienced have far exceeded pre-cutover expectations in many areas. In particular, Liberty notes the following expected results versus actual experiences:

1. Data Network Establishment. The process of initializing the systems on the production servers, setting up the connections between the servers with the users, setting up workstations for the users, creating firewalls and network security protocols, and completing other steps to establish the data network is complex and requires fine tuning after initial establishment. As a result, it was expected that users of the new systems might experience some difficulties in connecting to and maintaining access to the systems in the first few days after the systems were turned on. Such experiences did occur for a number of systems, notably in the FairPoint call centers, in the first few days after cutover. In particular, firewall and security procedures inappropriately blocked some inter-application transactions, and there were difficulties in setting up work stations, laptops, and other personal computing devices. However, most of these problems appeared to decrease significantly after the week of February 9, as expected.
2. System Defects. After FairPoint and Capgemini completed system testing prior to cutover, a limited number of system defects were known to exist, requiring manual workarounds. In addition, despite the extensive testing performed, it was expected that additional defects and design problems were likely to appear. However, these defects were expected to occur mainly for less common transactions or less frequently encountered circumstances. Instead, FairPoint has uncovered significant system defects even for common retail and wholesale transactions (such as accessing customer account information and ordering simple services). Capgemini has identified and fixed a number of them, but many significant defects hampering retail and wholesale transactions remain and others continue to be identified. A number of system design improvements have been and continue to be identified.
3. Data Problems. FairPoint and Capgemini performed simulations and tests of the conversion of the extracted Verizon data using several rounds of test data extracts received from Verizon. These tests were performed to assure that the converted data was as complete as possible and properly mapped into the new systems. Through this testing, FairPoint and Capgemini identified a number of gaps in the Verizon data. They understood these gaps to be inherent in the data and expected them to be filled in after cutover. In addition, FairPoint and Capgemini concluded that it was not feasible to convert all the data automatically, and therefore established manual processes to convert this data. Some of those processes were expected to continue for a number of weeks after cutover. In addition, given the extent and complexity of the Verizon data and extraction process and the fact that Verizon often uses multiple data sources for the same data types, it was anticipated that additional data defects and incorrect data mapping would be

uncovered at cutover. However, the impact of these data issues should have been relatively limited, affecting such transactions as ordering, trouble reporting, and billing on only a few accounts. Instead, data problems have affected a large number of accounts. These unexpected problems have included such issues as incorrect data mapping and misinterpretation of Verizon data, and have had a major impact on such critical functions as loop qualification, validation of customer addresses, assignment of telephone numbers, and identification of serving wire centers for customers.

4. Flowthrough. Prior to cutover, FairPoint stated that its systems were designed to achieve a 90 percent flowthrough rate. That is, 90 percent of the transactions were designed to proceed from transaction initiation (such as order entry) to (a) full completion of the transaction, including such steps as billing and database updating, or (b) the point at which field provisioning would commence. The remaining 10 percent of transactions would require some form of manual intervention to achieve completion. Nevertheless, given the post-cutover issues expected to cause orders to "fall out" and require manual intervention, FairPoint anticipated that the actual realized flowthrough rate would be 60 percent immediately after cutover. FairPoint designed its temporary staffing and post-cutover processes to handle the corresponding 40 percent fallout rate. Liberty has requested FairPoint to provide the actual flowthrough rate after cutover, but has not received this information. However, it is apparent that the temporary staffing and processes have been inadequate to handle the significant rate of order fallout in the systems. The lack of sufficient staffing and processes has produced extensive (in some cases, multi-week) delays in order processing. This weak performance may result from a realized order flowthrough rate significantly less than expected; *i.e.*, a consequently large fallout rate. However, it may also result from inadequately sized or trained staffing. Liberty believes that both reasons are likely to be contributing to the provisioning problems.
5. User Proficiency. FairPoint provided to its employees training in the use of the new systems. However, despite the training classes, FairPoint anticipated that it would take several weeks before the employees achieved full proficiency in system use. In fact, the time necessary to achieve full proficiency is taking even longer than expected. At this point, two months after cutover, many employees have not been able to achieve the same proficiency in the new systems as they had with the Verizon systems. This gap appears to be contributing to longer call handling times in the FairPoint call centers, longer provisioning intervals, and other similar behaviors. At this point is it not clear how much of the capability gap has been caused by inadequate training, insufficient time to practice with the new systems prior to cutover, the short time some of the employees have been in their positions, or system-use inefficiencies caused by system design.
6. Order Backlog. It was expected that the dark period order embargo would produce a significant backlog of orders, therefore stressing the new systems and processes after cutover. Actual experience has been even more severe than expected. Many retail and wholesale orders remain "stuck" in the FairPoint systems. They are not getting provisioned, even though, as noted, many customers have observed that newer orders are getting worked.

7. Billing Delays. The dark period during which the Verizon systems were turned off and the FairPoint systems were not yet turned on meant that FairPoint would be able to collect usage data but not to process bills. As a result, both retail and wholesale bills would be delayed. FairPoint's initial transitional billing schedule called for the first retail and wholesale bills to be completed and sent out about two weeks late, with shorter delays in the subsequent cycles, and a return to the normal billing schedule before the end of February. Instead, the first cycle was delayed an extra week. Ultimately, the normal billing schedule was not achieved until early March. The additional delays occurred largely because FairPoint spent a considerable amount of time reviewing bills to verify correct numbers, text, and layout. This extended delay and the overlapping of the delayed bills with the next billing cycle caused considerable confusion for retail customers. This fact combined with the changed billing format and some billing errors contributed significantly to call volumes to the FairPoint call centers.
8. Business Processes. Prior to cutover, FairPoint undertook an extensive effort to document well over 1,000 business processes. However, it was expected that: (a) employees would still require some time to become adept at using new processes in conjunction with the new systems, and (b) gaps in process documentation would be uncovered. Actual experience since cutover demonstrates that many business processes appear not to be followed by the employees or are otherwise not working properly. This phenomenon has been particularly severe for those processes that Verizon performed out of the northern New England region prior to FairPoint's acquisition of the northern New England properties. These functions include wholesale operations and a number of circuit design functions, among others. Problems with these processes have contributed significantly to the poor experience in wholesale operations and to slow retail and wholesale provisioning.
9. Call Center Volumes. FairPoint expected large call volumes initially to its call centers, particularly regarding billing. However, FairPoint significantly underestimated how long large call volumes would last, and it is not clear that FairPoint properly anticipated how large the call volumes would be. Actual call volumes have continued at a high level for the two months since cutover, with no evidence that the number will decrease anytime soon. FairPoint is counting on a significant decrease in the number of calls related to bill inquiries over the next few months to bring its service levels more in line with expectations. It remains to be seen if this decrease in bill-related calling materializes as quickly as FairPoint is anticipating. Furthermore, average call handling times remain significantly longer than those prior to cutover. Call handling times must return to pre-cutover levels for FairPoint to achieve pre-cutover service levels with its current call center staffing.
10. Communications Problems. Given the complexities involved, it was likely that both internal and external communication would be difficult, but manageable. However, problems with communication have been significant, causing customer confusion. The problem has been particularly acute for wholesale and internet customers. In addition, there is evidence of poor internal communications in some cases, with the result of delays in diagnosing and resolving problems.

At a higher level, it was predictable that FairPoint would have a hard time transitioning from operating as a small rural telecommunications service provider to a major provider, particularly before the addition of the expertise from the Verizon managers and employees at the close of the transaction. However, FairPoint has apparently underestimated the difficulty of this transition and the need for internal corporate culture and behavioral changes to succeed. The post-cutover crisis has demonstrated the need for FairPoint to respond quickly and effectively, but the company has often fallen short in achieving this result. FairPoint and Capgemini have had some success in finding solutions to particular systems and process problems, but many remain. They are currently focusing especially on:

- Fixing system defects and data mapping errors
- Providing additional training and other support for employees to improve their use of the systems and processes
- Correcting process problems
- Adding resources to manually "push" orders delayed in provisioning.

FairPoint's ultimate success appears to be hampered by ad hoc internal processes and communications channels and the lack of systematic approaches to addressing the problems. For example:

- There does not appear to be a systematic and well-defined process for resolving retail customer complaints referred to FairPoint by the Regulators and Staffs. The customers have not been contacted in a timely fashion, and Staffs have found it difficult to obtain status information.
- Similarly, problems that CLECs report through system trouble tickets or other contacts with FairPoint do not appear to be systematically resolved. The CLECs are often unable to receive timely and useful information about the status of problem resolution.
- FairPoint does not appear to be systematically analyzing issues reported through the regulatory complaint process and the CLEC system trouble ticket process to determine their root causes and to transmit the information about these problems to the system and process owners to fix the underlying defects. Liberty has often found itself in the position of communicating problems found in discussions with CLECs to the Capgemini developers to implement fixes.
- Internal FairPoint status reports shared with Liberty and the Staffs have contained instances of faulty or misleading information.
- FairPoint too often has reacted to existing problems rather than proactively testing for unknown problems and thus prevent errors. In contrast, FairPoint expended considerable effort to test for billing accuracy before releasing the initial retail bills, at the expense of further delaying these bills. This may have helped to minimize the number of billing errors. FairPoint could benefit from a similar approach applied in other functional areas.

Senior leadership has continued to make statements that understate problem severity and overstate success in fixing them. This behavior began with an overly optimistic and unrealistic cutover schedule that was frequently revised prior to FairPoint's notice of cutover readiness in late November and has continued since cutover with premature announcements that problems have been fixed or will be fixed "by next week." FairPoint has also frequently revised its interim post-cutover provisioning interval guide to extend the time for FairPoint to return to normal provisioning intervals. Liberty has also observed instances where the senior leadership has been too willing to accept positive reports of progress rather than challenging the reports or seeking more detailed supporting information.

As further illustration of FairPoint's management problems, Liberty has noted that the company has been extremely slow to identify problem breadth and root causes, to recognize the nature and level of required response, and to develop coherent, comprehensive plans and schedules. FairPoint's initial response on March 24 to requests from the Regulators for a "stabilization" or "recovery" strategy and plan for returning to normal operations was incomplete and inadequate.[3] FairPoint appears to be creating this plan in response to the Regulators rather than developing it proactively to respond to and resolve the current crisis, as would be expected from a mature telecommunications provider of FairPoint's size and scope. In addition, given the extent of the current problems and the length of time it will take to resolve them, FairPoint has given insufficient attention to implementing measures to mitigate the impact of the problems on retail and wholesale customers.

These problems may result from the lack of unified executive oversight. FairPoint senior leadership in northern New England has been focused mainly on the management of the operations and reacting to many problems that have arisen. There have been insufficient resources and attention to guiding the analysis, planning, and execution of structured, programmatic actions to expedite FairPoint's return to a normal business operating environment. FairPoint has recently announced a management change to split leadership of the northern New England operations in an apparent attempt to rectify this deficiency by assigning the responsibility of developing and executing the stabilization plan to one of the executives and most of the operating responsibilities to the other. However, this change merely begs the question as to where the ultimate authority and responsibility to manage FairPoint through the current crisis lies.

Summary and Conclusions

FairPoint experienced some success in the execution of the cutover process itself; the overriding conclusion, however, must be that the new FairPoint systems and processes have been creating significant service problems since cutover, both for retail and wholesale customers. FairPoint and Capgemini continue to work diligently to fix system and process defects and system design issues, improve the skill of employees in using the systems and processes, and provide additional support to manually move forward the orders delayed in provisioning. However, it appears that it will take considerable time to reach a normal business operating environment, probably longer than the end of the second quarter of 2009, which is the date currently projected by FairPoint.

[3] FairPoint issued an updated version of its Stabilization Plan on April 1, but Liberty was unable to complete a thorough review of the updated version before the writing of this report.

In view of this situation, Liberty notes some key outstanding high-level issues that need immediate attention:

1. There is currently a lack of unified senior executive leadership at FairPoint to guide the planning and execution of structured, programmatic actions to expedite its return to a normal business operating environment. Economic and financial conditions do not give FairPoint sufficient time to continue without strong, unified, and experienced senior leadership of the response and recovery efforts. There are a number of ways to rectify this problem, ranging from using outside resources with expertise in similar situations to help FairPoint with the analysis and problem resolution up to and including permanent executive level change.
2. As the Regulators have already requested, FairPoint needs to produce a realistic plan, including interim milestones, for resolving the current problems and achieving a normal operating environment. FairPoint produced a first draft of such a plan last week, but there is much more detail that must be added to that initial draft before it constitutes an adequate plan.
3. FairPoint needs to provide accurate and auditable measures of the operational success of its systems and processes to use in tracking FairPoint's progress in approaching operational normalcy. Currently it appears that some of the results (*e.g.* provisioning completion rates) reported internally by FairPoint are not accurate.
4. Given the length of time it will take to achieve normalcy and the current significant adverse impact on customers, FairPoint needs to develop and implement interim steps to mitigate the impact on customers while working to fix the systems and processes.

Appendix

Some Questions about the Potential Causes of the Current Problems

Liberty has not yet completed a root cause analysis of why the widespread problems are occurring despite FairPoint's extensive preparations and training; nevertheless, a number of key concerns have surfaced:

- Would a better systems cutover agreement between Verizon and FairPoint have averted the current problems?
  - Could the cutover of the systems been more staggered rather than simultaneous?
  - Could the Verizon systems have continued to operate in parallel with the FairPoint systems, thereby allowing a return to the Verizon systems when problems arose? This is similar to the approach taken on a much smaller scale for the cutover of the E911 systems in Maine.
- Was the initial systems planning adequate?
  - Given the fact that FairPoint's staff and expertise in several key areas was limited prior to the close of the transaction with Verizon to acquire the northern New England properties, were the original system functional requirements provided by FairPoint to Capgemini adequate?
  - Should the business processes have been developed earlier in order to help with the system functional requirements?
- Were the systems, data conversion, and process testing conducted effectively?
  - Was user-acceptance testing initiated prematurely; was it adequate to uncover design defects?
  - Should the final systems testing been delayed until a full converted data and product set was available for the testing?
  - Did Capgemini's use of multiple testing environments to speed up the testing cause problems in creating final production systems without code corruption?
  - Would the many wholesale issues encountered have been avoided with a more complete and robust CLEC testing environment?
  - Should more flowthrough testing have been conducted prior to cutover?
  - Should business simulation testing have been performed with a full converted data and product set?
  - Were all the expected test outcomes adequately defined for the testers?
  - Could the information flow between Verizon and FairPoint have been improved to avoid some of the data misinterpretations which have occurred?
- Was there sufficient staffing and training?
  - Was there sufficient training in the business processes; did lack of training cause many processes not to be followed?
  - Did FairPoint do a sufficient job of staffing and training in functions, such as wholesale operations and others, that Verizon had been providing outside of the northern New England region?

- Was there sufficient time for FairPoint employees to practice using the systems before cutover?

Exhibit Comcast /14

News Reports Describing FairPoint's Customer Service Problems in New England

FairPoint customers blanked

By Bruce Edwards STAFF WRITER - Published: June 9, 2009

As yet another sign of its ongoing problems, about 12,000 of FairPoint Communications customers in Vermont lost Internet service Monday.

FairPoint's Internet service in parts of the state went down at 2:50 p.m. The outage affected both high-speed and dial-up customers. A recorded message on the company's technical support line said there was no estimated time when service would be restored and advised customers to call back for an update.

Shortly before 10:30 p.m., service was restored to about 12,000 customers, according to Fairpoint spokeswoman Beth Fastiggi.

"We do have an issue that is affecting some customers in Vermont. However, it is not impacting all FairPoint Internet customers in the state," Fastiggi said in an e-mail late Monday afternoon.

Fastiggi confirmed that the outage was isolated to parts of Vermont and was related to a hardware issue. She said Maine and New Hampshire customers were not affected.

Stephen Wark, a spokesman with the state Department of Public Service, said the department received phone calls Monday from customers who lost service.

"The basic information we have is that it's probably under 12,000 customers but other than that we don't know exactly how many or what areas are particularly affected," Wark said. "We do know FairPoint has said they're working on the problem."

Fastiggi said the number of customers who lost service represent a minority of the company's Internet customers in the state.

FairPoint has had ongoing problems with service in the three northern New England states since switching to its own systems from the Verizon network in January.

Wark said FairPoint's service issues in Vermont remain a concern.

"Essentially FairPoint is suffering from difficulties in the market that have made it difficult for them to keep up with their promises," he said. "Nonetheless, Vermont consumers deserve to have quality service and we're going to continue to fight to make sure that they get decent quality telecommunications."

As the incumbent telecommunications provider in the state, Wark said FairPoint "needs to start acting like it."

bruce.edwards@rutlandherald.com

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CONCORD MONITOR
Saturday, August 15, 2009 The news you need now

FairPoint statistics off base

Executives grilled on report's veracity

By Chelsea Conaboy
Monitor staff

July 28, 2009 - 12:00 am

Tracking the progress of FairPoint Communications has been no easy task for state regulators and consumer advocates. That became clear yesterday during a technical session in which company executives told New Hampshire officials they had given them misleading statistics on the company's performance.

