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August 5, 2005

Via Hand Delivery

Frances Nichols Anglin
Oregon Public Utility Commission
550 Capitol St., NE
Suite 215
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Re: UX-29

Dear Ms. Nichols Anglin:

Enclosed for filing please find an original of Qwest Corporation's Direct Testimony of Robert H. Brigham, along with a certificate of service.

If you have any question, please do not hesitate to give me a call.

Sincerely,



Carla M. Butler

CMB:

Enclosure

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

**In the Matter of the Petition of
Qwest Corporation To Exempt
From Regulation Qwest's
Switched Business Services**

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Docket No. UX 29

**DIRECT TESTIMONY OF

ROBERT H. BRIGHAM

FOR

QWEST CORPORATION**

August 5, 2005

**DIRECT TESTIMONY OF ROBERT H. BRIGHAM
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I. IDENTIFICATION OF WITNESS

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION WITH THE QWEST CORPORATION.

A. My name is Robert H. Brigham. My business address is 1801 California Street, Denver, Colorado, and I am currently employed as a Staff Director in the Public Policy department. I am testifying on behalf of Qwest Corporation (“Qwest”).

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EMPLOYMENT EXPERIENCE.

A. In 1983, I received a Master of Business Administration (MBA) degree from the University of Colorado in Denver, Colorado. My area of emphasis was financial analysis. I received a Bachelor of Arts degree in 1974 from Stetson University.

I began my employment with Qwest (formerly Mountain Bell and U S WEST) in 1976. Between 1976 and 1980, I held various positions in the Mountain Bell Commercial (marketing) department. In 1980, I accepted the position of Analyst in the Cost, Rates and Regulatory Matters department, working primarily on the development of embedded cost data. In June 1987, I accepted the position of Manager in the U S WEST Service Cost organization, with responsibility for economic analysis and the development of incremental costing methodologies. In September 1992, I accepted the position of Director- Product Cost Specialist, and assumed responsibility for developing and supporting U S WEST cost studies in formal regulatory proceedings, and representing U S WEST in costing and pricing workshops sponsored by various regulatory commissions in the U S WEST region. Between May 1994 and June 1997, I served as Director- Product and Market Issues.

1 In that position, I managed competitive and local interconnection issues for
2 U S WEST and supported U S WEST's interconnection negotiation and arbitration
3 efforts. In June, 1997, I rejoined the U S WEST cost organization as Director-
4 Service Costs, where I was responsible for managing cost issues, developing cost
5 methods and representing Qwest in proceedings before regulatory commissions.
6 I held this position until April 2004, when I assumed my present responsibilities. In
7 my current role, I represent Qwest on issues concerning pricing, competition and
8 regulatory issues.

9
10 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
11 **OREGON COMMISSION?**

12 A. Yes. I have submitted testimony before this Commission on several occasions. In
13 1995 I presented pricing testimony in docket UM 351; in 1997 I presented cost
14 testimony in docket UT 138; in 1998 I presented testimony in docket UM 773; and
15 in 1999 I presented cost testimony in docket UT 125. In addition, I have
16 participated in many workshops involving cost issues (most recently in 2003), and
17 was U S WEST's primary representative in the "building block" cost workshops
18 conducted in docket UM 351.

19
20 **Q. HAVE YOU TESTIFIED BEFORE OTHER STATE REGULATORY**
21 **COMMISSIONS?**

22 A. Yes. I have presented testimony before commissions in Arizona, Colorado, Iowa,
23 Minnesota, Montana, Nebraska, New Mexico, North Dakota, South Dakota, Utah
24 and Wyoming.

1 **II. PURPOSE, BACKGROUND AND SCOPE**

2 **A. Purpose of Testimony**

3
4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. On June 21, 2004, Qwest filed its “Petition to Exempt from Regulation Qwest’s
6 Switched Business Services” with the Commission, pursuant to Oregon Revised
7 Statute (“ORS”) 759.030(2) through (4) and Oregon Administrative Rule (“OAR”)
8 860-032-0025. The purpose of my testimony is to demonstrate, in support of this
9 petition, that the statutory criteria established in ORS 759.030 have been met.

10
11 First, I will demonstrate, per ORS 759.030(4)(a), that “services are available from
12 alternative providers in the relevant market” for switched business services
13 customers throughout Oregon. Second, I will demonstrate, per ORS 759.030(4)(b),
14 that “the services of alternative providers (offering switched business services) are
15 functionally equivalent or substitutable (for Qwest services) at comparable rates,
16 terms and conditions.” Third, I will demonstrate, per ORS 759.030(4)(c), that there
17 are no “economic (and) regulatory barriers to entry” in the business switched
18 services market in Oregon.

19
20 My testimony describes both the intramodal and intermodal competitive options
21 available to business customers in Oregon, and demonstrates that there are
22 numerous alternative providers competing with Qwest in the business switched
23 services market. These providers are offering services that are “functionally
24 equivalent or substitutable (for Qwest services) at comparable rates.” For a service
25 to be “functionally equivalent or substitutable,” it need not be *identical* to a Qwest

1 service. Rather, the key question is whether the competitive service represents a
2 good enough substitute that it has the effect of constraining Qwest's ability to raise
3 prices for its services.
4

5 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

6 A. Section II-B of my testimony describes how I have utilized the Staff's Survey
7 Results Report issued on July 27, 2005, and Section II-C describes the statutory and
8 rule-related criteria that must be met before a service may deregulated in Oregon.
9 Section III of my testimony summarizes Qwest's petition, and describes the
10 services that it seeks to deregulate in this proceeding. Section IV demonstrates that
11 the conditions outlined in ORS 759.030(4)(a) have been met; Section V
12 demonstrates that the conditions outlined in ORS 759.030(4)(b) have been met; and
13 Section VI demonstrates that the conditions outlined in ORS 759.030(4)(c) have
14 been met. Section VII provides a description of some of the major Competitive
15 Local Exchange Carriers ("CLECs") that are competing with Qwest in Oregon, and
16 Section VIII demonstrates that wireless and VoIP-based services provide switched
17 business customers with real competitive options to Qwest switched business
18 services. Section IX discusses some additional considerations, and Section X
19 provides a summary of how switched business services are regulated in other Qwest
20 states.
21

22 **B. The Commission Competitive Survey Results**

23
24 **Q. DOES YOUR ANALYSIS OF COMPETITION IN OREGON CONSIDER**
25 **THE RESULTS OF THE COMMISSION'S SURVEY OF COMPETITION?**

1 A. Yes. My testimony considers the UX 29 Survey Results as reported by the
2 Commission Staff in its July 27, 2005 memorandum. However, the survey data is
3 incomplete and therefore its usefulness is limited. The Survey Results do not serve
4 as the cornerstone for the competitive analysis contained in my testimony.