FairPoint purchased Verizon's landline network in New Hampshire, Maine and Vermont last year for $2.4 billion and took over operations at the end of January. The takeover has prompted an unprecedented number of complaints from customers in the three states, and the company is struggling financially.

FairPoint submitted a status report last month that said many aspects of the business had been returned to levels comparable to those before the switch from Verizon. But New Hampshire Consumer Advocate Meredith Hatfield and the staff of lawyers and analysts who support the state Public Utilities Commission were skeptical of that report.

During yesterday's meeting, they prodded five company leaders for information on how they track their own progress, who is in charge of certain aspects of their recovery, and what their plan is for improving service to both retail customers and wholesale customers - competitors who lease parts of FairPoint's networks.

On Monday, eight wholesale or business customers lost service during business hours because of a problem processing "migration orders," requests to move from one telephone provider to another.

Rich Murtha, vice president of business and wholesale operations for FairPoint, said during the morning session that the information technology team was working to fix the problem, which Kate Bailey, director of the PUC telecommunications division, called "business-crippling."

Murtha said orders were being handled manually while the problem with the computers was being fixed.

"We should not be taking any more customers out of . . . service," he said.

But Murtha returned to the afternoon session to say more customers had lost service because of migration orders that morning. Again, he said, the problem was being addressed.

State officials looked exasperated later in the day when they questioned the executives about the performance of their computer systems. Some orders for new or changed service are designed to flow through the computer systems without human intervention.

In a July 8 status report, the company said 97 percent of changes to retail phone lines were flowing through the system properly, which was more than the 90 percent objective the company had promised to meet by the end of June. The report said retail Internet orders were flowing through at 84 percent.

But yesterday, Executive Vice President Jeff Allen said those numbers aren't exactly accurate. He said that the retail phone flow-through is closer to the low 80s and that Internet is in the high 60s.

Members of the consumer advocate's office asked for documentation of the actual numbers for all categories of orders and questioned why they weren't provided that information beforehand.

"It's not helpful for us to have four different flow-through numbers with different dates," Hatfield said.

After the technical session, Hatfield said micromanaging FairPoint is a strain on state resources.

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FairPoint statistics off base

Executives grilled on report's veracity

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By Chelsea Conaboy
Monitor staff

July 29, 2009 - 12:00 am

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"You just want them to run the business within the framework (laid out in regulations) and do it the best way possible," she said. "The problem is FairPoint's not doing that. . . . It requires regulators to go to this level."

The company has improved service at most of its call centers and reduced billing errors. A series of three system glitches at the end of June slowed things down, but overall the company has reported improved customer service.

The technical session will continue tomorrow morning. New Hampshire's three commissioners were not present yesterday. The various parties will make a recommendation to them for further action later this month.

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By dennis r soucy on Wed, 07/29/2009 - 18:34

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Fairpoint

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By henry winters on Wed, 07/29/2009 - 06:50

Why is anyone surprised at this outcome? Everyone knew Fairpoint was a company too small and too young to effectively meet its out-of-this-world promises. But despite all sorts of evidence, our regulators put out the red carpet anyway. And now they complain that trying to monitor this trainwreck is straining resources???

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FairPoint tries to tackle New Hampshire billing issues

August 3, 2009 — 11:48am ET | By Sean Buckley

It seems like every week one of the states in FairPoint's New England region has an operational issue with the lines it bought from Verizon earlier this year. Following an order from the Maine Public Utility Commission to pay $400,000 in penalties because of poor service they provide to other local service providers, New Hampshire's PUC reported late last week that two to four times as many customers have filed complaints about the ILEC's service, compared to other service providers. According to an article in the *New Hampshire Union Leader,* state PUC staff attorney Robert Hunt said during a technical session for the New Hampshire Public Utilities Commission staff on FairPoint's Stabilization Status Report that there were 190 "escalations" as complaints that were filed with the agency. Most notably, customers have been receiving bills from FairPoint after they cancelled their service.

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Not surprisingly, FairPoint's President Peter Nixon downplayed the situation by saying that there were only 130 escalations. Nixon said that FairPoint put together an escalation group to help resolve billing issues. Previously, FairPoint's Chairman and CEO David Hauser realigned its management team and appointed Vicky Weatherwax to the position of vice president of business solutions to come up with a plan to quickly resolve customer issues.

Despite the ILEC's moves, Hunt remained unsatisfied with FairPoint's progress. "What is happening to address these specific people, who I can tell you when they call are very upset and want something done?" Hunt asked.

For more:

- *New Hampshire Union Leader* has this article

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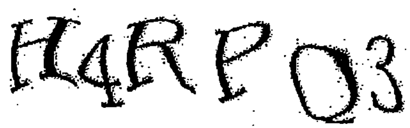

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Exhibit Comcast/15

News Reports Describing Penalties Assessed to FairPoint for Customer Service Problems and FairPoint's Financial Status

FairPoint asks state regulators to reduce penalties

By GARRY RAYNO
New Hampshire Union Leader Staff
Friday, Aug. 14, 2009

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CONCORD -- FairPoint Communications was before state regulators yesterday seeking to reduce the fines and penalties it would have to pay for poor service to wholesale customers.

But representatives from competitive local exchange carriers said changes should not be made until FairPoint improves service.

"FairPoint is the poster child for meeting a PAP (performance assurance plan)," Trina Bragdon of CRC Communications of Maine said.

Alan Shoer, representing BayRing Communications, said if the commission reduces the fines and penalties, "you will reduce the incentive for FairPoint to get its act together and provide quality service."

Meanwhile, the company spelled out its financial difficulties in a recent federal filing, raising the possibility of a Chapter 11 bankruptcy, although it recently completed a reorganization of its debt with bondholders.

Part of the company's financial difficulty results from customers leaving its system. Landline and Internet customers left the company at a faster rate in the second quarter of this year than in the first, reducing the company's second-quarter revenue by 3.9 percent, the report says.

Since July 1, 2008, more than 40,000 customers have left the company's system in Northern New England.

The number of residential landline customers is down 13.4 percent from a year ago; business customer landlines are down 7.5 percent and high-speed data lines declined 1.9 percent.

FairPoint is currently negotiating further with bondholders for a more comprehensive and permanent restructuring of its debt. In an Aug. 6 conference call with Wall Street analyst, FairPoint CEO David Hauser said: "If we are not successful in these negotiations, and if we do fall out of compliance with the covenants in our bank credit facility, it is possible that we will need to file for protection under Chapter 11 of the bankruptcy code."

The filing says FairPoint may not be able to comply with financial covenants as soon as the end of next month.

"We believe the decline in northern New England reflects the absence of promotion activity during the first half of 2009 as a result of cut-over related issues," the company writes in the filing.

The costs associated with the switch continue to be larger than anticipated, according to the report.

When the company made the switch, some customers lost service, others could not access their e-mail, and there were numerous billing errors, long waits on customer service lines, service delays and system errors. Similar problems occurred in Maine and Vermont.

In response, FairPoint hired additional staff for call centers, reassigned engineers and hired consultants to review the company's processes and leadership to address the problems.

Yesterday at a hearing before the PUC, an attorney representing the company said the maximum fines under the performance plan exceed its current net revenues.

Attorney Harry Malone III, representing FairPoint, said other states have modified their performance plans to limit penalties to 39 percent of net revenue, which is severe enough to make utilities maintain good service without putting companies at financial risk. "That strikes a proper balance between all the parties," he said.

The commission is not expected to made a determination on FairPoint's request for some time.

A meeting of regulators from New Hampshire, Vermont and New Hampshire with FairPoint officers is scheduled Sept. 9 in Concord.

YOUR COMMENTS

It is time to move beyond Fairpoint. they own yesterday's technology and propose

<u>**Exhibit Comcast/16**</u>

FairPoint's Press Release

FairPoint communications

FOR IMMEDIATE RELEASE

FairPoint Reaches Agreement with Bank Lenders – Initiates Voluntary Chapter 11 Proceeding

Chapter 11 Filing Will Not Impact the Company's Operations or Customers and Will Reduce Debt by $1.7 billion

CHARLOTTE, N.C. (October 26, 2009) – FairPoint Communications, Inc. (NYSE: FRP) (the "Company"), a leading provider of a full range of communications services, today announced it has reached agreement on a comprehensive financial restructuring plan (the "Restructuring Plan") with lenders (the "Supporting Lenders") holding more than 50 percent of the outstanding debt under its secured credit facility. The Restructuring Plan is expected to reduce the Company's debt by $1.7 billion thereby providing a long-term solution for the Company's balance sheet.

To facilitate the implementation of the Restructuring Plan, the Company also announced that it and all of its subsidiaries have filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the "Court"). The Restructuring Plan must be approved by the Court and the Company intends to promptly file a plan of reorganization reflecting the Restructuring Plan with the Court. The Company and its subsidiaries expect to continue to operate their business in the ordinary course throughout the Chapter 11 process under the jurisdiction of the Court while it seeks confirmation of the Restructuring Plan.

"The day-to-day operations of our business will not be impacted by today's actions," said David Hauser, Chairman and CEO of FairPoint. "We want to assure our customers, employees and vendors that we remain committed to continuing to provide reliable, uninterrupted service to all of our customers. Today's actions represent a critical and positive step in our efforts to reduce our indebtedness, strengthen our financial condition and position FairPoint to compete more effectively in a dynamic marketplace," concluded Hauser.

In connection with the Restructuring Plan, the Company has received commitments from certain of the Supporting Lenders for a $75 million debtor-in-possession revolving credit facility (the "DIP Facility") to ensure sufficient liquidity during the Chapter 11 process. The Company currently has approximately $46 million of cash on hand and expects to continue to generate positive operating cash flow. In total, including the DIP Facility, the Company will have available liquidity of approximately $121 million. In addition, under the terms of the

Restructuring Plan, the Company does not expect to pay interest or principal on its prepetition debt while in Chapter 11.

Upon emergence from Chapter 11, subject to certain conditions, the DIP Facility will convert into a $75.0 million five-year revolving credit facility. Pursuant to the Restructuring Plan, the Company's total debt would be reduced to approximately $1.0 billion from its current level of nearly $2.7 billion which includes accrued interest and amounts owed under its interest rate swap agreements. In addition, annual interest costs would be reduced from more than $200 million to approximately $65 million. In accordance with the Restructuring Plan, approximately $1.1 billion of debt under the credit facility would be converted into equity, transferring 98%, and in certain circumstances, 100% of the equity ownership of the Company to the secured lenders under the credit facility, subject to future dilution for issuances under an equity incentive plan and for warrants issued under the Restructuring Plan.

The Restructuring Plan also provides for a new $1.0 billion secured term loan. This new term loan will (i) bear interest at LIBOR plus 4.5%, with a 2.0% LIBOR floor, (ii) have a five-year term and (iii) require mandatory amortization of $10.0 million in each of the first two years and $50.0 million in the third year following emergence from Chapter 11, with increasing annual amortization amounts thereafter through maturity.

Other terms of the Restructuring Plan are still being negotiated, but the Restructuring Plan provides that all of the Company's outstanding senior notes due 2018, aggregating approximately $570 million (including accrued interest), as well as other unsecured creditors will be converted into equity ownership of the Company equal to approximately 2% and will be issued warrants to purchase up to 5% of the ownership interest in the Company assuming such class accepts the Restructuring Plan.

"We are extremely pleased with the terms of the agreement reached with our secured lenders," stated Alfred Giammarino, Executive Vice President and CFO of FairPoint. "This plan will provide FairPoint with significantly greater financial flexibility through the reduction of nearly $170 million in minimum annual debt service requirements. This enhanced flexibility will enable us to continue to invest in new technologies and provide advanced services to customers throughout our service territories," concluded Giammarino.

The Company also filed certain first day motions with the Court to enable it to continue to conduct business without interruption. These include motions providing for employees to continue to receive compensation and benefits as usual and to maintain customer programs. During the reorganization process, suppliers and contractors should expect to be paid for post-petition purchases of goods and services in the ordinary course of business.

In addition, the Company requested the Court to impose certain restrictions on trading in its common stock in order to preserve valuable tax assets. Such trading restrictions, if imposed, would apply immediately to investors beneficially owning at least 4 million shares, or 4.4 percent, of the outstanding common stock of the Company. For these purposes, beneficial ownership of stock will be measured in accordance with special U.S. tax rules that, among other things, apply constructive ownership concepts and take into account indirect holdings.

Rothschild Inc. is acting as financial advisor for the Company; AlixPartners, LLP as the restructuring advisor; and Paul, Hastings, Janofsky & Walker LLP is the Company's counsel.

For more information contact the FairPoint Restructuring Line at 1-888-290-4881, or visit the restructuring information Web site at www.fprestructuring.com.

About FairPoint

FairPoint Communications, Inc. is an industry leading provider of communications services to communities across the country. Today, FairPoint owns and operates local exchange companies in 18 states offering advanced communications with a personal touch, including local and long distance voice, data, Internet, television and broadband services. FairPoint is traded on the New York Stock Exchange under the symbols FRP and FRP.BC. Learn more at www.fairpoint.com.

This press release may contain forward-looking statements by FairPoint that are not based on historical fact, including, without limitation, statements containing the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions and statements. Because these forward-looking statements involve known and unknown risks and uncertainties, there are important factors that could cause actual results, events or developments to differ materially from those expressed or implied by these forward-looking statements. Such factors include: the potential adverse impact of the Chapter 11 filing on FairPoint's business, including its ability to maintain contracts, trade credit and other customer and vendor relationships; FairPoint's ability to secure additional support from its lenders and its noteholders for its proposed restructuring plan; FairPoint's ability to obtain court approval of, and to consummate, a plan of reorganization; and those risks described from time to time in FairPoint's filings with the Securities and Exchange Commission ("SEC"), including, without limitation, the risks described in FairPoint's most recent Annual Report on Form 10-K on file with the SEC. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. All information is current as of the date this press release is issued, and FairPoint undertakes no duty to update this information.

Source: FairPoint Communications, Inc., www.FairPoint.com.

Investor Contact: Brett Ellis (866) 377-3747; bellis@fairpoint.com

Media Contact: Rose Cummings (704) 602-7304; rcummings@fairpoint.com

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Exhibit Comcast/17

News Reports Discussing Meeting of New England Commissions to Discuss FairPoint Problems (September 9, 2009)

Associated Press

Northern New England states question FairPoint

By HOLLY RAMER , 09.09.09, 05:16 PM EDT

DERRY, N.H. -- Executives from **FairPoint Communications Inc.** told utility regulators from three states Wednesday that it will be another two months before the company has a clear plan to resolve its customer service, billing and other problems.

Vicky Weatherwax, who in July was appointed to a new position of vice president of business solutions, said she expects to get recommendations from outside analysts by mid-November. By the end of that month, Fairpoint will decide how to implement them, she said.

Weatherwax was among four Fairpoint executives to speak at a highly unusual joint meeting of the New Hampshire Public Utilities Commission, the Maine Public Utilities Commission and the Vermont Public Service Board. The goal was to give regulators an update on FairPoint's efforts to stabilize its troubled operation systems, as well as organizational changes and financial matters.

FairPoint, which is based in Charlotte, N.C., owns and operates phone companies in 18 states, but its largest holdings by far are in northern New England, where it bought **Verizon Communications** (VZ - news - people)' landline telephone and Internet business last year. The company officially took over the system seven months ago and has been beset with problems ever since.

Fairpoint CEO David Hauser, who was hired two months ago, said the company has begun shifting from a "work around" mentality to a "fix-it and improve it" mentality. Calls to the company's customer service center are now answered in 20 seconds or less more than 89 percent of the time, he said, though problems remain, particularly with the accuracy of billing for business and wholesale customers. And about 22 percent of orders for new service or changes to existing services are late, he said.

"We have identified the areas that need further attention and have improvement plans in place for those areas," he said.

Regulators repeatedly pressed the executives for estimates of when the problems would be fixed, but company officials offered no firm deadlines.

"One of the reasons we're here today is, frankly, frustration," said Vermont Public Service Board Chairman James Volz. He reminded the executives of their previous assurances that the problems would be cleared up by May.

"Quite clearly, that day has long since past, and we've seen neither sufficient progress nor a firm commitment that will achieve an acceptable level of service," he said.

Volz said performance has improved in some areas, but progress has come "only at high unsustainable costs." And he said Fairpoint has been given more than adequate time to get its act together.

"At this time we would like to hear concrete plans for addressing those problems," he said.

Commissioner Vendean Vafiades of Maine congratulated Fairpoint for improving the speed with which customer service representatives answer the phone, but said she wondered what happens after that. How many times are callers transferred before reaching someone who can help? How many times do they have to call back?

"I know you've only been at this two months, but we feel a greater sense of exigency," she told Hauser, who was quick to assure he shared her sentiments.

"I have a huge sense of urgency," he said. "Let's face it - Northern New England is what makes or breaks FairPoint, now, tomorrow and next week and as far as we can see."

As he opened the hearing, New Hampshire Public Utilities Commission Chairman Thomas Getz said regulators have found no reason to further investigate allegations made through anonymous e-mail last month that FairPoint faked its readiness to take over the phone networks.

Getz said the person who wrote the e-mail was satisfied with the explanation FairPoint sent to Vermont authorities, and that authorities in all three states saw no basis for continuing the investigation.