5

6 **Q. WHAT ARE THE LIMITATIONS OF THE STAFF'S SURVEY RESULTS**
7 **REPORT?**

8 A. While the survey represents a very positive effort to obtain competitive information
9 from CLECs, the Survey Results as contained in Staff's July 27th report do not
10 provide a complete picture of the level of competition in the Oregon business
11 switched services market. First, since several CLECs apparently did not respond to
12 the survey, the reported CLEC line counts contained in Attachments 2 and 3 of the
13 Survey Results Report are, in aggregate, understated. Second, in order to protect
14 the identity of CLECs, the report redacts all CLEC line data for rate centers and/or
15 services that have less than four participating CLECs. Thus, there are no line
16 quantities reported in Attachments 2 and 3 for various services in various rate
17 centers, a problem that is more acute in the more rural wire centers that often have
18 fewer than four reporting CLECs. Third, the Survey Results Report does not
19 contain any of the pricing information requested of CLECs.

20

21 **Q. DO YOU HAVE AN IDEA AS TO HOW MANY CLECs THAT ARE**
22 **ACTIVE IN OREGON DID NOT RESPOND TO THE SURVEY?**

23 A. Yes. The Survey identifies [Confidential- XX] CLECs that reported access lines in
24 Oregon as of February, 2005.¹ As described below, Qwest's competitive data
25 indicates that as of May, 2005, there are at least 50 CLECs offering competitive

¹ UX 29 Survey Results Staff Report, July 27, 2005, Attachment 3, p. 1.

1 switched services to business customers in Oregon, and Qwest *knows*, based on its
2 wholesale billing records, that 48 of these CLECs are purchasing wholesale services
3 (i.e. unbundled network elements, resale and Qwest Platform Plus) from Qwest to
4 serve these customers. Thus, [Confidential- xxxxxxxxxxxxxxx] of the CLECs
5 serving business retail customers in Oregon are not included in the Survey Results.²

6
7 **Q. DO THE SURVEY RESULTS UNDERSTATE CLEC ACCESS LINES IN**
8 **OREGON?**

9 A. Yes. Attachment 3 of the Survey Results Report identifies [Confidential-
10 XXXXXX] aggregate CLEC retail switched business lines in Qwest's Oregon
11 territory as of February 28, 2005, [Confidential- XXXXXX] of which are fully self-
12 provisioned. Qwest wholesale billing records show that as of May 31, 2005,
13 CLECs were purchasing [Confidential- XXXXXX] wholesale business switched lines
14 (i.e. unbundled network elements, resale, unbundled network element-platform, and
15 Qwest Platform Plus) from Qwest. Thus, the Survey's reported CLEC switched
16 business line total of [Confidential- XXXXXX], *which includes fully self-provisioned*
17 *lines*, is less than the [Confidential- XXXXXX] wholesale lines CLECs purchased
18 from Qwest, *which does not include lines that are fully self-provisioned by CLECs.*

19
20 There are [Confidential- XXXXXX] fully self-provisioned CLEC retail switched
21 business lines per the survey, and there are [Confidential-XXXXXXXX] wholesale lines
22 that CLECs are purchasing from Qwest. Therefore, there are at least [Confidential-

² While the number of CLECs may have fluctuated somewhat between February and May, 2005, any changes over this time period cannot account for the wide disparity in the number of CLECs.

1 XXXXXX] CLEC switched business services lines in Oregon.³ This, of course, well
2 surpasses the [Confidential- XXXXXX] CLEC lines reported in the Survey Results.

3
4 It is clear that the Survey Results, as provided in the Staff Report, understate the
5 overall level of switched business services competition in Oregon. The level of
6 understatement varies by rate center and by service.

7
8 **Q. HOW SHOULD THE SURVEY RESULTS BE USED IN THIS**
9 **PROCEEDING?**

10 A. While the Survey Results Report does contain useful information, the data must be
11 used with caution, given that the report understates CLEC access lines. For
12 example, the *CLEC market shares calculated in Attachments 2 and 3 are*
13 *understated*, since they are based on an *accurate* count of Qwest lines and an
14 *understated* count of CLEC lines. Because of these understatements, the Survey
15 Results Report should not be used by itself to determine the level of existing
16 competition for business services in Oregon rate centers.

17
18 Later in my testimony, I will provide an analysis of Oregon competition that relies
19 on Qwest data to determine the number of CLEC business switched lines that
20 utilize Qwest facilities (i.e. unbundled loops, unbundled network element platform,
21 resale and Qwest Platform Plus). This data is more accurate than the Survey data
22 because it is based on wholesale billing records, and includes all CLECs. However,
23 since Qwest records do not contain a count of CLEC lines that are fully self-
24 provisioned, my analysis will utilize the counts of fully self-provisioned lines from

³ The [Confidential- XXXXXX] wholesale lines provided by Qwest are as of May, 2005, while the [Confidential- XXXXXX] lines self-provisioned by CLECs are as of February, 2005. While there would be some variation in line counts between the three months, the difference would not be substantial.

1 the Survey Results Report. While this data may be understated due to the fact that
2 several CLECs did not respond to the survey, it represents the best data available.

3
4 **Q. WILL YOU UPDATE YOUR TESTIMONY IF MORE COMPREHENSIVE**
5 **AND COMPLETE SURVEY DATA IS RECEIVED BY QWEST?**

6 A. Yes. Qwest is seeking to obtain the redacted data in the survey under the protective
7 order in this proceeding, in order to perform a more comprehensive review of the
8 Survey data. Qwest also understands that additional CLECs may ultimately
9 respond to the Survey. If more complete Survey data is ultimately provided to
10 Qwest, I will update my testimony to reflect the updated data.

11
12 **C. Applicable Legal and Regulatory Standards**

13
14 **Q. PLEASE REVIEW THE STATUTORY STANDARDS THAT APPLY IN**
15 **THIS PROCEEDING.**

16 A. ORS 759.030(2) provides that the Commission, upon receiving a petition and
17 following notice and investigation, *may* exempt from regulation
18 telecommunications services for which the Commission finds that (1) “price *or*
19 service competition exists,” *or* that (2) “such services can be demonstrated by the
20 petitioner or the commission to be subject to competition,” *or* that (3) “the public
21 interest no longer requires full regulation thereof.” It should be noted that this
22 provision does not require that *all* of these criteria be met, but allows the
23 Commission to deregulate a service if *any* are met.