Hauser also said an independent investigation also found no wrongdoing.

Vivendi Loses Support Over Brazilian Buy

Guitar Hero 5 Lifts Activision

China's 3G Battle

Getting Personal: Ericsson

Reader Comments

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Guitar Hero 5 Lifts Activision

China's 3G Battle

Getting Personal: Ericsson

Reader Comments

Exhibit Comcast/18

Vermont Public Service Board Investigation into Possible Revocation of FairPoint Communications Certificate of Public Good, Docket No. 7540

VERMONT

Public Service Board
State of Vermont

Investigation into Possible Revocation of FairPoint Communication's Certificate of Public Good (7540)

On July 14, 2009, the Vermont Department of Public Service ("Department") filed a petition with the Public Service Board ("Board") to open an investigation pursuant to 30 V.S.A. § 209 into the business operations of Telephone Operating Company of Vermont LLC, d/b/a FairPoint Communications ("FairPoint"), and for an Order by the Board directing FairPoint to show cause why its Certificate of Public Good should not be revoked. In its petition, the Department outlines its concerns regarding the high level of consumer complaints it has received involving deficiencies in FairPoint's quality of service, and FairPoint's ability to resolve those deficiencies. FairPoint purchased the assets of Verizon New England Inc., d/b/a Verizon Vermont ("Verizon") on March 31, 2008, pursuant to the Board's Order of February 15, 2008 in Docket No. 7270, and completed "cutover" from Verizon's systems to FairPoint's systems on February 1, 2009.

On August 10, 2009, the Board conducted a prehearing conference in this docket. At the prehearing, FairPoint agreed to file its response to the petition by September 17. A copy of the Prehearing Conference Memorandum has been posted on this webpage. The Board has scheduled a Status Conference for September 30, 2009 at 11:00 a.m. to determine the further steps to be taken in this proceeding.

Caption:

Petition of Vermont Department of Public Service for an investigation and for an order directing Telephone Operating Company of Vermont LLC, d/b/a FairPoint Communications, to show cause why its Certificate of Public Good should not be revoked.

Public Participation/Hearings:

- Public Hearings
- File a Public Comment

Significant Documents:

- Petition, Prefiled Testimony and Exhibits
  - Petition
  - Filing letter
  - NixonTestimony
  - Exhibit
- Fairpoint Stabilization Plan Report - 7/8/09
- Liberty Consulting Stabilization Plan Assessment - 7/13/09
- CAPI Response - 6/30/09
- Hearing Notices
- Schedule
- Orders and Memoranda
  - Prehearing Conference - 9/14/09

Exhibit Comcast/19

News Report Describing Hawaiian Telecom Bankruptcy in Hawaii (December 2, 2008)

Carlyle Takes Another Hit As Telecom Firm Goes Under

By Thomas Heath
Washington Post Staff Writer
Tuesday, December 2, 2008

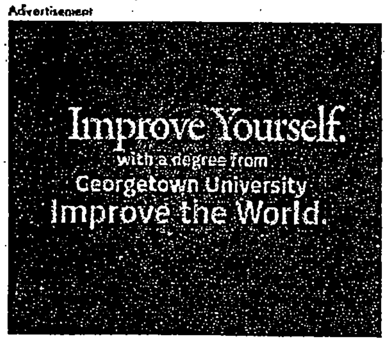
Carlyle Group, the District-based private-equity firm, suffered a new setback yesterday when one of its investments, a Hawaiian provider of local and long-distance telephone service, filed for bankruptcy protection.

Carlyle had put $425 million in Hawaiian Telcom Communications and borrowed almost $1.2 billion to buy the company from Verizon in 2005. But the telecommunications company struggled almost from the start.

Its collapse followed other reversals for Carlyle this year. In March, Carlyle wrote off a $700 million investment in Carlyle Capital, an offshore public company that invested in mortgage-related securities. Then Carlyle announced in July that it would liquidate Carlyle-Blue Wave Partners Management, which made similar bets in mortgages.

In October, Carlyle said it was suing a Russian steel company, Novolipetsk Steel, that was seeking to back out of a $3.5 billion deal. Finally last month, Carlyle announced it was shutting down its 12-person Warsaw office and laying off another seven people throughout Asia as it pulls back from two specialized ventures in emerging markets.

Carlyle spokesman Chris Ullman said yesterday that the various events are unrelated and that the firm is still producing healthy returns for investors. In all, Carlyle has $92 billion of investors' money under management, including $40 billion that it is looking to invest.

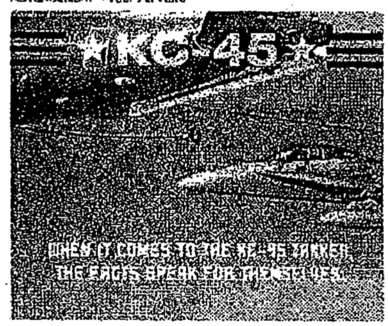


Carlyle Partners III, the $4 billion buyout fund that bought Hawaiian Telcom, is up 230 percent despite the telecom's bankruptcy filing, Ullman said.

Carlyle bought Hawaiian Telcom with an eye toward upgrading and expanding its network to deliver new products and services in bundled packages. The bundles would include broadband Internet, video and wireless telephone service.

But the deal took a year to get approved by regulators, and the company began losing land-line telephone customers faster than anticipated. Meanwhile, the company faced stiff competition from Time Warner Cable for its packages of services.

At the same time, Hawaiian Telcom had to create its own back-office operations to handle administrative tasks such as accounting, billing, public relations and human services. A person familiar with the process, who spoke on condition of anonymity because the company is in bankruptcy proceedings, said the process proved more difficult than Carlyle expected.



Carlyle, which reinvested $100 million in cash in the company, brought in management turnaround experts to help salvage Hawaiian Telcom, but it didn't work.

The company and seven affiliates filed for Chapter 11 protection yesterday in U.S. Bankruptcy Court in Wilmington, Del., listing $1.4 billion in assets and $1.3 billion in debts.

The telecom company said it will continue to operate its business without interruption to customers and employees.

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Exhibit Comcast/20

Frontier/Verizon Interrogatory Response No. 5

Docket No. UM-1431
Verizon and Frontier Responses to Comcast Data Requests Nos. 1-52
July 31, 2009

DATA REQUEST NO. 5:

If the Transaction is approved, does Frontier intend to claim or petition the Oregon Commission to establish that it or any of the operating entities in Oregon it currently operates or acquires as a result of the Transaction are entitled to treatment as a rural telephone company under Section 251(f) of the Telecommunications Act of 1996 ("Act") or otherwise exempt from the obligations on incumbent local exchange carriers under Sections 251(b) and (c) of the Act? If so, please identify the operating entities and explain Frontier's position.

Response:

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 4, 6, 7, and 10. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

Verizon Northwest is not a rural telephone company under Section 251(f) today and Frontier will not claim or petition the Oregon Commission to designate Verizon Northwest as a rural telephone company. Citizens Telecommunications Company of Oregon will remain a separate legal entity from Verizon Northwest and is a "rural telephone company" as defined in the 1996 Act.

Prepared By: Cassandra Guinness
Date: July 31, 2009

Exhibit Comcast/21

Frontier/Verizon Interrogatory Response No. 11

Docket No. UM-1431
Verizon and Frontier Responses to Comcast Data Requests Nos. 1-52
July 31, 2009

DATA REQUEST NO. 11:

Does Frontier intend to permit interconnection agreements between Verizon Northwest Inc. and competing carriers to remain effective after the Transaction is completed if the initial term of those agreements has expired and the parties are currently operating under those agreements? If so, for how long?

Response:

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 4, 6, 7, and 10. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

Frontier will assume and honor all obligations under Verizon's interconnection agreements and other wholesale arrangements that are in place at the time of closing. Frontier does not intend to undergo a broad sweeping project to renegotiate all existing interconnection agreements between Verizon Northwest and competing carriers and will review specific interconnection agreements on a case-by-case basis.

Prepared By: Cassandra Guinness
Date: July 31, 2009

Exhibit Comcast/22

Frontier/Verizon Interrogatory Response No. 3

Docket No. UM-1431
Verizon and Frontier Responses to Comcast Data Requests Nos. 1-52
July 31, 2009

DATA REQUEST NO. 3:

Will Frontier increase or seek to increase rates for any wholesale service provided in Oregon, including interconnection and related services and facilities, during the three years after the Transaction is completed? If so, please identify all rates that Frontier anticipates increasing or seeking to increase.

Response:

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 4, 6, 7, and 10. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

Frontier will assume and honor all obligations under Verizon's interconnection agreements and other wholesale arrangements including the rates in these agreements that are in place at the time of closing. Frontier does not anticipate increasing rates for any interconnection or wholesale services.

Prepared By: Cassandra Guinness
Date: July 31, 2009

<u>Exhibit Comcast/23</u>

WAC 480-07-650

WAC 480-07-650

Agency filings affecting this section

Petitions for enforcement of telecommunications company interconnection agreements.

The purpose of this rule is to provide a speedy and enforceable means to resolve disputes when one party to an interconnection agreement contends that the other party is violating the terms of the agreement.

(1) **Petitions for enforcement.** A telecommunications company that is party to an interconnection agreement with another telecommunications company may petition under this rule for enforcement of the agreement.

(a) ***What the petition must contain.*** Each petition for enforcement must contain the following elements:

(i) A statement, including specific facts, demonstrating that the petitioner engaged in good faith negotiations to resolve the disagreement, and that despite those negotiations the parties failed to resolve the issue.

(ii) A copy of the provision of the interconnection agreement that the petitioner contends is not being complied with.

(iii) A description of facts demonstrating failure to comply with the agreement. One or more affidavits, declarations, or other sworn statements, made by persons having personal knowledge of the relevant facts must support the description.

(b) ***How to serve the petition.*** The petitioner must serve the petition for enforcement on the responding party on the same day the petition is filed with the commission. If the petitioner chooses to serve the respondent by mail or parcel delivery service, it must deliver a copy of the petition and all supporting documents by hand delivery, fax, or e-mail (to the e-mail address specified by the recipient for the purpose of receiving a copy of the petition) on the same day as filed with the commission. For purposes of this section, service must be effected on:

(i) The responding party's authorized representative, attorney of record, or designated agent for service of process;

(ii) The responding party's representatives with whom the petitioner conducted the negotiations addressed in (a)(i) of this subsection; and

(iii) All parties designated in the interconnection agreement to receive notices.

(c) ***Prefiling notice of petition.*** The petitioner must give at least ten days' written notice to the respondent that the petitioner intends to file a petition for enforcement. The notice must identify each specific provision of the agreement that the petitioner alleges was violated, and the exact behavior or failure to act that petitioner alleges violates the agreement. The written notice must be served as provided in (b) of this subsection. The petitioner must include a copy of this notice with its petition for enforcement. The written notice shall be valid for thirty days from the date of service. If the petitioner wishes to file a petition for enforcement after the thirty-day period, the petitioner must serve another notice to the respondent at least ten days prior to filing the petition.

(2) **Answering a petition.** The respondent may answer the petition. The respondent waives the opportunity to present any matter that is not raised in the answer, except that the answer may be amended under subsection (3) of this section.

(a) ***Contents of the answer.*** The answer to a petition for enforcement must respond to each allegation of failure to comply with the terms of the interconnection agreement, stating relevant facts. Any facts relied upon must be supported by affidavits, declarations, or other sworn statements by persons having personal knowledge of the facts.

(b) ***Filing and service of the answer.*** The respondent must file the answer with the commission and serve it on the petitioner within five business days after service of the petition for enforcement. Service must be accomplished so that a copy of the response to the petition for enforcement and all supporting documents reach the petitioner's attorney, or the person who signed the petition if petitioner has no attorney, on the same day the answer is filed with the commission. If the respondent chooses to serve the petitioner by mail, a copy of the petition for enforcement and all supporting documents must be delivered to the person identified above on the same day as filed with the commission.

(3) **Amendment of petition and answer.** The presiding officer may permit the responding party to amend its answer for good cause shown, and to avoid substantial prejudice to the responding party that is not caused by the fault of the responding party. The presiding officer may permit either party to amend its petition or answer to conform to the evidence presented during the proceeding. The presiding officer may refer to, but is not bound by, CR 15(b) of the Washington superior court civil rules, when determining whether to permit amendment of the petition or answer to conform to the evidence.

(4) **Prehearing conference.** The commission will conduct a prehearing conference regarding each petition for enforcement of an

interconnection agreement.

(a) ***Schedule; mandatory attendance.*** The presiding officer will issue notice of a prehearing conference within five business days after the petition is filed. Both the petitioner and the respondent must attend the prehearing conference. The prehearing conference may be conducted by telephone.

(b) ***Procedural determination.*** The presiding officer will determine at the prehearing conference whether the issues raised in the petition can be determined on the pleadings, submissions, and any oral statements without further proceedings. When determining whether to schedule an oral enforcement hearing session, the presiding officer will consider the parties' preferences and the reasons they advance, the need to clarify statements by asking questions, whether the issues are largely factual, largely legal, or involve questions of fact and law, the apparent complexity of facts and issues, the need for speedy resolution, and the completeness of information presented. The presiding officer may require the parties to submit written briefs on the issues.

(c) ***Means of obtaining additional information.*** If the presiding officer determines that further proceedings are necessary, the presiding officer will establish a schedule for receiving additional facts or evidence and may schedule an enforcement hearing session to explore the facts and issues raised in the petition and the answer. The party filing the petition or answer may file with the petition or answer a request for discovery, stating the matters to be inquired into and their relationship to matters directly at issue. The presiding officer may allow limited discovery requiring only the disclosure of facts relating directly to matters at issue, and only if discovery is shown to be essential to the requesting party. The presiding officer will establish a shortened discovery schedule to comply with the timelines of this rule.

(d) ***Consideration as a complaint.*** If the matter at issue involves policy, technical or accounting issues that require extensive analysis or discovery, the commission may convert the proceeding to a complaint proceeding under RCW 80.04.110 to allow adequate time and process for the demands of the proceeding.

(5) **Powers of the presiding officer; conversion of proceeding; recommended or final decision.**

(a) ***Conduct of proceeding.*** The presiding officer has broad discretion to conduct the proceeding in a manner that best suits the nature of the petition, including, but not limited to, converting the proceeding into a complaint proceeding under RCW 80.04.110. Matters may be appropriate for conversion when their complexity requires that they cannot be completed on the schedule provided in this rule; when the petitioner requires discovery beyond a disclosure of facts directly related to the matters at issue; when extensive policy argument or legal briefing is required; or when participation by parties other than the petitioner and the respondent is necessary. The presiding officer may limit the record to written submissions or may schedule an enforcement hearing session. The presiding officer may limit the number of exhibits and witnesses and the time for their presentation.

(b) ***Recommended decision.*** The presiding officer, if other than the commissioners, will serve a recommended decision on the parties within seventy-five days of the date the petition for enforcement was filed, or twenty-one days after the last hearing session or submission, whichever is later. The recommended decision is subject to approval by the commission. If the commissioners preside over the enforcement proceeding, they may enter a final decision within the time requirements applicable to recommended decisions.

(c) ***Review of the recommended decision.*** Any party may file a petition for administrative review of a recommended decision within seven days after the order is entered. A party opposing review may file an answer within five days after a petition for review is filed. The commission may hear the parties' arguments regarding any recommended decision on the written pleadings or during oral argument, which may, in the commission's discretion, be scheduled coincident with a regular or special open public meeting. The commission may request commission staff to make a presentation at the argument. The commission will conduct this session within ten days after the date of the recommended decision, or as soon thereafter as the commissioners' schedules permit. If no party files a petition for administrative review, the commission may adopt the recommended decision without material change. If the commission considers making a material change in a recommended order to which no petition for review has been filed, the commission must first seek the views of the parties on the issue.

(6) **Commission decision on petition for enforcement.**

(a) ***Extent of commission discretion.*** The commission will serve a final decision on the parties in the form of a commission order resolving the issues. The commission may adopt, modify, or reject all or part of any recommended decision.

(b) ***Time of service.*** The commission will enter its order on the petition for enforcement no later than ninety days after the date the petition is filed or fifteen days after the meeting at which it reviews the recommended decision, whichever is later. The commission may extend this time for lack of resources or for other good cause.

(c) ***Petition for reconsideration.*** The parties may petition for reconsideration within ten days after the commission serves its order on the petition for enforcement. If a party petitions for reconsideration, the commission may request that an answer be filed. The commission may request additional comments, briefing, evidence, or argument from the parties. Filing a petition for reconsideration of the order does not stay the effect of the order. A petition for reconsideration is deemed denied unless the commission grants or denies it by written order within ten days after the date on which petition for reconsideration is filed or the date established for filing an answer or additional comments, briefing, evidence, or argument, whichever is later. The commission may alter the time for entering its order on a petition for

Comcast/23

Pelcovits/3

reconsideration by notice or letter.

(d) ***Failure to comply with the order.*** Any party who fails to comply with the terms of the commission's final order on a petition for enforcement is subject to penalties under RCW 80.04.380 and any other penalties or sanctions as provided by law. A company against whom a penalty is assessed may challenge the penalty or the facts on which it is based, or seek mitigation of the penalty, pursuant to pertinent law and commission rules.