1 ORS 759.030(3)(a) requires that, upon petition by any telecommunications utility,
2 and after notice and hearing, the Commission *shall* exempt a telecommunications
3 service from regulation if price and service competition exist.
4

5 ORS 759.030(4) provides that prior to exempting a service from regulation under
6 ORS 759.030 (2) and (3), as described above, the Commission shall consider:

- 7
- 8 (a) The extent to which services are available from alternative providers in
9 the relevant market.
 - 10
 - 11 (b) The extent to which the services of alternative providers are functionally
12 equivalent or substitutable at comparable rates, terms and conditions.
 - 13
 - 14 (c) Existing economic or regulatory barriers to entry.
 - 15
 - 16 (d) Any other factors deemed relevant by the commission.
- 17

18 **Q. PLEASE REVIEW THE ADMINISTRATIVE RULES THAT APPLY IN**
19 **THIS PROCEEDING.**

20 A. OAR 860-032-025(1) restates the requirements in ORS 759.030(3)(a), OAR 860-
21 032-0025(2) restates the requirements of ORS 759.030(2), and OAR 860-032-
22 025(3) restates the requirements of ORS 759.030(4).
23

24 **III. QWEST'S PETITION**

25 **A. Basis for Filing**

26

27 **Q. ON WHAT BASIS IS QWEST MAKING ITS REQUEST FOR THE**
28 **COMMISSION TO EXEMPT SWITCHED BUSINESS SERVICES FROM**
29 **REGULATION?**

1 A. Qwest's petition, filed on June 21, 2004 requests that the Commission exempt all of
2 Qwest's retail switched business services in its Oregon service territory from
3 regulation pursuant to ORS 759.030 and OAR 860-032-0025. The Commission
4 subsequently suspended the filing and initiated a further investigation. As
5 described above, ORS 759.030(4) delineates the criteria the Commission must
6 consider when determining whether sufficient competition exists and/or whether the
7 public interest no longer requires regulation. My testimony expands on the
8 information provided in Qwest's petition, and demonstrates that these criteria have
9 been met for each of the retail switched business services identified below and in
10 Exhibit Qwest/2.

11
12 **B. Description of Qwest's Request**

13
14 **Q. WHAT SPECIFIC FREEDOMS IS QWEST REQUESTING IN ITS**
15 **DEREGULATION PETITION?**

16 A. Qwest is seeking to exempt from regulation all rates, terms and conditions
17 associated with its retail switched business services in Oregon. Currently, Qwest is
18 required to file tariffs and price lists for its retail business services in the state, while
19 its unregulated competitors are not required to do so. If Qwest's petition is granted,
20 Qwest will no longer be required to file tariffs and price lists for these services, and
21 it will achieve parity with its competitors in this regard. Deregulation of Qwest's
22 retail business services will also remove these services from the current form of
23 regulation under ORS 759.410 and 759.425, and will allow the competitive market
24 to determine service pricing and terms.

1 **Q. WOULD DEREGULATION OF THESE RETAIL SERVICES RELIEVE**
2 **QWEST OF ANY WHOLESALE OBLIGATIONS?**

3 A. No. The approval of Qwest’s application will have no impact on Qwest’s
4 wholesale service obligations, such as the provision of unbundled network elements
5 (“UNEs”) and the provision of retail services at a wholesale discount. Qwest would
6 still be required to conform with all federal regulatory requirements, such as those
7 defined in Section 271 and Sections 251/252.

8

9 **Q. IF QWEST’S PETITION WERE TO BE GRANTED, WOULD LEGAL**
10 **CONSTRAINTS REGARDING FAIR COMPETITION AND SERVICE**
11 **QUALITY REMAIN IN PLACE?**

12 A. Yes. All existing legal constraints concerning fair competition, such as protections
13 from predatory pricing, will remain in effect for the services identified in Qwest’s
14 petition. In addition, rules applicable to the quality of retail services provided by
15 Qwest and CLECs will remain in place.

16

17 **Q. IF A SERVICE IN QWEST’S PETITION UTILIZES ELEMENTS FROM**
18 **ANOTHER SERVICE THAT ARE NOT IDENTIFIED IN QWEST’S**
19 **PETITION, DOES QWEST MAINTAIN THAT THE ENTIRE SERVICE**
20 **ARRANGEMENT SHOULD BE DEREGULATED?**

21 A. No. For example, Asynchronous Transfer Mode (“ATM”) service, described in
22 section 107 of Qwest’s Advanced Communications Services tariff, specifies that
23 “Private Line transport mileage and/or a Central Office Connecting Channel
24 (“COCC”) may be required”⁴ in addition to ATM service elements, in order to
25 connect the Qwest serving wire center with the wire center of another ATM

⁴ P.U.C. Oregon No. 27, Advanced Communications Services, section 107, p. 3.

1 provider. In this example, Qwest’s petition seeks relief only for the rate elements
2 identified in the ATM tariff; no regulatory change is sought for the Private Line
3 service elements cross-referenced in the ATM tariff.

4
5 Similarly, Frame Relay Service (“FRS”), which provides for high speed access to
6 and among Local Area Networks (“LANs”) via dynamic allocation of bandwidth,
7 cross-references Private Line tariffs for certain applications. The ATM tariff states:
8 “when a stand-alone access link is ordered, transport mileage may apply, at rates set
9 forth in Section 5 of the Private Line Transport Services Tariff.”⁵ In this instance,
10 Qwest seeks no change in the prevailing regulation for transport mileage service,
11 and limits its request for relief solely to the FRS service elements contained in the
12 FRS tariff.

13
14 **Q. IF QWEST’S PETITION IS GRANTED, WILL QWEST HAVE THE**
15 **LATITUDE TO UNILATERALLY ABANDON CERTAIN BUSINESS**
16 **SERVICE MARKETS?**

17 A. No. The Commission currently requires any provider of business retail services,
18 including Qwest and CLECs, to notify the Commission in writing of any plans to
19 discontinue services in Oregon (this applies to regulated and deregulated services).
20 Although Qwest has no current plans to discontinue any service, Qwest will
21 continue to abide by the Commission’s notification requirements should it
22 determine that discontinuance of a particular service is warranted.

23
24 **Q. IF THE COMMISSION GRANTS QWEST’S PETITION, HOW WILL THIS**
25 **BENEFIT OREGON BUSINESS CUSTOMERS?**

⁵ P.U.C. Oregon No. 27, Advanced Communications Services, section 5, p. 9.

1 A. If the Commission grants Qwest’s petition, it would place Qwest on a more equal
2 footing with its many competitors in the switched business services market,
3 allowing Qwest to compete more effectively. Oregon businesses benefit if there is
4 a competitive market with a level playing field, where *all* carriers can respond to
5 market demands quickly, efficiently and creatively with no more regulation than is
6 necessary.

7

8 If Qwest’s request is granted, reduced regulation would provide Qwest with the
9 ability to offer business switched services with no regulatory filing, review and
10 approval, which saves time and resources and allows Qwest to react quickly to the
11 market—as its many competitors can. Granting of the Qwest petition would also
12 remove the requirements associated with the filing of “special contracts” which
13 vary from standard pricing, allowing Qwest to more quickly respond to a
14 customer’s unique needs. In addition, Qwest would be able to implement
15 promotions and special offers—a key marketing tool in a competitive market—
16 without regulatory filings.

17

18 **C. Retail Switched Business Services in Qwest’s Petition**

19

20 **Q. PLEASE DESCRIBE THE BUSINESS SERVICES QWEST IS SEEKING TO**
21 **DEREGULATE IN ITS PETITION.**

22 A. The switched business services for which Qwest requests exemption from
23 regulation fall into three primary categories:

24

- 25 • Services that provide access to the network, such as flat-rated and
26 measured lines, private branch exchange (PBX) trunks and Centrex
27 services, including feature packages.

28

- 1 • Discretionary business features, which are software enhancements
2 available as access line or trunk options.
3
4 • Frame Relay and Asynchronous Transfer Mode (ATM) services (packet
5 switch-based services found in Qwest's Advanced Communications
6 Services Tariff).

7
8 A comprehensive list of all the retail switched business services included in
9 Qwest's petition is shown on Exhibit Qwest/2.

10
11 **Q. WHICH OREGON TARIFFS OR PRICE LISTS CONTAIN THE SERVICES**
12 **FOR WHICH QWEST SEEKS RELIEF?**

13 A. The retail business switched services for which Qwest seeks relief are included in
14 the following tariffs and price lists:

- 15
16 • Qwest Exchange and Network Services Tariff, PUC Oregon No. 29,
17 sections 5, 7, 9, 10, 14, 15, 105, 107, 109 and 115,
18
19 • Qwest Exchange and Network Services Price List, sections 5 and 105, and
20
21 • Qwest Advanced Communications Services Tariff, PUC Oregon No. 27,
22 sections 5 and 107.

23
24 These tariffs and price lists are all currently on file with the Commission. Copies of
25 the relevant portions of the tariffs and price lists, as well as an index of the sections
26 for these services, were attached as Exhibit B to Qwest's petition.⁶

27

⁶ Due to the large number of pages of tariffs and price lists attached as Exhibit B to Qwest's petition, and the fact that these pages are all publicly available, they are not attached to my testimony but are incorporated by reference.

- 1
- 2 • AT&T is serving business customers in [Confidential- XX] of Qwest's 77
- 3 Oregon wire centers.
- 4
- 5 • Oregon Telecom is serving business customers in [Confidential- XX] of
- 6 Qwest's 77 Oregon wire centers.
- 7
- 8 • Eschelon is serving business customers in [Confidential- XX] of Qwest's
- 9 77 Oregon wire centers.
- 10
- 11 • McLeod is serving business customers in [Confidential- XX] of Qwest's
- 12 77 Oregon wire centers.
- 13
- 14 • Unicom is serving business customers in [Confidential- XX] of Qwest's
- 15 77 Oregon wire centers.
- 16
- 17 • Ernest Communications is serving business customers in [Confidential-
- 18 XX] of Qwest's 77 Oregon wire centers.
- 19
- 20 • MCI is serving business customers in [Confidential- XX] of Qwest's 77
- 21 Oregon wire centers.
- 22

23 These competitors are marketing business services and serving business customers
24 throughout Qwest's Oregon serving territory. Therefore, the relevant market for
25 switched business services should be defined to include all of Qwest's Oregon wire
26 centers, and should not be defined by smaller geographical areas.

27

28 **Q. SHOULD THE COMMISSION CONSIDER EACH RETAIL BUSINESS**
29 **SWITCHED SERVICE AS A SEPARATE MARKET?**

30 A. No. CLECs in Oregon typically offer a substantial range of exchange access
31 services (such as flat business lines, PBX trunks, etc.), as well as associated features
32 that business customers demand (such as call forwarding, voice messaging, etc). It
33 is also common for CLECs to offer service packages including access lines,
34 features, and in some instances long distance calling, at attractive rates that
35 incorporate volume discounts based on the combined services purchased. Thus, the

1 market for all of these services must be considered as a whole. It would *not* be
2 appropriate to consider, for example, flat business service, analog PBX Trunks,
3 analog Centrex services, ISDN Basic Rate service, ISDN Primary Rate service and
4 features as separate and distinct markets.

5

6 **Q. DO BUSINESS CUSTOMERS OFTEN SUBSTITUTE ONE BUSINESS**
7 **SERVICE FOR ANOTHER?**

8 A. Yes. Business products overlap, and customers can often meet their overall needs by
9 substituting one service for another. For example, a medium-sized business with a
10 need for several access lines may purchase analog PBX trunks, digital PBX trunks,
11 Centrex, ISDN PRI or basic business lines to meet its needs. While these services
12 are not identical from a technology standpoint, customers will substitute these
13 products for one another based on the relative price and the perceived level of
14 benefits they will receive. It would make no sense to consider these services to be in
15 different markets when customers can and do substitute these products for each other.

16

17 **B. Overview of Competition in Oregon**

18

19 **Q. PLEASE DESCRIBE THE NATURE OF BUSINESS LOCAL EXCHANGE**
20 **COMPETITION IN OREGON.**

21 A. Competition in the local exchange telephone market has increased dramatically in
22 Oregon over the past few years, and it is clear that nearly all Oregon business
23 customers have competitive alternatives to Qwest's retail business services. First,
24 business local exchange competition arises from "intramodal" competitors, including
25 Competitive Local Exchange Carriers ("CLECs"). These "wireline" providers serve
26 customers by building their own facilities, or by purchasing wholesale services from

1 Qwest, including Unbundled Network Elements (“UNEs”), Qwest Platform Plus
2 (“QPP”), and retail services at a wholesale discount (i.e., resale).