[Statutory Authority: RCW 80.01.040 and 80.04.160. 06-16-053 (Docket A-050802, General Order R-536), § 480-07-650, filed 7/27/06, effective 8/27/06; 03-24-028 (General Order R-510, Docket No. A-010648), § 480-07-650, filed 11/24/03, effective 1/1/04.]

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

In the Matter of VERIZON COMMUNICATIONS, INC., and FRONTIER COMMUNICATIONS CORPORATION Joint Application for an Order Declining to Assert Jurisdiction, or, in the alternative, to Approve the Indirect Transfer of Control of VERIZON NORTHWEST, INC.	)	Docket No. UM 1431

TESTIMONY OF

WILLIAM SOLIS

On Behalf of

COMCAST PHONE OF OREGON, LLC

*** ***PUBLIC VERSION*** ***

November 2, 2009

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I. INTRODUCTION AND SUMMARY

Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.

A. My name is William Solis. My business address is 5800 South Quebec Street, Greenwood Village, Colorado 80111. I am employed as Vice President of Voice Service Delivery Operations for Comcast Cable Communications, LLC. I am testifying on behalf of Comcast Phone of Oregon, LLC ("Comcast").

Q. PLEASE SUMMARIZE YOUR CURRENT RESPONSIBILITIES, EXPERIENCE AND EDUCATIONAL QUALIFICATIONS.

A. I am responsible for wholesale provisioning for both Comcast and Comcast IP. In that capacity, I oversee a team of technical and management staff responsible for national voice service provisioning, activation, and repair. I am responsible for ensuring efficient and timely delivery of service to new voice customers, fulfilling existing customer initiated order requests, updating ancillary databases (*e.g.*, E-911 and directory assistance) and resolving problems with voice services.

I hold a Bachelor of Science degree in Civil Engineering from Michigan Technological University and am a licensed professional engineer in the state of Colorado. I have been with Comcast and its predecessor companies for over 15 years. I began my telecommunications career with Teleport Communications Group, which was subsequently purchased by AT&T, and have held a variety of executive, operational, provisioning, project management, and customer service positions supporting both commercial business and residential customers. In 2000, I transitioned from AT&T Local Services to AT&T Broadband as Vice President to support national provisioning of AT&T Broadband's circuit-switched residential voice services. In 2004, following the acquisition of AT&T Broadband by Comcast, in addition to continuing to support provisioning and fulfillment activities of our existing circuit-switched and growing Internet protocol ("IP") voice residential businesses, I oversaw network planning and interconnection transport engineering and access ordering, switch configuration planning and implementation, legal demand center, customer voice billing operations, and carrier management departments. In 2007, as Comcast's voice operation and business continued to mature, I assumed sole responsibility for supporting service repair and provisioning activities within Comcast's National Customer Activation and Repair department.

Q. PLEASE DISCUSS COMCAST'S SERVICES IN OREGON, AND THE REASON IT INTERVENED IN THIS PROCEEDING.

A. Comcast is a certificated telecommunications carrier in Oregon. Among other things, Comcast provides wholesale "PSTN interconnection services" to its interconnected voice over Internet protocol ("VoIP") service provider affiliate, Comcast IP Phone of Oregon, LLC ("Comcast IP") as well as originating and terminating exchange access services to interexchange carriers ("IXCs"). The service is available on a common carrier basis to other facilities-based providers of interconnected VoIP service pursuant to Comcast's Oregon service catalog and federal tariffs. *See http://www.comcast.com/MediaLibrary/1/1/About/PhoneTermsOfService/PDF/interconnection/Local_Interconnection_Service.pdf*.

Comcast IP and its affiliates in 37 states and the District of Columbia began providing interconnected VoIP services in 2005 and now have more than 7 million customers nationwide, including *** **BEGIN CONFIDENTIAL** *** *** **END CONFIDENTIAL** *** in Oregon. Comcast IP markets its interconnected VoIP service offering under the trade name, "Comcast Digital Voice" or "CDV."

The tremendous growth of CDV and the benefits that consumers have derived from the service would not have been possible without the systems that support wholesale carrier-to-carrier transactions, known in the business as operational support systems ("OSS"). OSS refers, broadly, to the systems, databases and information used by the incumbent local exchange carrier ("ILEC") to facilitate preordering, ordering, provisioning, maintenance and repair of wholesale and retail services.

Most of Comcast IP's customers have been "won" from ILECs like Verizon Northwest Inc. ("Verizon"), who, as a result of various regulatory requirements, have put into place robust OSS interfaces so that end-users can easily and quickly transfer service from one service provider to another. These systems make local competition possible. Without them, the process for porting a customer would be too cumbersome and costly, and new entrant competitors would never have a chance to compete with the incumbents.

These systems are also used so that competitors can access centralized systems that are operated by only one carrier in a service territory. For example, consumers need only one white pages directory, and a directory is of no use if it is not complete. ILECs, therefore, establish carrier-to-carrier processes so that competitors can place their customers' information into the directories that, in most places, the ILECs continue to publish. The same is true for emergency calling ("E-911") databases.

Comcast has intervened in this proceeding to ensure that if the sale of Verizon's properties to Frontier Communications Corporation ("Frontier") is approved, it does not adversely impact Comcast's ability to serve its current customers and so that it can continue to provide competitive and alternative service for new customers. This will require that Comcast continue to be able to obtain wholesale services from the "new Frontier" at rates, terms and conditions equal to what Verizon provides Comcast today. Comcast does not oppose, nor is it seeking to delay, the transaction. Comcast seeks only to ensure that the Public Utility Commission of Oregon ("Commission") puts into place reasonable conditions necessary to ensure the continuity of wholesale ordering and provisioning systems, services and operations so that consumers in Oregon can continue receiving competitive voice services.

Q. PLEASE EXPLAIN HOW VERIZON'S AND FRONTIER'S WHOLESALE SERVICES AFFECT A COMCAST RETAIL CUSTOMER'S EXPERIENCE.

A. When an Oregon consumer decides to move their voice services from the ILEC to Comcast, Comcast must initiate a carrier-to-carrier process to transfer the customer's telephone numbers, directory listings, 911 records, and other critical information. This process is initiated by Comcast's submission of an order, or initial request for information, through the ILEC's automated OSS systems. Ideally, the order is submitted electronically and processed automatically. Automated processes minimize the amount of human intervention and the potential for error and are less costly.

When these processes do not work smoothly, service transfers can be delayed or blocked altogether. Retail customers may not be able to port their telephone number to new service providers, they may have problems accessing fully functional enhanced 911 service, or obtaining a proper listing of their name and number in printed directories. When such problems occur, the customer often assumes that the ***competitor*** is to blame, even though it may not be. In my experience, such problems are the main reason a prospective customer might cancel their pending service order and stay with the incumbent.

Similarly, Comcast relies on the ILEC's OSS to provision or augment interconnection facilities. (Interconnection facilities are used to link Comcast's network to the ILEC's, enabling the exchange of traffic so that customers on either party's network can call each other and to enable such services as 911.) If Comcast is unable to efficiently and timely establish or augment interconnection facilities, calls may not complete.

Q. WHY DO YOU HAVE CONCERNS WITH THE PROPOSED TRANSACTION?

A. Frontier and Verizon ("Joint Applicants") have provided vague, general assurances that everything will go smoothly. They have not, however, explained what steps they will take to ensure that a smooth transition happens. Moreover – and this is my biggest concern – they have refused to enter into a comprehensive testing arrangement with affected CLECs, and to contract with an independent third-party auditor to verify and certify that the transition will, in fact, go smoothly ***before*** the new "replicated" Frontier systems go live and services are moved off of the existing

Verizon systems. I cannot emphasize enough the importance of testing and verification, along with a third party certification that the replicated systems are ready for cutover to Frontier, and I urge the Commission to condition approval of the transaction on such testing and verification. My concern is reinforced by the fallout produced by two previous transactions Verizon recently completed in which it divested itself of service territories in New England and Hawaii. As Dr. Pelcovits notes with respect to Hawaiian Telcom and I detail below for FairPoint, in both transactions, Verizon failed to successfully transition the OSS, which negatively affected competitors' ability to process orders and, ultimately, the services provided to end-user consumers. The Commission needs to take steps to ensure that this does not happen again with the Frontier transaction.

Q. WHAT FACTORS ADD TO THE COMPLEXITY OF THE PROPOSED TRANSITION?

A. After closing, Frontier is poised to become a dramatically larger ILEC in the state of Oregon and elsewhere. According to the data provided by Verizon and Frontier, in Oregon the number of access lines that Frontier will serve will increase from approximately 12,600 to approximately 322,000, – a significantly greater number of lines than the number of lines Frontier currently serves. Frontier will go from having a relatively small presence to becoming the second largest ILEC in the state. Nationally, Frontier will more than ***triple*** in size – from 2.25 million access lines to more than 7 million access lines. Clearly this is an enormous undertaking for Frontier, and one that will result in a corresponding dramatic increase in Frontier's interactions with CLECs. Under these circumstances, it is imperative that Frontier be required to operate and maintain Verizon's more sophisticated wholesale systems and procedures.

I am particularly concerned about the implications for Oregon. After closing, Frontier will serve approximately 322,000 access lines in Oregon. The transaction encompasses 14 states in total, and the Oregon portion of the transaction represents less than seven percent (7%) of the total number of access lines. Because the transaction involves so many states, and Oregon represents a relatively small portion of the overall transaction, we believe it is important for the Commission to ensure that Oregon receives an adequate level of attention from the Joint Applicants.

II. <u>EXPERIENCE WITH VERIZON AND FRONTIER</u>

Q. PLEASE DESCRIBE THE EXTENT OF COMCAST'S CURRENT OPERATIONAL EXPERIENCE WITH VERIZON.

A. On a nationwide basis, the service territories of affiliates of Verizon and Comcast overlap in nineteen states and the District of Columbia, including Oregon.[1] Over the last six months Comcast and its affiliates have executed approximately *** **BEGIN CONFIDENTIAL** *** *** **END CONFIDENTIAL** *** wholesale transactions with Verizon and its affiliates per month (across all of our territories). While Comcast takes issue with several Verizon business rules and number porting policies, we have found that Verizon's OSS arrangements and

[1] The states are California, Delaware, Florida, Illinois, Indiana, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Virginia, Washington, Wisconsin and West Virginia.

operating procedures work well overall, in large part because there is a high degree of automation in these systems, including electronic bonding capabilities, which Comcast uses.

Verizon did not establish these systems out of the goodness of its heart. Rather, high functioning OSS were mandated by regulators as the *quid pro quo* so that Verizon (f/k/a Bell Atlantic) could offer interexchange services (as part of the Section 271 approval process) and buy the former GTE. Regulators would not approve these expansions of Verizon's business without establishing wholesale OSS and change control processes that were capable of supporting robust competition. These systems and processes must be maintained.

Q. PLEASE DESCRIBE THE EXTENT OF COMCAST'S CURRENT OPERATIONAL EXPERIENCE WITH FRONTIER.

A. It is more limited. Nationally, Comcast and its affiliates and Frontier provide service in overlapping service territories in ten (10) states.[2] Comcast and its affiliates execute a substantially smaller volume of transactions with Frontier than Verizon – approximately *** **BEGIN CONFIDENTIAL** ***

*** **END CONFIDENTIAL** *** transactions per month. These are the same types of transactions we engage in with Verizon but, as I explain below, the process is very different.

In Oregon, Frontier currently serves only about 12,600 access lines. These areas are not in Comcast's service territory, so we don't have any experience

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2 The states are California, Georgia, Indiana, Michigan, Minnesota, Mississippi, New York, Pennsylvania, Tennessee and West Virginia.

engaging in wholesale transactions with Frontier in Oregon, but I understand that Frontier's systems in Oregon are essentially the same as those it uses elsewhere.

Frontier's wholesale systems and procedures are substantially less sophisticated and less automated than Verizon's. The use of systems that are not fully automated results in increased human intervention, which in turn leads to more errors or omissions, the expenditure of additional resources, and ultimately longer provisioning intervals for some orders. These additional human errors or omissions ultimately impact the customer's service, affecting their ability to receive inbound calls after porting to the new service provider.

In Oregon, Verizon has many more wholesale customers than Frontier, with more than *** **BEGIN CONFIDENTIAL** *** *** **END CONFIDENTIAL** *** effective interconnection agreements with CLECs. Frontier has *** **BEGIN CONFIDENTIAL** *** *** **END CONFIDENTIAL** *** interconnection agreements with CLECs and wireless carriers.[3] As a result, in Oregon, Verizon processes more wholesale transactions. During calendar year 2008 Verizon processed more than *** **BEGIN CONFIDENTIAL** *** *** **END CONFIDENTIAL** *** number porting requests from competitors, and specifically for Comcast, Verizon has executed an average of *** **BEGIN CONFIDENTIAL** *** *** **END CONFIDENTIAL** *** port transactions per month. In contrast, Frontier ported ***

[3] Confidential Exhibits Comcast/3 and Comcast/4 (Frontier and Verizon Responses to Comcast Data Request ("DR") Nos. 7 and 8) (attached as exhibits to the Testimony of Michael D. Pelcovits).

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telephone numbers, none of which were for Comcast.[4] The differential between other types of wholesale orders is equally striking.

Q. PLEASE DESCRIBE HOW YOU INTERFACE WITH FRONTIER FOR ORDER PROCESSING.

A. Comcast and its affiliates, like all CLECs, order services from ILECs through the ILEC's OSS. As I mentioned earlier, Frontier's OSS are less sophisticated than Verizon's and have limited electronic bonding (or e-bonding) capabilities. E-bonding allows a competitive carrier's systems to directly interface with the ILEC's OSS, providing for the seamless flow of orders, return of order confirmation, auto population of data fields based on existing customer information, real time validation of input fields, and the exchange of related data without the need for human intervention. E-bonding greatly facilitates the ordering process, minimizes human error, and has been proven to be a critical function for processing meaningful order volumes.

Frontier's OSS does not provide e-bonding capabilities for local service requests or "LSRs", which are generally those orders types associated with preordering, ordering and maintenance for end user customers' services and ports. Since e-bonding is not available for these types of orders, Comcast affiliates are forced to place LSR orders with Frontier via a graphical user interface or GUI, which is much less operationally efficient.

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[4] Confidential Exhibits Comcast/5 and Comcast/6 (Frontier and Verizon Responses to Comcast DRs 49 and 50) (attached as exhibits to Dr. Pelcovits' testimony).

Just recently, Frontier has made available e-bonding for submitting access service request or ASRs. This order type is generally associated with the purchase or augmentation of transport and interconnection facilities. Because e-bonding for ASRs has only recently been made available, Comcast affiliates have not yet had the ability to implement this functionality. As a result, orders for interconnection trunking must be submitted by e-mail by Comcast affiliates' third party partner. A technician must then manually enter the order information into Frontier's systems (where such systems exist) or process them manually.

Manual processes like Frontier's are more likely to lead to errors in the submission, receipt, confirmation and fulfillment of orders. Such processes are much more time consuming as they generally don't provide for real time validation of the entered data, or for the flow-through of orders without some type of human intervention.

Q. DO THESE DIFFERENCES BETWEEN THE VERIZON AND FRONTIER SYSTEMS RAISE ANY CONCERNS?

A. Yes, the differences raise several concerns about the potential impact on wholesale customers. First, Frontier will be acquiring and operating systems that are very different from its own in functionality, scope and scale. This migration will happen overnight and it is unclear if Frontier is equipped to handle such significant operational changes, which in turn creates significant operational uncertainly for wholesale customers and competitors. Second, Frontier's systems are not as sophisticated as Verizon's, so it will result in a significant step backwards if wholesale customers and competitors like Comcast were forced to engage with less sophisticated systems like those currently used by Frontier.

III. <u>THERE IS INSUFFICIENT EVIDENCE TO CONCLUDE THAT WHOLESALE SERVICES AND SYSTEMS WILL BE SEAMLESSLY TRANSITIONED, AND ADEQUATELY SUSTAINED, AFTER CLOSING</u>

Q. VERIZON'S AND FRONTIER'S WITNESSES HAVE STATED THAT VERIZON'S EXISTING WHOLESALE SYSTEMS AND PROCEDURES WILL BE MAINTAINED. DOES THAT ADDRESS YOUR CONCERN?

A. No. From my perspective, the most significant aspect of this transaction is the process by which Verizon's wholesale systems will be transferred to Frontier. Because the Joint Applicants have not provided many details about this process, we don't know how it will occur, and whether they will take all the steps necessary to ensure that there is no negative impact on wholesale customers like Comcast, and ultimately, Oregon consumers.

Moreover, Frontier provides no information as to how long it will maintain Verizon's existing wholesale systems and operating procedures and offers no assurances that a future decision will not be made to migrate back to Frontier's current and more manual systems interfaces. We don't know whether Frontier will abandon Verizon's current systems and procedures one, five, or ten years after the transaction is completed.

Q. WHAT INFORMATION HAVE THE JOINT APPLICANTS PROVIDED ABOUT THE PLANNED TRANSFER OF WHOLESALE SYSTEMS?

A. Verizon's witness, Timothy McCallion, stated in his prefiled direct testimony that Verizon continues to use the centralized computer systems that Verizon obtained from GTE in 2000.[5] "These systems are used to run essential aspects of [Verizon's] business, such as retail ordering and billing, CLEC ordering and billing, network monitoring and maintenance, and all customer support functions...."[6] The Joint Applicants' plan, according to Mr. McCallion, is for "[t]he existing GTE systems [to] be replicated so that they may be transferred to Frontier as physically separate functional systems, and substantially identical to the existing systems."[7] Frontier's witness, Daniel McCarthy, adds in his direct testimony that "[t]hese separate, centralized systems will be dedicated to the operations being acquired by Frontier."[8]

The Merger Agreement between Verizon and Frontier states that Verizon will, prior to March 31, 2010, create a "separate instance" of software in its Fort Wayne, Indiana data center that will "provide functionality ***substantially*** similar to, but no less favorable to the [new Frontier company] than, that which the [new Frontier company] received from Verizon and its Affiliates as of the date of this Agreement."[9]

Comcast has also obtained a bit of additional information through discovery and the Joint Applicants' presentation at the technical conference convened by the Washington Commission Staff in August 2009. The transition from Verizon to Frontier apparently will *not* be seamless. To the contrary, every single electronic interface that CLECs currently have with Verizon will need to be reestablished.

[5] McCallion Direct at 13, lines 2-4.

[6] *Id.* at 13, lines 4-6.

[7] *Id.* at 13, lines 15-17.

[8] McCarthy Direct at 40, lines 21-22.

[9] *See* Section 7.24(c), Agreement and Plan of Merger (dated May 13, 2009) (attached as Exhibit 1 to the Joint Application) (emphasis added).

These "replicated" systems, while titled in Frontier's name, will largely be supported, at least initially, by technical personnel and other resources retained by Verizon. Frontier will pay Verizon a fee of $94 million for the first year alone to maintain the systems after the closing.

Most recently, Verizon made presentations to Commission Staff on October 15, 2009, and to the staff of the Washington Commission on October 13, 2009, in which Verizon disclosed additional information. I understand from counsel who attended those presentations that Verizon stated that it is developing its test plan for the replicated systems, but as of that date, Verizon did not know when that test plan would be developed. Verizon will share the results of its internal testing with Frontier but will not share those results with CLECs or state commissions. Frontier will review those results, after which it will develop its own testing plan, although Frontier has not established any date by which it will do so.

Verizon intends to turn up the replicated systems on April 1, 2010, and on and after that date, all OSS activity for the Verizon service territory will be handled by those replicated systems. Prior to that date, CLECs will be able to test their interfaces with the replicated systems but will not be able to test the systems themselves. The first opportunity CLECs will have to determine how well the replicated systems work is when they place live orders for actual customers beginning on April 1, 2010. Verizon will use the replicated systems to serve retail and wholesale customers for 60 days prior to close. Although the need to remedy "material" systemic problems would be a basis on which the closing could be delayed, Frontier in its sole discretion will make that determination. Counsel for Verizon confirmed that two pages discussing this process in Verizon's highly confidential presentations contain only non-confidential information, and those pages are attached as Exhibit Comcast/25.

Q. **WHAT ARE YOUR CONCERNS WITH THE JOINT APPLICANTS' PLAN TO REPLICATE VERIZON'S WHOLESALE SYSTEMS?**

A. First, it is not clear ***how*** Verizon and Frontier plan to "replicate" Verizon's OSS. Initially, Verizon provided data in the August technical conference in Washington suggesting that there are *** **BEGIN CONFIDENTIAL** *** *** **END CONFIDENTIAL** *** systems to be replicated.[10] More recently in its highly confidential presentation to Commission Staff on October 15, 2009, I understand from counsel that Verizon provided conflicting data indicating that there are substantially fewer but still a large number of systems to be replicated. The Joint Applicants have not provided any explanation for these conflicting figures, but whatever the final number, it is clear that there are many systems, and an untold quantity of data, that will have to be replicated and migrated as part of this process.

Comcast requested that the Joint Applicants explain this process in its discovery requests, but they declined to provide any details. All they did was point back to the very limited discussion of this issue (a mere 7 lines in total) in the testimony of Verizon witness Mr. McCallion.[11] In discovery, Comcast also asked for copies of any plans, arrangements, or agreements describing the planned systems transition. They provided only a single document, entitled "Realignment Plan," that,

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[10] Confidential Exhibit Comcast/26 (Verizon Supplemental Response to multiple Comcast DRs, Realignment Overview, Aug. 20, 2009, at 13).

[11] Exhibit Comcast/27 (Joint Applicants' Response to Comcast DR No. 31).

according to the cover letter transmitting it to Commission Staff and the parties, provides only an overview of the planned realignment of network systems from Verizon to Frontier. The document itself is marked as "highly confidential," but I am informed by counsel that it, like the confidential Realignment Overview presented at the Washington technical conference, offers very little detail regarding the plans to replicate systems used for wholesale services. Similarly, when Comcast asked the Joint Applicants to provide any back up, contingency, or secondary plans, to address the potential that the systems transition did not proceed as expected, they provided no documents.[12]

Collectively, the Joint Applicants' responses (to some very basic questions) in discovery and during the technical conferences indicate that Verizon and Frontier have not actually developed specific plans, or developed any back-up, or contingency, plans if the systems replication process fails. The lack of any detailed replication or back-up plans is significant because Mr. McCallion acknowledged in a deposition taken in conjunction with the Public Utilities Commission of Ohio's review of the transaction that the replication process they are proposing here has never been attempted on this scale, or for these purposes.[13]

Second, although the Verizon and Frontier witnesses state that there will be no impact on competitors, the contract language governing the replication of these systems states that the "separate instance" of software created from the Fort Wayne,

[12] Exhibit Comcast/28 (Joint Applicants' Response to Comcast DR Nos. 33 and 34).

[13] *See* Exhibit Comcast/29 (McCallion Ohio Deposition at 18, line 20 through 19, line 23) ("We haven't done it for a transaction such as this....").

Indiana data center will "provide functionality ***substantially similar*** to" that which is currently used by Verizon. This provision concerns me for two reasons. First, what does "substantially similar" mean? It suggests that there may be some differences between the existing system, and the yet-to-be replicated system. What those differences are and how they will impact wholesale customers are simply unknown. A second concern is that the Merger Agreement provides that the wholesale systems functionality will be no less favorable ***for Frontier*** only. It provides no assurance that ***CLECs*** (and their customers) will not receive less favorable functionality.

Q. HOW WILL WE KNOW IF THE REPLICATED SYSTEMS ARE CAPABLE OF PROCESSING WHOLESALE ORDERS AT REQUIRED VOLUMES?

A. We won't; and that is Comcast's main concern. Verizon and Frontier do not intend to rely upon any independent third-party verification, auditing, or certification of the replicated systems.[14] Further, Verizon and Frontier have stated that they will not engage in interoperability testing in advance of the replicated systems going "live" to ensure interoperability of wholesale ordering is maintained. During recent depositions, Verizon and Frontier's witnesses both rejected the notion that testing should occur. Verizon's witness in Ohio, Mr. McCallion, acknowledged there are no formal plans for testing, and asserted that "we don't think that testing of systems … needs to occur."[15] Adding to this point, Frontier's witness, Mr. McCarthy, stated that no test "scheme" has been developed,[16] and that Frontier does not plan to have any

[14] Exhibit Comcast/30 (Joint Applicants' Response to Comcast's DR No. 23).

[15] Exhibit Comcast/31 (McCallion Ohio Deposition at 49, line16 to 50, line 2).

[16] Exhibit Comcast/32 (McCarthy Ohio Deposition at 50, lines 13-24).

CLECs engage in testing of the replicated systems.[17] This appears to be a step back from earlier statements, where the companies said, in response to discovery requests, that they would at least "evaluate" CLEC requests to engage in testing.[18] Verizon confirmed its latest position during its October 15, 2009 presentation to Commission Staff.

The Joint Applicants' unwillingness to engage in testing is problematic because the replication process is unprecedented (as Mr. McCallion admits), and without testing Comcast will have no assurance that the replicated systems will operate in a manner identical to the original systems. Indeed, under the scenario the Joint Applicants envision, the first opportunity that Comcast or any other CLEC would have to "test" the operations of the replicated systems is when Comcast places actual customer orders beginning on April 1, 2010, when those systems go "live." The Commission should take a dim view of using end user customers as test subjects to determine whether Verizon's replicated systems operate properly.

As I explain below, the Commission needs to put into place a robust testing and certification process to assure that the transition goes smoothly and has minimal impact on consumers and consumer choice. And as I note below, this process does not need to be invented from whole cloth. Verizon's current OSS "change control" process, supplemented by third-party auditing, is a good place to start.

[17] *Id.* (McCarthy Ohio Deposition at 54, lines 5-9).

[18] Exhibit Comcast/33 (Joint Applicants' Response to Comcast DR No. 28).

Q. PLEASE DESCRIBE THE TESTING THAT SHOULD OCCUR.

A. The Commission should order the Joint Applicants to engage in testing with interested CLECs, and require both interoperability and transactional testing. Interoperability testing assesses the ability for two systems to interface and operate in a cohesive manner. Transactional testing involves the exchange of wholesale orders and service requests (i.e. the "transactions" between two service providers). Although Verizon's witness Mr. McCallion testified that Frontier will be able to validate and confirm that the principal operating systems have been replicated properly in advance of closing, neither company has explained how that will be accomplished. Nor have the Joint Applicants put into place a mechanism for a competitor, or an independent third-party, to verify that the replication has in fact occurred properly.

Indeed, even Frontier will play only a very limited role in the replication process. Frontier's witness testified that he expects that Verizon will "keep Frontier updated" and "engage in ongoing discussions" as to the progress. Under those circumstances, Frontier would seem to be the primary beneficiary of testing that ensures the replicated systems are operating properly.

It is clear that Verizon and Frontier would like this transaction to close quickly. While Comcast does not oppose a timely completion of the transaction, we do not want it at the expense of untested and unproven support systems. Under these circumstances, I have serious concerns that the transition of wholesale systems will proceed smoothly. Commission-imposed conditions are, therefore, appropriate.

Q. WHAT ASSURANCES HAVE THE APPLICANTS PROVIDED THAT FRONTIER WILL HAVE THE STAFF NECESSARY TO SUPPORT THESE OSS SYSTEMS?

A. The applicants have provided very little assurance that they have the staff necessary to operate and support the OSS. It is critically important that Frontier, post transaction, have well trained and competent resources necessary to maintain the programs and hardware (information technology or "IT" support), run the systems on a daily basis (data center technical and operational support), and work wholesale orders (National Market Center Staff). My understanding is that Verizon's current IT support center will perform all the necessary IT and systems support functions (fixes, help desks, updates, maintenance, etc.) for the Verizon systems that will be transferred to Frontier – at least for the first year, and possibly for as many as five years after closing. It is unclear what resources will be used subsequently.

As part of the transaction, Frontier will also establish a "new data center" where necessary "hardware" will be installed.[19] But Frontier has provided no specific details about whether it will have the staff to operate and maintain these enormously complex systems on a daily basis, which will be entirely new for Frontier personnel or reassigned former Verizon IT professionals.

And finally, Frontier will be establishing a new Network Market Center in Durham, North Carolina where it will work CLEC wholesale orders and related escalations. It is my understanding that the representatives staffing that center will

[19] Exhibit Comcast/34 (Joint Applicants' Response to Comcast's DR No. 30).

not be experienced representative from Verizon's existing call center, but rather largely newly trained individuals.[20]

Q. WHAT WILL HAPPEN IF STAFFING IS INADEQUATE?

A. We know from past and recent experience, such as FairPoint Communications in the New England States, that the process of transitioning work and staffing for these centers can create serious problems for wholesale competitors. The process can lead to significant wholesale ordering and provisioning problems, including (1) failure to respond to local service requests ("LSRs") in a timely manner; (2) inability to provision service within the standard interval required by law or operational rules; and (3) lack of response to so-called "escalation" requests, all of which negatively affects consumers and their ability to move services to competitive providers.

Q. CAN YOU PROVIDE AN EXAMPLE?

A. Yes. One particularly instructive example is Verizon's recent relocation of a National Market Center from Idaho to Virginia in June 2008. Immediately after the transition Comcast, and other wholesale customers, began experiencing the problems I just described. A full year after that transition, Verizon has not yet resolved all of those issues. Verizon's witness in Ohio, Mr. McCallion, acknowledged these problems during his recent deposition in the Ohio proceeding, and a detailed report of this problem is available on Verizon's website at the following URL: http://www22.verizon.com/wholesale/attachments/calendar/2009OpenCUFissues.pdf. As noted in that report, another CLEC experienced a significant decline in the level of

[20] Exhibit Comcast/35 (McCallion Ohio Deposition at 77, lines10-25 and 78, lines10-15).

wholesale support and service from Verizon, which has had a detrimental impact on the CLEC and its end user customers. The problems described in that report include: Verizon's failure to respond to LSRs; an increase in the interval between service request and service delivery; excessive hold times; and an inability to get responses to project requests.

I am concerned that these types of problems could also arise after Verizon transfers the replicated systems to Frontier. This was simply a transition within the same company, and did not involve a transition of systems and people from one company to another, as Verizon and Frontier have proposed here, so I think that there are very good reasons to be concerned about the transition being proposed here.

Q. WHAT ASSURANCES HAVE BEEN PROVIDED THAT FRONTIER WILL BE ABLE TO ACQUIRE THE NECESSARY HARDWARE TO OPERATE THE WHOLESALE SYSTEMS?

A. Verizon and Frontier have suggested that they may not procure and install all of the necessary hardware to support the replicated systems by the closing date.[21] As a consequence, they have apparently made arrangements for Verizon to provide such hardware to Frontier some time after the closing if the need arises.[22] Remember, Verizon will continue to operate in California, Florida and Texas, and these systems will be used in those states. We don't know how Verizon will continue operating its systems for the properties it retains in California, Florida and Texas if it makes its hardware available to Frontier. Nor do we know on what terms Verizon will make

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[21] *See* McCallion Direct Testimony at 14, lines 19-22.

[22] *See id.*

the hardware available to Frontier. I note that Verizon provided similar support for the FairPoint companies in New England, until FairPoint determined that the costs of continuing to utilize Verizon support were prohibitive.

Q. HOW WILL EXISTING AND PLANNED SYSTEM SOFTWARE UPGRADES BE ADDRESSED IN THE REPLICATION PROCESS?

A. Verizon issues wholesale systems software releases on a preannounced schedule of six times a year – roughly once every two months. That means that Verizon will implement <u>three</u> wholesale systems software releases between now and March 31, 2010, the scheduled deadline for the Joint Applicants to complete the replication of the software. The documents filed by the Joint Applicants do not indicate whether Frontier will implement new software releases or how it will communicate this information with CLECs. This is another example of a practical, "blocking and tackling" issue that the Joint Applicants have not yet addressed. To avoid additional problems during the transition, the Commission should condition the transfer on the requirement that the planned systems replication occur within the predefined maintenance schedule that I have just described.

Q. APART FROM WHOLESALE SYSTEMS, DO YOU HAVE OTHER UNANSWERED QUESTIONS AND CONCERNS?

A. Yes. It is not clear what company will be responsible for hosting the local Automatic Location Identification ("ALI") database to support 911 emergency services or the procedures for updating such data will change. Comcast inquired about this matter in discovery, but Verizon and Frontier provided no substantive response, stating only that "the transaction will not affect the delivery of E-911 services in Oregon."[23] The Commission should request further clarification of this issue from Verizon and Frontier to ensure that CLECs have continued use of, and access to, this critical database without interruption or degradation.

Also, to my knowledge Frontier does not currently have a forum in place for CLECs to discuss intercompany operational issues. In response to a data request from Comcast, Frontier would not commit to maintaining Verizon's CLEC User Forum – a forum that Comcast has found crucial for communicating, addressing and resolving intercompany operational issues.[24]

Q. VERIZON'S WITNESSES HAVE SAID THAT THIS TRANSACTION IS DIFFERENT FROM VERIZON'S SALE OF LINES TO FAIRPOINT AND HAWAIIAN TELCOM. DO YOU AGREE?

A. I hope that it will turn out differently, but I think there are reasons to be concerned. As Comcast has experienced first hand, the Verizon-FairPoint transaction has been highly problematic for competitors and retail end-user customers in New England. Frontier's witness, Mr. McCarthy, asserts that this transaction will not face the problems those buyers faced in part because in the Hawaiian Telcom and FairPoint transactions, the buyers chose to develop operational, customer support and financial systems "from scratch."[25] In theory, the OSS replication process proposed by Verizon and Frontier is less problematic than developing an entirely new wholesale

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[23] Exhibit Comcast/36 (Joint Applicants' Response to Comcast DR No. 47).

[24] Exhibit Comcast/37 (Joint Applicants' Response to Comcast DR No. 17).