3
4 Second, business local exchange competition arises from “intermodal” competitors,
5 including cable, wireless and Voice over Internet Protocol (“VoIP”) providers.
6 While cable providers typically focus on residential customers, these providers do
7 offer local exchange service to business customers.⁷ Wireless and Voice over
8 Internet Protocol (“VoIP”) providers offer local exchange services that business
9 customers may purchase as a substitute for traditional “wireline” basic local
10 exchange service. The Commission should consider wireless and VoIP-based
11 technologies as it evaluates “the extent to which services are available from
12 alternative providers in the relevant market.”

13
14 **Q. HOW MANY ALTERNATIVE “WIRELINE” PROVIDERS ARE**
15 **ACTIVELY OFFERING COMPETITIVE BUSINESS LOCAL EXCHANGE**
16 **SERVICES IN OREGON?**

17 A. As shown in Confidential Exhibit Qwest/3, Qwest has identified at least 50 “active”
18 CLECs in Oregon.⁸ These CLECs are currently purchasing wholesale services
19 (UNE Loops, Qwest Platform Plus™ (“QPP”), resale) or are offering local
20 exchange services over their own facilities. These CLECs are all listed in the
21 Commission’s website as being certified to provide local exchange service in
22 Oregon, and include national players such as AT&T and MCI, along with regional
23 CLECs that focus almost exclusively on the business market, such as Eschelon,
24 Integra and Oregon Telecom. These carriers all offer retail switched business

⁷ As I describe below, cable providers such as Comcast are now deploying VoIP-based technology to provide local exchange service in Oregon.

⁸ As I noted earlier, 48 of these CLECs are purchasing wholesale services (UNE Loops, Qwest Platform Plus™ (“QPP”), resale) from Qwest.

1 services that are competitive with Qwest's business services in Oregon. In Section
2 VIII, I will provide a description of several of these competitors.

3
4 In its report on "The Status of Competition and Regulation in the
5 Telecommunications Industry" in Oregon, this Commission noted that "[f]rom
6 December 2002 through December 2003, the number of competitive carriers
7 operating in Oregon went from 101 carriers to 118 carriers. Forty-nine of those
8 companies offered switched (dial tone) service."⁹

9
10 **Q. HAS QWEST NEGOTIATED NUMEROUS INTERCONNECTION**
11 **AGREEMENTS IN OREGON?**

12 A. Yes. Interconnection agreements are the contracts established between local
13 incumbent carriers and CLECs, as mandated by the 1996 Telecommunications Act.
14 Qwest currently has 162 active interconnection agreements with CLECs in
15 Oregon,¹⁰ and nearly all of these agreements cover the entire state.

16
17 **Q. HOW HAS COMPETITION IMPACTED THE LOCAL EXCHANGE**
18 **MARKET IN OREGON?**

19 A. According to the FCC's latest study on telephone competition, which analyzes the
20 ILECs and CLECs operating in Oregon, the level of local exchange competition
21 using traditional technology (i.e., not including VoIP or wireless, but including
22 cable) has grown significantly in the state. In the four-year period from December
23 2000 to December 2004, reported CLEC end user switched access lines¹¹ in Oregon

⁹ See *The Status of Competition and Regulation in the Telecommunications Industry*, Oregon Public Utility Commission, January, 2005, Executive Summary, p. 1.

¹⁰ This includes 117 wireline agreements, 21 wireless agreements and 24 resale agreements.

¹¹ It is important to note that the FCC numbers are *conservative*, because the FCC does not require reporting for carriers with fewer than 10,000 lines in Oregon. There are numerous CLECs in Oregon with fewer than 10,000 lines.

1 have increased from 99,326 to 317,675—an increase of more than 200%.¹² Over
2 the same time period, the switched access lines served by Qwest and other ILECs in
3 Oregon has declined from 2,109,510 to 1,697,357—a decrease of almost 20%.¹³
4 The FCC data shows that the CLEC local exchange market share (based on
5 wirelines) has grown steadily, from 4% in June 2000 to 16% in June 2004.¹⁴ While
6 it includes both residence and business lines, the FCC data demonstrates that there
7 has been a dramatic increase in the level of competition in Oregon over the past
8 four years.

9
10 As CLEC market share has grown, and customers have availed themselves of
11 competitive alternatives, Qwest has experienced a significant decline in access
12 lines. During the time period from December 2000 to December 2004—the same
13 time frame evaluated using the FCC data described above—Qwest access lines in
14 Oregon declined from 1,384,224 to 1,057,249, a decline of more than 23%. Qwest
15 business lines declined from 396,911 to 251,818 over the same time period, a
16 decrease of more than 36%. There is no doubt that the competitive landscape has
17 changed dramatically over the past few years, and that competition in the Oregon
18 retail market—and especially in the business market—is robust.

19
20 **Q. WHILE QWEST HAS BEEN LOSING LOCAL EXCHANGE ACCESS**
21 **LINES, WHAT HAS OCCURRED IN THE WIRELESS MARKET?**

22 A. According to the FCC, the number of wireless subscribers in Oregon increased
23 from approximately 1,201,207 in December 2000 to 2,029,224 in December

¹² See *Local Telephone Competition: Status as of December, 2004*, FCC Industry Analysis and Technology Division, Wireline Competition Bureau, released July 8, 2005, Table 8.

¹³ *Id.*, Table 9.

¹⁴ *Id.*, Table 7

1 2004—a 69% increase in four years.¹⁵ As I noted earlier, over this same time
2 period, total Oregon ILEC wireline access lines decreased almost 20%, while
3 Qwest wireline access lines decreased more than 23%. Thus, it is clear that
4 wireless service is gaining market share at the expense of wireline services; in fact,
5 there are now *more wireless “lines” than wired lines* in Oregon, according to the
6 FCC data. While it is clear that the explosion of wireless service is having a
7 significant impact in the residential market, wireless service is also impacting the
8 business market, especially for small businesses, as I describe below.