[25] McCarthy Direct Testimony at 36, lines 6-9.

system as FairPoint has done. However, if I understand the process correctly, in this case Frontier will need to: (i) establish a data center, (ii) purchase new hardware; (iii) install software, (iv) populate the systems with customer data from Verizon, (v) appropriately staff the center with resources experienced in operating the replicated software and new hardware, and (vi) require CLECs to establish new interfaces with "replicated" systems. (Actually, as I understand it, the plan is for Verizon to do these things for Frontier, but the tasks remain the same.) This process is not significantly different from the process of developing a new system from scratch, and is clearly fraught with a number of potential pitfalls.

Q. WHAT PROBLEMS HAVE CUSTOMERS IN NEW ENGLAND FACED BECAUSE OF THE LACK OF TESTING AND PREPARATION IN THE FAIRPOINT TRANSACTION?

A. It is difficult to adequately convey the depth and breadth of problems caused by the FairPoint systems in New England. I discuss some of the more significant difficulties below.

- Comcast affiliates have faced significant difficulties in obtaining customer service records. Before Comcast can submit orders, it must obtain detailed information about the customer's service which is commonly derived from information the current service provider maintains and is called a customer service record ("CSR"). Among other things, a CSR describes all the services a customer currently receives. Rather than creating all of the customer's information from scratch, the accepted industry practice is to import the information from the old service provider. (It is done this way because customers can never recall, and may not even know, their particular service configuration.) In modern OSS systems, CSR information "flows through" automatically from one service provider to another. Such automated processes are far quicker and more accurate than older, less automated systems. After the transition from the Verizon systems, Comcast affiliates were unable to obtain CSRs from FairPoint and were forced to submit LSRs for number porting without proper confirmation of customer information. As a result, Comcast affiliates were unduly delayed in effectively porting customers whose account had any unique attributes, such as an additional telephone number. Such information would have been immediately identified via the CSR process and included as part of the initial order – if a CSR was in fact accurate and could be functionally provided.

- The FairPoint systems sent numerous erroneous reject messages in response to valid LSR orders, resulting in the manual handling of many orders.
- Comcast affiliates did not receive any firm order confirmation ("FOCs"), which are the electronic notices that an order has been accepted. Therefore, on a daily basis, Comcast affiliates were required to manually generate a list of pending installations and attempted to verify that FairPoint would correctly port the number. For a variety of technical reasons, the lack of a FOC also created significant number porting problems. Many ports simply failed.
- Comcast affiliates did not receive complete Meet Point Billing ("MPB") files from FairPoint. As a result, without MPB files, Comcast affiliates initially were unable to bill interexchange carriers for terminating access and when MPB files were obtained from FairPoint the traffic levels were below historic levels.

I should emphasize that the above list is only a sample of the problems that Comcast affiliates and other CLECs encountered in New England, most of which directly caused negative customer experiences.

Q. WAS FAIRPOINT ABLE TO RESOLVE THE OSS PROBLEMS QUICKLY?

A. No. Gradually, the performance of the FairPoint OSS systems improved somewhat. However, as recently as June of this year, about 19 weeks after cutover, FairPoint's systems were still not functioning properly, requiring Comcast affiliates and FairPoint to devote significant resources to try to handle orders manually. Comcast affiliates could not "pull" a CSR for a multiple telephone number account. FairPoint systems were generating many non-legitimate error messages, and the FairPoint systems were not returning FOCs consistently. Comcast affiliates were experiencing some issues with their customers, who had ported their numbers from FairPoint, not being able to receive calls from FairPoint customers on the day of install. At Comcast affiliates' request, FairPoint was sending them a list of scheduled ports in advance of the due date so that Comcast affiliates could confirm the list so that FairPoint could make sure the number would port properly. Comcast affiliates also were still receiving customer complaints of double-billing (FairPoint and Comcast affiliates both billing the customer).

Although FairPoint has made some progress, most of the issues I just described still persist to some degree, and the root cause of the problems has not been identified. FairPoint's recent bankruptcy filing adds further potential complications. We don't know whether and to what extent FairPoint will have the funds required to take the necessary corrective actions in a timely fashion or if the bankruptcy will have any other negative impacts on FairPoint's relationship with its competitors.

Q. HOW DID THESE KNOWN PROBLEMS IMPACT RETAIL CUSTOMERS, AND CLECS' ABILITY TO COMPETE?

A. There was a large backlog of orders that the FairPoint systems could not handle. A significant number of FairPoint and CLEC customers could not get service. There were significant billing issues, and customer call volumes overwhelmed the FairPoint call centers. Simply put, consumers could not switch service when they wanted, encountered calling and billing problems, and competition suffered.

Q. THERE HAVE BEEN NUMEROUS MERGERS AND ACQUISITIONS OVER THE LAST TEN YEARS. DID THEY CREATE SIMILAR PROBLEMS, AND IF NOT, WHY NOT?

A. No they did not, and that is because they were very different deals. The largest telecom mergers over the past decade, (*e.g.*, Bell Atlantic-NYNEX, Bell Atlantic-GTE, SBC-Ameritech, SBC-AT&T; AT&T-BellSouth; Verizon-MCI), and some mergers and acquisitions among smaller carriers, such as CenturyTel-Embarq, are different because (among other things) the acquiring entity assumed control of wholesale support systems ***in their entirety***. Here, by contrast, Frontier is purchasing only customer data and the right to use replicated OSS software. Thus, the proposed transaction more closely resembles the Verizon-FairPoint and Hawaiian Telcom transactions than previous ILEC and ILEC-IXC mega-mergers. The potential for significant problems in the replication of enormously complex operational support systems is readily apparent.

Q. FRONTIER STATES THAT IT HAS A "HIGHLY SUCCESSFUL TRACK RECORD" OF ACQUIRING AND INTEGRATING TELEPHONE COMPANIES. HOW DO YOU RESPOND TO THIS CLAIM?

A. The size of this transaction is not comparable to Frontier's prior acquisitions. Frontier witness Mr. McCarthy cites Frontier's prior acquisitions of 12,000 access lines, 300,000 access lines and 750,000 access lines (spread out over seven years) as relevant integration experience. But now Frontier is poised to more than ***triple*** in size overnight. It currently controls approximately 2.5 million access lines, but after closing will control approximately ***7 million*** access lines upon closing. The proposed transaction to me represents an unprecedented increase in scope and complexity, as compared to Frontier's prior transactions.

IV. COMCAST'S PROPOSED CONDITIONS WILL ENSURE THAT THE TRANSACTION DOES NOT IMPAIR COMPETITIVE SERVICES OFFERED TO OREGON CONSUMERS

Q. WHY ARE COMCAST'S RECOMMENDED CONDITIONS APPROPRIATE?

A. I am told by counsel that the Commission will review this transaction under the "no harm" and "public interest" standard which requires, in part, that the Commission find that proposed reorganization is not likely to have a significant adverse effect on competition. To meet that standard, I recommend that the Commission specifically order the new Frontier to maintain the status quo when it assumes responsibility for Verizon's wholesale systems and procedures. The Commission can do so by imposing a number of targeted conditions, which I discuss below. Comcast's Recommended Conditions are set forth in full in the first attachment (Exhibit Comcast/2) to the testimony of Comcast's other witness, Michael Pelcovits.

The Commission's goals and areas of focus should be as follows:

- **MAINTAIN THE STATUS QUO IN THE FORMER VERIZON PROPERTIES**

The Commission should require Frontier to maintain OSS functionality, performance and the degree of automation (via electronic data interfaces, or e-bonding) that is at least equal to that which Verizon provides in these exchanges today. This obligation should extend indefinitely and include any subsequent modifications to or replacement of the OSS being replicated by Frontier.

Continuing Commission jurisdiction here is especially appropriate in light of the recent disclosure that Frontier plans to operate the former Verizon assets on the "replicated" Verizon on a transitional basis only. At the Washington workshop in August, Frontier said that it plans to transition the replicated Verizon systems over to a new set of systems (which it has not yet built) after closing. No time frame has been announced but we were told at the Washington conference that the transition could begin as soon as a year from now.[26]

Comcast is very concerned about this "second transition." Frontier has agreed to pay Verizon $94 million for the first year of OSS maintenance alone to support the replicated systems. Thus, Frontier has a significant financial incentive to move away from the replicated systems (or find a third party, who would necessarily be less familiar with the OSS than Verizon, to support the systems). FairPoint faced exactly

[26] On the other hand, Frontier's witness stated in a recent deposition for the Ohio proceeding that the company has no current plans to transition away from the Verizon systems. These conflicting statements raise legitimate questions about the company's intent, and the information they are providing regulators.

the same financial incentive to stop using the Verizon OSS, as did Hawaiian Telecom, and neither carrier, of course, was ready. The Commission needs to make sure that consumers and competitors do not face the same operational impediments in this case.

Frontier should be required to maintain the status quo with respect to the ordering, provisioning and maintenance processes. In my experience, these processes are working well with Verizon in Oregon, and any degradation would be contrary to the "no harm" standard. We recently received communications from Verizon requesting a meeting to develop a schedule for potential changes to connectivity-related arrangements we have with Verizon's data center in Fort Wayne. While that is a step in the right direction, more specific action is necessary. Specifically, we recommend that the Commission establish the following specific conditions:

- Post transaction, Frontier must maintain OSS functionality, performance and e-bonding in the legacy Verizon service territory that is at least equal to that which Verizon provides in such territory today. For instance, Frontier should be required to maintain Verizon's Access Service Request ("ASR"), Local Service Request ("LSR"), Customer Service Request ("CSR") and Directory Listing ("DL") order processes, business rules and interfaces. This obligation should extend indefinitely and specifically include any subsequent modifications to or replacement of the OSS being replicated from Verizon.

- Frontier should, at a minimum, be required to preserve Verizon's current level of automation for trouble tickets, escalation responsiveness processes, and timeliness of resolution of service problems for wholesale services.
- Frontier should be required to ensure that post-transaction ordering and provisioning intervals are at least equal to that which Verizon currently provides. For example, Verizon's firm order confirmation ("FOC") interval for a DS-1 high-capacity (1.5 Mb/s) circuit is one day, and its provisioning interval is five business days, while Frontier's intervals are twice as long: they deliver a FOC in two days (48 hours) and their standard provisioning interval is ten days. In order to avert service degradation for Oregon CLECs, the Commission should require Frontier to step up to Verizon's current level of performance.

In order to assure the status quo is maintained, the Commission should maintain jurisdiction over the merger for at least three years. Comcast's other witness, Michael Pelcovits, will address the need for this condition in detail in his testimony. I will simply add that the Verizon-FairPoint transaction closed in March 2008, and we are still dealing with the fall-out from that deal – and will be for the foreseeable future.

- **REQUIRE OSS TESTING AND CERTIFICATION**

Verizon and Frontier apparently do not intend to engage an independent auditor, and claim that CLEC and third-party testing is "not necessary" because the existing Verizon OSS will simply be replicated. I could not disagree more strongly with that approach. Given the OSS transitioning problems that have occurred elsewhere, a rigorous testing regime, including independent third-party auditing and certification, of the many systems being replicated and associated data is critical. As I have explained, the OSS replication will be enormously complex and has the potential for multiple pitfalls. Verizon's and Frontier's position that we should simply trust them to do it correctly is not sufficient. To avoid another FairPoint or Hawaiian Telcom debacle, the transition must include CLEC testing. I outline a proposed process below.

First, the review and testing should include all OSS functionality and processes, e-bonding capabilities, encompass Verizon's current Quality Baseline Validation Test Deck, and review and validate the process for transferring data to the replicated system (including pending orders). At least two months prior to the scheduled cut over date, the Joint Applicants should be required to make available to CLECs the replicated OSS in a test environment for (1) interoperability with CLEC systems; and (2) transactional (end-to-end order) testing. The Joint Applicants should be required to commit to an agreed-upon collaborative process with competitive carriers to inform carriers of changes to systems, both in test and live environments, prior to closing. This would not have to be invented out of thin air. The current Verizon testing process, which is described in detail on Verizon's web site, provides an excellent starting point. *See* http://www22.verizon.com/wholesale/systemsmeasures/local/systems/cte/1,,east-wholesale-cte-cte,00.html.

The test results should be provided to the Commission and CLECs, and the replicated OSS should not be implemented in the production environment (*i.e.*, be used to process actual orders) until the Commission has approved the test results. Independent certification prior to going "live" is the only way to ensure that the problems experienced in the FairPoint and Hawaiian Telcom transactions are not repeated in Oregon.

Moreover, communication with CLECs during the transition process is vital. Therefore, we recommend that, at least four months prior to the scheduled cut-over date for the replicated OSS, the Joint Applicants should be required to provide notice to CLECs of any OSS changes, detailing the specific functionality changes and providing any necessary information to enable e-bonding with the replicated OSS, and any network changes, including new SS7 point codes – which is essential for routing of calls. This will allow CLECs the time necessary to respond to any network and OSS changes, and order and test facilities necessary to e-bond.

- **ENSURE ONGOING COMMUNICATIONS WITH CLECS**

Verizon has established useful formal processes for ongoing communications with CLECs. Frontier has not. We recommend, therefore, that the Commission require Frontier to establish and maintain, in a format identical to that currently used by Verizon:

- A monthly Change Management Forum (and adopt Verizon's existing Change Management Process), which we have found to an effective means of inter-company communication, and a standard practice for ILECs of Frontier's post transaction size.
- A CLEC User Forum to provide a mechanism for CLECs to raise, and for Frontier to resolve, operational issues.

- At the request of any CLEC, weekly calls to discuss intercompany operational issues between the CLEC's designated representatives and Frontier's representatives with the authority to address and resolve operational issues. Verizon and Comcast currently hold such weekly calls and they have proven to be an effective means of raising and resolving interoperability issues.
- Other collaborative processes including escalation lists, contact lists, and CLEC specific designated single points of contact with the authority to address that CLEC's ordering, provisioning, billing and OSS systems maintenance issues.
- Finally, escalation procedures and contact lists should be published on a publicly posted webpage for all organizations involved in the provisioning and maintenance of services and orders.

Q. HOW SHOULD THE COMMISSION ASSESS FRONTIER'S PERFORMANCE AFTER THE TRANSITION?

A. Objective, quantifiable standards are needed to ensure that there is no degradation in service – in other words, harm – that results from the transaction. To the extent that Verizon is now held to specific, quantifiable performance standards, there is no reason to eliminate these standards simply because the exchanges are changing hands. Therefore, Comcast recommends that the Commission apply to Frontier all of Verizon's current performance metrics and reporting criteria as a means of ensuring that the company maintains at least the same level of performance in providing services and facilities under its interconnection agreements as Verizon provided prior to the transaction. The Commission should include performance metrics using

Verizon's current performance as the measure of minimally acceptable service. Specifically, Comcast recommends that the Commission make the Carrier-to-Carrier Guidelines Performance Standards and Reports adopted as part of a Joint Partial Settlement Agreement effective March 2008 (located at http://www22.verizon.com/wholesale/clecsupport/content/1,,east-performancemeasures-pa,00.html) that currently apply to Verizon in Oregon applicable to Frontier.

The monthly performance reports should be verified by an executive with the new Frontier entity for compliance with Commission ordered conditions and other related terms with ongoing Commission oversight, enforcement and expedited dispute resolution when and where performance deficiencies are identified.

Q. **WHAT CONDITIONS DO YOU RECOMMEND WITH RESPECT TO STAFFING?**

A. In conjunction with the other conditions we are recommending, the Commission should ensure that after the transaction Verizon's legacy CLEC support centers are sufficiently staffed by adequately trained personnel that will provide a level of service that is no less than that which was provided by Verizon prior to the transaction. This applies equally to IT staff responsible for repairing any system problems, and ordering center staff – referred to as the National Market Center by Verizon – responsible for processing order, escalating issues and generally responding to CLEC inquiries. Adequate staffing is necessary to ensure ongoing operational efficiencies. Any transition to Frontier must, therefore, include sufficient staffing at these centers.

Q. WHAT CONDITIONS DO YOU RECOMMEND WITH RESPECT TO INTERCONNECTION AND THE ORDER PROVISIONING PROCESS?

A. Dr. Pelcovits will address the contractual issues pertaining to interconnection in his testimony, so I will only address the process for obtaining wholesale interconnection "services" from Verizon. Needless to say, physical interconnection with incumbent carriers is an issue of vital importance to CLECs. Comcast has already established physical interconnection with Verizon in Oregon, but as the volume of traffic flowing between networks continues to increase, additional capacity will be needed. The Commission should require Frontier to maintain Verizon's automated ordering processes for interconnection trunks. This will allow Comcast to augment and optimize its network interconnection with Frontier and thereby ensure service reliability to end users.

In addition, as network-to-network traffic continues to increase, ILECs and CLECs are increasingly choosing to interconnect via mid-span fiber meets, which are efficient mechanisms to exchange a high-volume of traffic. Verizon has adopted a reasonable mid-span fiber meet process. I am not aware of any existing mid-span fiber meet process adopted by Frontier. Frontier has stated that it "has not assessed" Verizon's mid-span fiber meet process and did not answer whether it would adopt this process.[27] Therefore, Comcast proposes that the Commission establish a condition that requires Frontier to adopt Verizon's mid-span fiber meet process.

[27] Exhibit Comcast/38 (Joint Applicants' Response to Comcast DR No. 16).

Comcast also proposes that Frontier be required to give notification to CLECs when its switch capacity reaches seventy percent (70%) utilization, the level that triggers an engineering review to assess the need for adding switching capacity. One problem Comcast has faced (among many) with the FairPoint transaction is that Comcast does not receive notice of capacity problems on the incumbents' switch, even though Comcast and other CLECs are required to provide forecast to ILECs, including Verizon and Frontier. Frontier and Verizon should use these forecasts to estimate demand allocation to particular switches which, in turn, are used to determine if additional switching capacity is needed. Having Frontier provide the switch capacity notice is simply the quid pro quo for CLECs having provided forecasts. Otherwise, carriers needlessly risk unforeseen capacity limitation with the ILEC. This problem can be avoided if Frontier simply shares capacity information, thereby allowing carriers to collectively make informed decisions about capacity issues well before serious problems arise.

In addition, Frontier should be required to revise its definition of "project" for the provisioning of DS1 circuits to start at twenty-eight (28) or more DS1 circuits. This means that twenty-seven or fewer DS1s would be provisioned within standard intervals, and orders with twenty-eight (28) or more circuits would require negotiated provisioning intervals. This proposed condition is important because it recognizes and utilizes a triggering point for migrating from DS1 to DS3 facilities. Moreover, if the demand is forecasted, there is no reason to treat it as a special project with negotiated provisioning intervals. Verizon, moreover, has much shorter intervals than

Frontier for provisioning interconnection facilities (DS1, DS3, etc.), often provisioning facilities five to ten days faster than Frontier.

Q. PLEASE DESCRIBE THE CONDITIONS THAT COMCAST RECOMMENDS WITH RESPECT TO FRONTIER'S PROCEDURES FOR TELEPHONE NUMBER PORTING.

A. As with the other issues addressed in my testimony, we believe that Frontier should be required to maintain the effective Verizon processes, and remedy those that are deficient to the extent necessary to be consistent with the public interest. In keeping with this "no harm" and "public interest" standard, Comcast recommends that the Commission establish the following local number portability ("LNP") conditions.

- Porting Interval. The FCC will soon establish a rule requiring a one business day porting interval for carriers with more than 2 percent of the nation's subscriber lines installed in the aggregate nationwide. We see no reason why Frontier cannot – and should not be required to – adhere to a one business day interval. Until such time as the new one day port interval is implemented, Frontier should continue to support the now current industry porting intervals and existing Verizon processes that are used today.
- Porting Validation. Frontier should be required to maintain and comply with the LNP minimum data set validation criteria currently used by Verizon and as adopted by the appropriate industry forum as directed by the FCC.
- LNP Request Rejections. Frontier should be prohibited from rejecting or placing in jeopardy status any LNP requests due to pending service orders associated with the account, or due to non-payment status of the subscriber.

We have found this to be a recurring problem because of business rules imposed by Verizon, which Comcast contends are directly contrary to the requirements in a recent FCC order on number porting. The FCC has explained that,

> carriers may require information necessary to accomplish a port, [but] that does not encompass information necessary to settle the customer's account or otherwise enforce any other provisions of the customer's contract. Of course, as in the wireless-to-wireless LNP context, carriers are free to notify customers of the consequences of terminating service, but may not hold a customer's number while attempting to do so. (FCC 07-188, ¶ 43 (footnotes omitted)).

This problem often occurs where a customer wishes to change service to Comcast, then also contacts Verizon to disconnect their voice or non-voice service such as video or DSL. Verizon then uses the pending retail disconnect request as a basis to deny the LNP request and stymie the transfer even though it is perfectly obvious that the customer wants to switch to Comcast. The Commission should not permit Frontier to continue Verizon's unreasonable and unlawful business practice.

- <u>Limits on Orders</u>. Frontier should not be permitted to limit the number of orders for simple ports to be processed within standard intervals via service order guidelines, posted procedures or other unilateral means. At least one other Oregon ILEC had improperly attempted to impose a limit of 50 orders per day (but has since committed to provide additional resources to comply with FCC order porting intervals). If Frontier were to follow suit and try to limit port orders, Comcast's LNP requests could become back-logged and the overall porting process slowed; inhibiting consumer's ability to port to competing carriers. Comcast is particularly concerned about this as Frontier will undoubtedly be allocating significant resources in the near term to completing the transaction and integrating systems and procedures. That transaction-related activity should not be permitted to impair competitors' ability to port numbers and compete.

- Toll-Free Service. Frontier should be required to maintain Verizon's current process (which involves separating the Toll Free and underlying telephone services into two accounts) for porting or reassigning of toll-free service numbers and the associated local telephone pilot number that will ensure that the toll-free service is not impacted by the porting of the local telephone number.
- Disconnection process. The last step of the porting process (after the number is ported from the incumbent's network to the competitor's network) is for the incumbent to disconnect the end user customer's service. This occurs once the number is ported, and the competitor has begun providing service to the customer. However, if the incumbent disconnects service prematurely, that can lead to service problems (or even service interruption) for the end user customer. Verizon's practice is to allow carriers to port a telephone number the day before the scheduled due date, which for a simple port is a minimum of four days after the order has been placed. This ensures that the customer's service arrangement with the competitor is up and running before Verizon (the former service provider) disconnects service. Frontier, in contrast, does not provide this one day "grace period" and instead disconnects on the date when

the number is scheduled to be ported without verification that it was in fact ported by the new service provider. This is problematic in the event the port has to be postponed due to technical issues, the customer's last minute request to reschedule, or customer not being home at the scheduled time. In any of these instances, the customer could lose service due to Frontier's premature disconnection. Frontier should be required to adopt the Verizon business practice of providing a one day "grace period" before disconnecting the customer's service.

Q. WHAT CONDITIONS DOES COMCAST RECOMMEND WITH RESPECT TO 911 DATABASE ACCESS?

A. The Commission should establish conditions to ensure that CLECs can continue to access, and update, the ALI database to support 911 emergency services, and that Frontier retains or acquires the resources as required to adequately manage the Emergency Services databases and infrastructure. We have this access now through Verizon, and we simply would like to make sure that access continues after Frontier takes over these exchanges as the new host ALI provider. Our intent is to preserve Comcast's ability to efficiently and timely update necessary ancillary databases with appropriate information to ensure that our customers have the same access to emergency and other services that they do today.

Q. WHAT CONDITIONS DOES COMCAST RECOMMEND WITH RESPECT TO FRONTIER'S ON-GOING CERTIFICATION OF COMPLIANCE?

A. I expect that we will be dealing with the ramifications of this transition in Oregon for at least a period of three years. Clearly, there will be a period of intense activity shortly before and after closing. But it also is important that the Commission establish mechanisms to ensure that there is no "slippage" in the future. Therefore, we recommend that the Commission require Frontier to file, 90 days after closing, a declaration by an officer certifying that Frontier has complied in all material respects with the conditions imposed by the Commission. Frontier should be required to file another certification 90 days thereafter, and then every 180 days, until three years after the closing date.

Q. WHAT CONDITIONS DOES COMCAST RECOMMEND WITH RESPECT TO FRONTIER'S COSTS ASSOCIATED WITH THE TRANSITION?

A. Comcast and other CLECs are going to have considerable costs associated with this transition. For example, we will have to establish circuits to Frontier's new data center and absorb costs associated with testing Frontier's new OSS. On top of these costs, there is no reason why Comcast and other competitive carriers should be required to absorb the Joint Applicants' costs — these costs should be borne exclusively by Frontier and Verizon, the parties to the proposed transaction. Comcast, therefore, proposes that the Commission establish a condition that requires that any merger-related expenses, including expenses associated with the OSS transition, training and related operations, not be passed through, directly or indirectly, in wholesale rates or other fees paid by competitive carriers.

Finally, Comcast's other witness in this proceeding, Dr. Pelcovits, will address the other conditions which we are recommending for this case.

V. <u>CONCLUSION</u>

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Exhibit Comcast/25

Systems Overview and Update, October 2009 Non-Confidential Pages 5 and 7

Testing

- **Verizon is developing its testing plan for the replicated systems. Such plan will call for:**
  - Sample data to be flowed through test environment
  - Results checked against production environment results (e.g., bill compare)
  - Large, "Production-level" batch data testing of systems to perform system stress-test and end-to-end flow thru.
- **Verizon will share test results with Frontier**
  - Frontier will review results of Verizon's test before and after the systems go into production on April 1, 2010
- **Frontier will develop its own testing plan after reviewing Verizon's plan**
- **CLECs will have an opportunity to "test" replicated systems in pre-production environment.**
  - CLEC customers may need to change to e-bond with Ft Wayne Data Center.
  - Letters alerting CLECs of changes are being sent out during the week of 10/12.

Testing

Production Environment

- **Verizon will use the replicated system to serve retail and wholesale customers for 60 days prior to close.**
  - Ordering –
    - After 4/1/10 new customers orders will be taken by Verizon representatives that are expected to continue employment with Frontier and the orders will be placed in the replicated Spinco ordering systems.
  - Provisioning
    - After 4/1/10 new customers orders will be provisioned from the replicated Spinco provisioning systems. Verizon's technicians that are expected to continue with Frontier will provision the service.
  - Customer care
    - Calls to retail care centers will be fielded by a Verizon representative that is expected to continue with Frontier. The representative will pull up the customer's account on the replicated systems, use the replicated system to answer the customer's questions, and make any service changes using the replicated system.
  - Repair
    - Service outages will be taken by Verizon representatives who are expected to continue with Frontier, who will enter repair tickets that are tracked and dispatched from replicated ticketing and dispatching systems to repair technicians who are expected to transfer with the transaction.
  - Billing
    - Customers will receive bills generated from the replicated billing systems. Bill inquiries will be handled by Verizon representatives who are expected to continue with Frontier, and processed in the replicated systems.

SPINCO Proving

Exhibit Comcast/26

Realignment Overview, August, 20, 2009

Confidential Exhibit

Comcast/26

Solis/1-14

Confidential Exhibit
Redacted

Exhibit Comcast/27

Frontier/Verizon Interrogatory Response to Comcast DR No. 031

DATA REQUEST NO. 31:

Please describe, in detail, the process by which Verizon will "replicate" the operational support and network systems used by Verizon Northwest prior to closing to serve its customers, as referenced on page 9, lines 12-16, and page 13, lines 15-17, of the Direct Testimony of Mr. Timothy McCallion. Include in this explanation a discussion of the method and process by which Verizon will create a functioning "separate instance" of the systems used today, as referenced in footnote 4 of the Direct Testimony of Mr. McCallion. Please provide a copy of all documents that support your response.

Supplemental Response (September 10, 2009):

Please see OR Comcast Set1 Realignment Overview CONFIDENTIAL, which provides an overview of the realignment. Verizon will provide a copy of the realignment plan when it is complete.

Response (August 13, 2009):

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 6, 7, and 8. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

Verizon will establish separate instances of applications as referenced on page 9, lines 12-16, and page 13, lines 15-17 of Mr. McCallion's testimony. Hardware will be established to accommodate these separate instances.

Prepared By: James Miggans
Date: September 10, 2009

Exhibit Comcast/28

Frontier/Verizon Interrogatory Response to Comcast DR No. 033

Docket No. UM-1431
Supplemental Responses to Comcast Data Requests Nos. 22-23, 25, 27-28, 30-31, 33-34 & 36
September 10, 2009

DATA REQUEST NO. 33:

Please explain, and describe in detail, the process by which Frontier will be able to "validate" that the Verizon Northwest Inc. operations support systems have been replicated properly as referenced on page 9, line 15, and page 14, line 7, of the Direct Testimony of Mr. McCallion.

Supplemental Response (September 10, 2009):

Please see OR Comcast Set1 Realignment Overview CONFIDENTIAL, which provides an overview of the realignment. Verizon will provide a copy of the realignment plan when it is complete.

Response (August 13, 2009):

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 4, 6, 7, and 10. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

Frontier and Verizon will be in regular communication regarding the process of replicating the Verizon OSS. Frontier will validate and confirm that the principal operating systems have been replicated in accordance with the terms of the Merger Agreement before the closing occurs.

Prepared By: Cassandra Guinness and James Miggans
Date: September 10, 2009

DATA REQUEST NO. 34:

Please describe all back-up, contingency, secondary, or other plans or processing systems or methods that can or will be used in the event that Verizon Northwest Inc. has not fully or accurately "replicated" the principal operation support systems, as described on page 14, lines 6-8 of the Direct Testimony of Mr. McCallion.

Supplemental Response (September 10, 2009):

Please see OR Comcast Set1 Realignment Overview CONFIDENTIAL, which provides an overview of the realignment. Verizon will provide a copy of the realignment plan when it is complete.

Response (August 13, 2009):

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 4, 6, 7, and 10. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

See Response to Data Request No. 33.

Prepared By: Cassandra Guinness
Date: September 10, 2009

<u>Exhibit Comcast/29</u>

Oral Deposition of Mr. Timothy McCallion
Pages 18 - 19

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE JOINT APPLICATION OF FRONTIER COMMUNICATIONS CORPORATION, NEW COMMUNICATIONS HOLDINGS INC. AND VERIZON COMMUNICATIONS INC. FOR CONSENT AND APPROVAL OF A CHANGE IN CONTROL.	CASE NO. 09-454-TP-ACO

ORAL DEPOSITION OF

MR. TIMOTHY McCALLION

SEPTEMBER 30, 2009

ORAL DEPOSITION OF MR. TIMOTHY McCALLION, produced as a witness at the instance of the Office of the Ohio Consumers' Counsel, and duly sworn, was taken in the above-styled and numbered cause on the 30th day of September, 2009, from 9:11 a.m. to 11:50 a.m., via telephone, before Karen A. Wilson, CSR in and for the State of Texas, reported by machine shorthand, at Verizon, 600 Hidden ridge, P.O. Box 152092, Irving, Texas 75015-2092, pursuant to the Federal Rules of Civil Procedure.

to the existing systems, and that seems to indicate some parts of Frontier system will be different from the system currently used by Verizon North; is that right?

A. It indicates that there's a possibility that there could be a difference, and I wanted to be perfectly clear in my testimony. So as called for in the Merger Agreement and in particular in the Merger Agreement at 7.24, we will be -- we will be replicating, creating separate instances of the same systems that are in place today.

If we come across -- if we come across a circumstance where that is not practical, such as inability of hardware to run a system just because it's been in place for many, many years, we will create a new program, if necessary, but one that is no less favorable than the current system that is in place today and then Frontier would use that system as would Verizon.

To date we haven't identified any such -- any such systems that could not be replicated.

Q. Okay. Has Verizon ever attempted to replicate these legacy GTE systems before?

A. We've replicated them for some instances, for example, for creating a test environment. I know once in one of my jobs many years ago I did some IT work and we would replicate a system so that we could use it for a test -- test environment.

There's also replication that's done for emergency backup support, you know, disaster type of relief.

We haven't done it for a transaction such as this, but there are things in the normal course of business that would cause you to replicate -- replicate programs.

Q. Those have been very limited, though; is that right? Limited in scope rather.

A. Well, the ones that I'm aware of are as I described for testing purposes and for disaster relief. And I would hate to characterize what we do for disaster relief purposes as limited. We feel we have a pretty comprehensive, -- you know, pretty comprehensive backup program for that purpose.

Q. When was the last time that the backup -- the emergency backup or disaster relief backup program was replicated?

A. I'm not aware of that specific time frame.

Q. Okay. So you don't know how long that might have taken?

A. No, I don't.

Q. How long do you expect or does Verizon expect the current replication to take, the one being planned

<u>Exhibit Comcast/30</u>

Frontier/Verizon Interrogatory Response to Comcast DR
No. 023

DATA REQUEST NO. 23:

Please describe all efforts Verizon will take to test, measure, and ensure that the Verizon Northwest Inc. operations support systems ("OSS") functionality, performance, and electronic bonding will be seamlessly migrated to Frontier and will remain at least at the same level of quality as Verizon Northwest Inc. currently provides them. Please include in your response (a) the extent to which any independent third parties will be used to oversee testing and certification to ensure that replicated OSS systems are working properly prior to close; and (b) whether current billing account numbers, login IDs or passwords used in Verizon territories will change in any way.

Supplemental Response (September 10, 2009):

Please see OR Comcast Set1 Realignment Overview CONFIDENTIAL, which provides an overview of the realignment. Verizon will provide a copy of the realignment plan when it is complete.

Response (August 13, 2009):

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 5, 5, 7, 8, and 12. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

Verizon will take numerous steps to confirm that the Verizon Northwest Inc. operations support systems ("OSS") functionality, performance, and electronic bonding will be migrated to Frontier and will remain at least at the same level of quality as Verizon Northwest Inc. currently provides them. Frontier will also have the opportunity to confirm that such systems are in operation prior to closing.

Verizon will develop system readiness acceptance criteria to ensure that the separate instance created for Spinco will perform in a like manner as it did before close. Systems will not be transferred unless Frontier is reasonably satisfied that the condition to the closing of the Merger Agreement has been met.