9
10 **Q. IS THE RAPID GROWTH OF VoIP SERVICE HAVING AN IMPACT ON**
11 **LOCAL EXCHANGE COMPETITION?**

12 A. Yes. While Qwest is experiencing significant competition from traditional CLECs
13 and wireless carriers, Qwest is also experiencing competitive pressure from VoIP
14 providers. As I will discuss below, providers such as AT&T, Vonage, Packet8,
15 McLeod, MCI, XO and Covad are offering VoIP-based basic local exchange and
16 interexchange services to business customers that directly compete with Qwest
17 business basic exchange services.

18
19 **Q. WILL YOU ADDRESS BOTH INTRAMODAL AND INTERMODAL**
20 **COMPETITION?**

21 A. Yes. In the next section of my testimony I will describe the types of local exchange
22 wireline intramodal competition that Qwest faces in Oregon in more detail. In
23 Section VIII, I will discuss intermodal competition from wireless and VoIP
24 providers. This analysis demonstrates that there is significant competition in the

¹⁵ See *Local Telephone Competition: Status as of December 2004*, FCC Industry Analysis and Technology Division, Wireline Competition Bureau, released July 8, 2005, Table 13.

1 business local exchange market today throughout Oregon, and that Oregon
2 businesses may purchase telephone services from many alternative providers.

3
4 **C. Wireline Local Exchange Competition**

5
6 **Q. HOW DO TRADITIONAL “WIRELINE” CLECs COMPETE WITH**
7 **QWEST IN THE LOCAL EXCHANGE MARKET?**

8 A. A traditional wireline CLEC may compete with Qwest in several ways. First, a
9 CLEC can serve end-user customers by building and utilizing its own facilities:

- 10
11 • A CLEC may provide its own switching facilities and equipment, but
12 purchase unbundled loops (“UNE-L”) from Qwest. I will refer to this as
13 *switch facilities-based* competition.
14
15 • A CLEC may build its own facilities to serve end users, without
16 purchasing *any* unbundled elements (e.g., loop, switching and transport)
17 from Qwest, which I will refer to as *full facilities-based* competition.

18
19 A CLEC may also serve end user customers solely via the purchase of wholesale
20 services from Qwest:

- 21
22 • A CLEC may purchase Unbundled Network Element Platform (“UNE-P”) or Qwest Platform Plus (“QPP”) from Qwest.
23
24
25 • A CLEC may purchase Qwest retail services at a discount and resell the
26 service to end users.

27
28 **1. Facilities-based Competition**

29
30 **Q. PLEASE DESCRIBE SWITCH FACILITIES-BASED COMPETITION.**

1 A. As noted above, when a CLEC serves end-user customers via switch facilities-
2 based competition, it provides its own switching functionality and purchases an
3 unbundled loop from Qwest to reach the end user. The prices for these UNE-L
4 loops are set by the Commission, and are reflected in Qwest's Statement of
5 Generally Available Terms and Conditions ("SGAT") and interconnection
6 agreements. In most cases, this loop is connected to a Main Distribution Frame
7 ("MDF") at the Qwest central office. An Interconnection Tie Pair ("ITP") connects
8 the MDF to an Intermediate Distribution Frame ("IDF"), and a Collocation
9 Termination provides the connection between the IDF and the CLEC's equipment
10 located in its collocation space in the Qwest wire center. At this point, the circuit is
11 connected to the CLEC's switch over CLEC facilities.

12
13 **Q. IS SWITCH FACILITIES-BASED COMPETITION A MAJOR FACTOR IN**
14 **THE OREGON COMPETITIVE LANDSCAPE TODAY?**

15 A. Yes. As of May 2005, nineteen CLECs were purchasing [Confidential- XXXXX]
16 unbundled loop ("UNE-L") lines from Qwest in Oregon, a [Confidential- XX%]
17 increase from December 2002. These loops are utilized along with CLEC
18 switching to provide local exchange service to end users. When UNE-L is provided
19 to a CLEC, Qwest is unable to determine whether the loop is used to serve a
20 residence or a business end-user customer. However, the CLECs that purchase the
21 vast majority of UNE-L from Qwest are focused almost exclusively on the business
22 market; thus it is clear that nearly all UNE-L lines serve business customers.

23
24 **Q. PLEASE DESCRIBE FULL FACILITIES-BASED COMPETITION.**

25 A. When a CLEC is fully facilities-based, it provides services to end-user customers
26 utilizing its own loops, switching and transport. In this scenario, the CLEC need
27 not purchase any UNEs from Qwest.

1

2 **Q. IS THERE A SIGNIFICANT LEVEL OF FULL FACILITIES-BASED**
3 **COMPETITION IN OREGON?**

4 A. Yes. CLECs are providing service to end users entirely over their own facilities to
5 many Oregon residence and business customers. While full facilities-based cable
6 providers such as Comcast focus on the residential telephone market, other CLECs,
7 such as ELI and Time Warner Telecom, utilize their own loop facilities to serve
8 business customers. In fact, many competitors have placed fiber facilities that
9 allow them to serve customers directly, completely bypassing Qwest's network.
10 Confidential Exhibit Qwest/4 includes maps of competitive fiber routes in the
11 Portland and Eugene areas, demonstrating that competitive fiber is in place in each
12 of these communities.¹⁶ Where competitive fiber is in place, Qwest's competitors
13 can offer high-bandwidth access to their own switches, other CLEC switches and
14 customers thus completely bypassing Qwest's network. Competitive fiber facilities
15 can be used to provide a wide range of business services, from basic voice services
16 such as local flat business and Centrex-type services, to sophisticated high-
17 bandwidth services such as Frame Relay.

18

19 **Q. DOES QWEST KNOW HOW MANY LOCAL EXCHANGE LINES IN**
20 **OREGON ARE SERVED BY FULL-FACILITIES-BASED CLECs?**

21 A. Not precisely. When a CLEC is not using any Qwest facilities to provide service to
22 a customer, it does not purchase UNEs, QPP or retail services at the wholesale
23 discount, and therefore Qwest does not possess data on the CLEC's retail lines.
24 However, the UX 29 Survey Results Report issued by Staff on July 27, 2005 does

¹⁶ Confidential Exhibit Qwest/4 provides the best information available to Qwest, based on research from an outside vendor. Other carriers may have deployed additional facilities in the cities evaluated, and elsewhere in Oregon. However, this information is closely held by these carriers and is not generally available.

1 shed some light on the level of full facilities-based competition in Oregon. While it
2 only includes lines for CLECs that responded to the survey, Attachment 3, page 2
3 identifies the total number of CLEC switched business lines served in a full
4 facilities-based manner in Oregon. According to the report, as of February, 2005,
5 there were [Confidential- XXXXX] full facilities-based lines in Oregon. This total
6 is conservative because it does not include lines for CLECs that did not respond to
7 the survey.

8
9 **Q. YOU HAVE DESCRIBED SWITCH AND FULL FACILITIES-BASED**
10 **COMPETITION. IN EACH CASE, END USERS ARE SERVED BY CLEC**
11 **SWITCHES. ARE THERE NUMEROUS CLEC CIRCUIT SWITCHES**
12 **SERVING END-USER CUSTOMERS THROUGHOUT OREGON?**

13 A. Yes. Both full and switch facilities-based competitors use their own switches to
14 provide service to end-user customers. Thus, a measure of the level and breadth of
15 facilities-based competition can be obtained by identifying the number of CLEC
16 switches serving customers in Oregon. Based on the Local Exchange Routing
17 Guide (“LERG”) maintained by Telcordia, there are at least 57 CLEC switches
18 serving wireline local exchange customers in Qwest’s Oregon territory.¹⁷ In many
19 cases, the area served by these switches is much larger than the geographic areas
20 served by Qwest switches.

21
22 **Q. ARE THERE OTHER WAYS TO MEASURE THE LEVEL OF**
23 **FACILITIES-BASED COMPETITION IN OREGON TODAY?**

¹⁷ I have included an excerpt from the LERG in Confidential Exhibit Qwest/5. In most cases, the LERG data shows the specific type of switch serving each rate center in Oregon. For example, the LERG identifies a switch as a Lucent 5ESS or a Nortel DMS100.

1 A. Yes. Local Interconnection Services (“LIS”) trunks are facilities that are used by
2 CLECs to connect CLEC-owned switches to Qwest switches for the exchange of
3 local traffic.¹⁸ Therefore, the existence of LIS trunks in a rate center indicates that
4 facilities-based competition (either full or switch-based) exists in the rate center.

5

6 **Q. HOW MANY LIS TRUNKS ARE THERE IN OREGON?**

7 A. Confidential Exhibit Qwest/6 provides the number of LIS trunks by exchange in
8 Oregon. As of May 31, 2005, there were [Confidential- XXXXXX] LIS trunks in
9 Oregon, which is indicative of the significant level of facilities-based competition in
10 the state.

11

12

2. UNE-P and QPP Competition

13

14 **Q. PLEASE DESCRIBE HOW A CLEC WOULD COMPETE WITH QWEST**
15 **VIA THE PURCHASE OF UNE-P OR QPP.**

16 A. CLECs competing with Qwest via Unbundled Network Element-Platform
17 (“UNE-P”) or Qwest Platform Plus (“QPP”) purchase the entire platform of Qwest
18 unbundled network elements, including the loop, switching, and shared transport to
19 provide local service to end users. With UNE-P or QPP, the CLEC need not self-
20 provision any facilities. In most cases, when an existing customer migrates from
21 Qwest retail service to a CLEC providing service via UNE-P or QPP, there is no
22 installation work (i.e., connection of jumpers, etc.) required, since the existing
23 network connections remain in place. The end user is still served with a Qwest loop,
24 connected to a Qwest switch and to Qwest transport. By purchasing UNE-P or QPP,
25 a CLEC can provide local exchange services at any price it deems appropriate.

¹⁸ These trunks are not necessary to handle calls from UNE-P or QPP based competitors, since these calls utilize only the Qwest network.

1

2 **Q. WILL QWEST BE PROVIDING UNE-P TO CLECs IN THE FUTURE?**

3 A. Based on the Triennial Review Remand Order (“TRRO”) that the FCC released on
4 February 4, 2005, the availability of UNE-P will be phased out over a twelve month
5 period ending on March 11, 2006. When the transition period ends, Qwest will no
6 longer provide UNE-P.

7

8 **Q. WHILE UNE-P WILL NO LONGER BE AVAILABLE, IS QWEST**
9 **COMMITTED TO OFFERING QPP SERVICE TO CLECs ON AN**
10 **ONGOING BASIS?**

11 A. Yes. Qwest has committed to meeting the ongoing needs of CLECs, and is offering a
12 “UNE-P-like” service, QPP. This offering provides the same functionality as UNE-
13 P, along with additional features, as defined in the QPP agreements negotiated with
14 numerous CLECs. Thus, while UNE-P will no longer be offered, a functionally
15 equivalent replacement product is available to CLECs. The availability of QPP
16 demonstrates that CLECs are not being forced off the Qwest network, and will not
17 have to self-provision switching in order to compete with Qwest.

18

19 Of course, a CLEC can also migrate from UNE-P to resale, or can provide services
20 using its own facilities either by purchasing UNE-L and providing its own
21 switching, or by serving customers entirely using its own facilities. Resale rates
22 and UNE-L rates are regulated by the Commission, and it is important to remember
23 that the FCC concluded that CLECs would not be “impaired” in their ability to
24 compete without access to UNE-P when it removed UNE-P from the unbundling
25 requirements of section 251 of the 1996 Act.

26

27 **Q. DOES QPP REPRESENT A VIABLE OPTION FOR CLECs?**

1 A. Yes. The commercially-negotiated QPP agreements between Qwest and CLECs
2 allow CLECs to continue purchasing “UNE-P like” service from Qwest now and in
3 the future. The large number of QPP lines provided by Qwest today demonstrates
4 that Qwest’s QPP offering *does* provide an adequate replacement for UNE-P.

5

6 **Q. HAS QWEST NEGOTIATED QPP AGREEMENTS WITH THE MAJOR**
7 **CLECs IN OREGON?**

8 A. Yes. As of July 14, 2005 Qwest has negotiated 36 QPP agreements with CLECs in
9 Oregon, encompassing 97% of the combined UNE-P/QPP lines in Oregon. Exhibit
10 Qwest/7 contains a list of the Oregon CLECs that have negotiated a QPP agreement
11 with Qwest. A copy of each QPP service agreement has been provided to the
12 Commission, and is also available on the Qwest website, at:

13

14 <http://www.qwest.com/wholesale/clecs/commercialagreements.html>

15

16 Based on these agreements, CLECs have been migrating lines from UNE-P to the
17 QPP agreements. As of May 31, 2005, 25 CLECs in Oregon were purchasing
18 [Confidential- XXXXX] QPP lines from Qwest to serve business customers, while
19 only [Confidential- XXXX] business UNE-P lines remained.