No independent third parties will be used to oversee testing and certification to ensure that replicated OSS systems are working properly prior to close. This is not necessary because the separate instance developed for Frontier is not the creation of a new system or processes. Rather, it is the equivalent of basically cloning the existing proven systems which eliminates new system debugging issues.

Exhibit Comcast/31

Oral Deposition of Timothy McCallion
Pages 49 - 50

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE JOINT APPLICATION OF FRONTIER COMMUNICATIONS CORPORATION, NEW COMMUNICATIONS HOLDINGS INC. AND VERIZON COMMUNICATIONS INC. FOR CONSENT AND APPROVAL OF A CHANGE IN CONTROL.	)	CASE NO. 09-454-TP-ACO

ORAL DEPOSITION OF

MR. TIMOTHY McCALLION

SEPTEMBER 30, 2009

ORAL DEPOSITION OF MR. TIMOTHY McCALLION, produced as a witness at the instance of the Office of the Ohio Consumers' Counsel, and duly sworn, was taken in the above-styled and numbered cause on the 30th day of September, 2009, from 9:11 a.m. to 11:50 a.m., via telephone, before Karen A. Wilson, CSR in and for the State of Texas, reported by machine shorthand, at Verizon, 600 Hidden ridge, P.O. Box 152092, Irving, Texas 75015-2092, pursuant to the Federal Rules of Civil Procedure.

systems?

A. No. I indicated that we, in fact, will be operating and validating the systems. I just didn't agree with your use of the word testing.

MR. VOGELZANG: I think he's answered your question.

Q. (BY MR. HALM) In response to an interrogatory that Comcast posed, number 1.027 -- the interrogatory, I'll paraphrase here, asks when Frontier/Verizon would agree to make these systems available for interoperability testing, that is testing between the Verizon/Frontier owned or controlled systems and systems used by third-party competitive LEC. Do you have a copy of that response in front of you?

A. I do.

Q. Can you explain why Frontier and Verizon do not believe that interoperability testing is necessary?

A. I believe I've already answered that question. But let me -- let me respond again. And that is that the Verizon systems are being replicated for Frontier's use. So it is the same systems that are currently being utilized today that were put in -- you know, put in place, so we just -- you know, we need to confirm that they were replicated properly, but we don't think that testing -- testing of the systems that are already operating and functioning today needs to -- needs to occur.

Q. In response to a question from Mr. Etter you made reference to the Maintenance Agreement. Do you recall that question and your answer?

A. Generally, yes.

Q. Can you describe for us the Maintenance Agreement that you refer to?

A. Yes. I can describe it -- I can describe it generally. I'm sure at some place around here I have some written documentation that I might want to refer back to, but let me describe it generally.

It's an agreement that was reached between Verizon and Frontier for Verizon to provide ongoing maintenance of the systems that it is providing to the SpinCo -- to the SpinCo properties. The initial agreement is in effect for one year subject to renewal. And as Frontier exercises its option to renew it, it will have the ability to renew it in whole or in part as time goes on.

Q. What is the term of that agreement? Do you know?

A. The term is one year and it is renewable for, I believe, four additional years after that.

Q. And do you know what the maintenance fee is

Exhibit Comcast/32

Testimony under Oath of Daniel J. McCarthy
Pages 50 and 54

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

OHIO PUC CASE NO. 09-454-TP-ACO

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IN THE MATTER OF :

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THE JOINT APPLICATION OF FRONTIER COMMUNICATIONS :
CORPORATION, NEW COMMUNICATIONS HOLDINGS, INC. :
AND VERIZON COMMUNICATIONS, INC. FOR CONSENT :
AND APPROVAL OF A CHANGE IN CONTROL :

:

--------------------------- :

TESTIMONY UNDER OATH OF DANIEL J. McCARTHY

Date: September 30, 2009

Time: 1:32 p.m.

Place: Frontier Communications Corp.
3 High Ridge Park
Stamford, Connecticut

has substantially completed the realignment plan.

Q The realignment plan. Okay. Thank you. That's what I was asking about. You believe they had substantially completed the realignment plan.

Did you or any Frontier employee have any direct involvement in the development of that realignment plan?

A No. The realignment plan is required contractually so that Verizon can stand up the state (sic) and be prepared for spin-off and into the merger. So that was their responsibility as part of the agreement.

Q What criteria will Frontier use to determine whether a replicated system is ready to be transferred to Frontier?

A As I sit here, I'm sure that there will be literally hundreds if not thousands of different things we will be looking for to give ourselves comfort that the replication has been successful. But I don't have a full list of those kind of items with me today. I apologize.

Q Do you know whether or not anybody has developed that list?

A At this point, I don't believe that test scheme has been developed.

Q You mentioned you anticipate Frontier will the testing to -- and validation to make sure that we are comfortable that the replication has been successful.

Q And that would occur after March of 2010?

A Correct.

Q And would the company object to testing with CLEC after that time period?

A I think that the company plans on doing its own test. I don't think that our plan was to have CLEC in with us as we did our replication evaluation.

Q Thank you. I have no further questions.

MR. HART: John Hart --

MR. KELLY: Hank Kelly --

MR. RUBIN: Sure. Go ahead.

EXAMINATION BY MR. HART:

Q Mr. McCarthy, I just wanted to ask you structurally how Frontier will manage relationships with CLEC. Is that at the GM level or account manager or some other level? How do you do that?

A The way we will manage it is we have a senior vice-president general manager who is in charge of a wholesale carrier. Underneath him there are dedicated teams that will get married up with all of the resources that will be coming over as part of this. And it is our plan to have dedicated account teams for the CLEC community. So I think you'll get quite a bit of

Exhibit Comcast/33

Frontier/Verizon Interrogatory Response to Comcast DR No. 028

Docket No. UM-1431
Supplemental Responses to Comcast Data Requests Nos. 22-23, 25, 27-28, 30-31, 33-34 & 36
September 10, 2009

DATA REQUEST NO. 28:

At what point during the operations support system ("OSS") transition, will Frontier make the replicated Verizon Northwest Inc. OSS available to other carriers for interoperability testing? Please provide any and all plans regarding interpretability testing including, the duration of the testing, testing scenarios, and processes to correct system errors as they are identified.

Supplemental Response (September 10, 2009):

Please see OR Comcast Set1 Realignment Overview CONFIDENTIAL, which provides an overview of the realignment. Verizon will provide a copy of the realignment plan when it is complete.

Response (August 13, 2009):

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 4, 6, 7, and 10. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

Frontier and Verizon will evaluate reasonable requests for interoperability testing prior to closing.

Prepared By: Cassandra Guinness
Date: September 10, 2009

<u>Exhibit Comcast/34</u>

Frontier/Verizon Interrogatory Response to Comcast DR No. 30

DATA REQUEST NO. 30:

Referring to Page 14, lines 19-22 of Mr. McCallion's testimony please identify the necessary hardware that Frontier plans to have procured and installed in the Frontier data center by Transaction closing. Please describe the functionality, purpose, capacity, and capabilities of each such piece of necessary hardware. Does this include all of the hardware necessary to support the replicated OSS? If not, please describe other necessary hardware required to support the replicated OSS, including its functionality, purpose, capacity, and capabilities, and identify the steps taken or planned to be taken to acquire and install this hardware.

Supplemental Response (September 10, 2009):

Please see OR Comcast Set1 Realignment Overview CONFIDENTIAL, which provides an overview of the realignment. Verizon will provide a copy of the realignment plan when it is complete.

Response (August 13, 2009):

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 4, 6, 7, and 10. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

Verizon intends to install the hardware necessary to support the functionality provided today in the new data center. After closing, Frontier will continue to make Verizon Northwest's existing OSS available with the same functionality, purpose and capacity.

Prepared By: James Miggans and Cassandra Guinness
Date: September 10, 2009

Exhibit Comcast/35

Oral Deposition of Timothy McCallion

Pages 77 - 78

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE JOINT APPLICATION OF FRONTIER COMMUNICATIONS CORPORATION, NEW COMMUNICATIONS HOLDINGS INC. AND VERIZON COMMUNICATIONS INC. FOR CONSENT AND APPROVAL OF A CHANGE IN CONTROL.	)	CASE NO. 09-454-TP-ACO

ORAL DEPOSITION OF

MR. TIMOTHY McCALLION

SEPTEMBER 30, 2009

ORAL DEPOSITION OF MR. TIMOTHY McCALLION, produced as a witness at the instance of the Office of the Ohio Consumers' Counsel, and duly sworn, was taken in the above-styled and numbered cause on the 30th day of September, 2009, from 9:11 a.m. to 11:50 a.m., via telephone, before Karen A. Wilson, CSR in and for the State of Texas, reported by machine shorthand, at Verizon, 600 Hidden ridge, P.O. Box 152092, Irving, Texas 75015-2092, pursuant to the Federal Rules of Civil Procedure.

ORAL DEPOSITION OF TIMOTHY MCCALLION

Q. Let me switch to call center. Are there call centers that support CLEC activity in Ohio as well?

A. We've a call center in Maryland that supports CLEC activity.

Q. And does that support a greater area than is being transferred to Frontier?

A. Yes, it does.

Q. What is the plan to transition call centers or call center activity to Frontier?

A. We will establish a separate wholesale call center in Durham, North Carolina prior to the -- prior to the transfer to Frontier.

Q. Does Verizon currently have a call center there?

A. It doesn't have a wholesale call center there that I can recall.

Q. How will the wholesale call center be staffed? What I mean by that is are there going to be Verizon employees transferred or will it be new Frontier employees?

A. Well, the center will be staffed before it is turned over to Frontier, so therefore it will be -- it will be Verizon employees. We will do our best to staff that with employees who are already on the Verizon payroll, but if necessary we will hire and train additional employees.

MR. VOGELZANG: Mr. Hart, how much longer do you have? Because we are running out of time here.

MR. HART: I've got a fair amount more. Probably 15 minutes. I've only been going about 10 here.

MR. VOGELZANG: Just a minute. We may need a bathroom break here pretty soon, but if you could move it along I'd appreciate it.

MR. HART: Okay. Sure.

Q. (BY MR. HART) Is there a plan to transfer people from the Maryland call center to the Durham, North Carolina center?

A. There's not a plan to transfer customer service representatives. Likely there will be some supervisory personnel that we will transfer.

Q. Okay. In your testimony you talked about the reorganization of Verizon into a North Central region. Apparently there was an east and a west or something else before that; is that right?

A. Yes. I talk about that in my testimony. Is there a specific page you want me to turn to?

Q. I don't have a reference to it, but my question being when was that reorganization done?

A. We started operating with that management structure shortly after the Merger Agreement was

Exhibit Comcast/36

Frontier/Verizon Interrogatory Response to Comcast DR No. 47

Docket No. UM-1431
Verizon and Frontier Responses to Comcast Data Requests Nos. 1-52
July 31, 2009

DATA REQUEST NO. 47:

Will any modification to the existing 911 network of Frontier, Verizon Northwest Inc., or other carriers, be required as a result of the Transaction? If so, please explain in detail any such modifications.

Response:

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 3, 7, and 10. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

The transaction will not affect the delivery of E-911 services in Oregon.

Prepared By: James Miggans
Date: July 31, 2009

Exhibit Comcast/37

Frontier/Verizon Interrogatory Response to Comcast DR No. 17

Docket No. UM-1431
Verizon and Frontier Responses to Comcast Data Requests Nos. 1-52
July 31, 2009

DATA REQUEST NO. 17:

Will Frontier establish or maintain a CLEC User Forum that identical to the forum that Verizon currently uses? If not, please explain why not and describe all differences between the forum Frontier will use and the current Verizon forum. Please describe whether any such forum will apply to the both the Frontier and Verizon affiliates operating in Oregon.

Response:

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 4, 6, 7, and 10. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

At this time, Frontier has not fully assessed the CLEC User Forum offered by Verizon. Frontier intends to provide a method of communication and forum for continued process improvement. The structure of this has yet to be defined and Frontier will heavily benchmark against Verizon's offering and is open to suggestions and feedback from the carriers that previously participated in the Verizon CLEC User Forum.

Prepared By: Cassandra Guinness
Date: July 31, 2009

Exhibit Comcast/38

Frontier/Verizon Interrogatory Response to Comcast DR No. 16

Docket No. UM-1431
Verizon and Frontier Responses to Comcast Data Requests Nos. 1-52
July 31, 2009

DATA REQUEST NO. 16:

Will Frontier maintain Verizon's Mid-Span Fiber Meet document process for project planning for fiber meet deployment? If not, please explain why not.

Response:

Without limitation of its other General Objections, please see, in particular, Applicants' General Objection Nos. 1, 3, 4, 6, 7, and 10. Subject to and without waiver of its general and specific objections, Applicants respond as follows:

Frontier is reviewing and will continue to review the operational processes Verizon Northwest has implemented. At this time, Frontier has not assessed the Mid-Span Fiber Meet document process.

Prepared By: Cassandra Guinness
Date: July 31, 2009

CERTIFICATE OF SERVICE

UM 1431

I hereby certify on this 4th day of November, 2009, the public Testimonies and Exhibits of Michael D. Pelcovits and William Solis on Behalf of Comcast of Oregon, LLC and a Certificate of Service were e-filed. One original and five true and correct copies of the Confidential Testimonies and Exhibits of Michael D. Pelcovits and William Solis on Behalf of Comcast of Oregon, LLC were sent via Federal Express overnight mail to the Oregon Public Utility Commission.

A copy of the public filing was sent electronically to the service list below:

Charles L. Best Attorney at Law 1631 NE Broadway #538 Portland, OR 97232-1425 chuck@charlesbest.com	G. Catriona McCracken Legal Counsel/Staff Attorney Citizens' Utility Board of Oregon 610 SW Broadway, Suite 308 Portland, OR 97205 catriona@oregoncub.org
Gordon Feighner Energy Analyst Citizens' Utility Board of Oregon 610 SW Broadway, Suite 308 Portland, OR 97205 gordon@oregoncub.org	Robert Jenks Citizens' Utility Board of Oregon 610 SW Broadway, Suite 308 Portland, OR 97205 bob@oregoncub.org
Andrew Fisher Comcast Phone of Oregon LLC One Comcast Center Philadelphia, PA 19103 andrew_fisher@comcasst.com	Katherine K. Mudge Director, State Affairs & ILEC Relations Covad Communications co. 7000 N. MOPAC EXPWY 2nd Fl Austin, TX 78731 kmudge@covad.com
Michael T. Weirich Assistant Attorney General Department of Justice Regulated Utility & Business 1162 Court St. NE Salem, OR 97301-4096 michael.weirich@doj.state.or.us	Kevin L. Saville Attorney At Law Frontier Communications of America Inc. 2378 Wilshire Blvd. Mound, MN 55364 kvin.saville@frontiercorp.com
William A Haas Paetec Communications Inc 1 Martha's Way Cedar Rapids, IA 52233 bill.haas@paetec.com	Dennis Ahlers Integra Telecom of Oregon Inc. 6160 Golden Hills Dr. Golden Valley, MN 55416-1020 ddahlers@integratelecom.com

Michael Dougherty Public Utility Commission of Oregon P.O. Box 2148 Salem, OR 97308-2148 michael.dougherty@state.or.us	Eugene M. Eng Vice President-Legislative & Regulatory Affairs Verizon Northwest, Inc. 20575 NW Von Neumann Dr. #150 MC ORO 30158 Hillsboro, OR 97006 egene.eng@verizon.com
Gregory M. Romano General counsel – NW Region Verizon Northwest Inc. 1800 41st St. MC WA0105GC Everett, WA 98201 gegory.m.romano@verizon.com	Lyndall Nipps Vice President, Regulatory Affairs tw telecom of Oregon, llc 845 Camino Sur Palm Springs, CA 92262-4157 lyndall.nipps@twtelecom.com
Mark Trinchero Davis Wright Tremaine LLP 1300 SW Fifth Ave,, STE 2300 Portland, OR 97201-5682 marktrinchero@dwt.com	Rex M. Knowles Regional Vice President – Regulatory XO Communications Services Inc. 7050 Union Park Ave., Ste. 400 Midvale, UT 84047 rex.knowles@xo.com
Paul C. Hays Carney Buckley Hays & Marsh 1500 SW First Avenue, Suite 1015 Portland, OR 97201 pchayslaw@comcast.net	Wendy McIndoo McDowell & Rackner PC 520 SW 6th Avenue, Suite 830 Portland, OR 97204 wendy@mcd-law.com
Lisa F. Rackner McDowell & Rackner PC 520 SW Sixth Avenue, Suite 830 Portland, OR 97204 lisa@mcd-law.com	Scott Rubin Attorney 333 Oaklane Bloomsburg, PA 17815 scott@publicutilityhome.com
Greg L. Rogers Level 3 Communications LLC 1025 Eldorado Blvd Broomfield CO 80021 greg.rogers@level3.com	Michel Singer-Nelson 360Network (USA) INC 867 Coal Creek Circle STE 160 Louisville, CO 80027
Adam Lowney McDowell and Rackner PC 520 SW Sixth Avenue, Suite 830 Portland, OR 97204 adam@mcd-law.com	

DAVIS WRIGHT TREMAINE LLP

By: Roni L Grant

Roni L. Grant