20

21 **Q. WHAT IMPACT HAS THE IMPLEMENTATION OF QPP AGREEMENTS**
22 **HAD ON THE LEVEL OF BUSINESS COMPETITION IN OREGON?**

23 A. The implementation of QPP as a replacement for UNE-P does not appear to have
24 had any negative impact on the level of platform-based competition in Oregon. In
25 fact, the number of combined QPP and UNE-P business lines provided by Qwest in
26 Oregon as of May 31, 2005 was almost 10% greater than the number of business

1 UNE-P lines provided in March 2004, prior to the QPP offering. Since December
2 2002, business UNE-P/QPP lines have increased 120%:

3
4

5 [CONFIDENTIAL]	<u>UNE-P</u>	<u>QPP</u>	<u>Total</u>
6			
7 December, 2002	XXXXXX	NA	XXXXXX
8			
9 March, 2004	XXXXXX	NA	XXXXXX
10			
11 May, 2005	XXXX	XXXXXX	XXXXXX
12 [CONFIDENTIAL]			

13 Thus, it is apparent that QPP represents a very adequate replacement for UNE-P,
14 and that the discontinuance of UNE-P is not having a negative impact on CLECs'
15 ability to compete with Qwest in Oregon.

16

17 **Q. PLEASE PROVIDE AN EXAMPLE OF THE TERMS CONTAINED IN THE**
18 **QPP AGREEMENTS.**

19 A. The first QPP agreement was signed by Qwest and MCI in July 2004. This
20 agreement states that QPP would be provided at a rate equivalent to the current
21 UNE-P offering through December 31, 2004, after which the pricing schedule
22 includes a three-step phase-in on January 1, 2005, January 1, 2006 and January 1,
23 2007. The pricing schedule is unique by state and includes differentiated pricing
24 for residential and business lines. Rates will increase an average of less than \$5
25 (across both residential and business lines) by the end of the 3½-year transition
26 period. In addition, MCI will earn a 10% discount after the first year if it maintains
27 90% of the QPP lines in service on the QPP platform, to be reset annually. Other
28 QPP agreements have similar terms.
29

1 **Q. IS THERE EVIDENCE THAT CLECs CAN BE SUCCESSFUL IN THE**
2 **LOCAL EXCHANGE MARKET VIA THE PURCHASE OF QPP, DESPITE**
3 **THE INCREASE IN PRICE OVER UNE-P?**

4 A. Yes. The best evidence that QPP pricing is not harming CLECs is that numerous
5 CLECs are utilizing QPP today to provide service to business customers. Clearly,
6 for these CLECs, QPP terms and pricing fit within their business plans. In fact,
7 several CLECs that have signed a QPP agreement are increasing the number of
8 business customers served, in some cases dramatically. These firms are obviously
9 convinced that they can make money offering local business service using the
10 Qwest network via the purchase of QPP.

11

12 **Q. WILL QPP AGREEMENTS BE AVAILABLE IN THE FUTURE?**

13 A. Yes. Qwest continues to negotiate QPP agreements with CLECs and will do so in
14 the future. However, the specific terms of such agreements may change, just as the
15 terms of any commercial agreement may change when new agreements are
16 negotiated.

17

18 **3. Resale-based Competition**

19

20 **Q. PLEASE DESCRIBE HOW A CLEC WOULD COMPETE WITH QWEST**
21 **VIA RESALE?**

22 A. CLECs competing with Qwest via resale purchase Qwest retail services at a
23 wholesale discount that has been approved by the Commission. The current Qwest
24 SGAT sets the wholesale discount rate at 17%. When a CLEC purchases a retail
25 service at the wholesale discount, it need not self-provision any facilities, and when
26 an existing customer migrates from Qwest retail service to a CLEC providing

1 service via resale, there is no installation work (i.e., connection of jumpers, etc.)
2 required, since the existing network connections remain in place. The end user is
3 still served with a Qwest loop, connected to a Qwest switch and to Qwest transport.
4 The CLEC may offer the resale service at any price it deems appropriate

5

6 **Q. HOW MANY BUSINESS LINES ARE PURCHASED AT THE**
7 **WHOLESALE DISCOUNT IN OREGON TODAY?**

8 A. As of May 2005, 26 CLECs were purchasing [Confidential- XXXX] business lines
9 at the wholesale discount.

10

11 **Q. WILL THE WHOLESALE DISCOUNT BE IMPACTED IF QWEST'S**
12 **PETITION IS APPROVED BY THE COMMISSION?**

13 A. No. Qwest is required by the Act and FCC Orders to provide its retail services at an
14 "avoided cost" discount, and the Oregon Commission is responsible for approving
15 the discount rate. Qwest is required to provide retail services at this discount rate
16 regardless of the regulatory status of the retail service. For example, if the
17 Commission deregulates all business services, Qwest would still be required to
18 offer retail business services to CLECs at the current Qwest retail rate less the
19 Commission-approved discount.

20

21 **4. CLEC Wireline Market Share**

22

23 **Q. BASED ON THE COMPETITIVE DATA CURRENTLY AVAILABLE TO**
24 **QWEST, CAN YOU ESTIMATE THE SHARE OF THE RETAIL**
25 **SWITCHED BUSINESS MARKET THAT CLECs HAVE CAPTURED IN**
26 **OREGON?**

1 A. Yes. As I mentioned earlier, the Survey Results Report that Staff issued on July 27,
2 2005 provides a conservative estimate of the aggregate number of full facilities-
3 based switched business lines in Oregon as of February 28, 2005.¹⁹ In addition,
4 Qwest wholesale billing systems can be queried to produce the number of
5 unbundled loops, UNE-P lines, QPP lines and resale business lines provided to
6 CLECs in Oregon. Qwest systems also track the number of Qwest business
7 switched retail access lines. Based on these data, the CLEC and Qwest shares of
8 the retail switched business services can be estimated. Keep in mind that since
9 several CLECs did not respond to the Survey, the number of full facilities-based
10 lines may be understated, and therefore the CLEC market share represents a
11 *minimum* market share.

12

13 Confidential Exhibit Qwest/8 provides the following wholesale CLEC switched
14 business line quantities for Oregon, as of May 31, 2005:

15

16

Table A

17 **[CONFIDENTIAL]**

UNE-L Lines	Business UNE-P Lines	Business QPP Lines	Resale Business Lines	Total Wholesale Business Lines
XXXXX	XXXX	XXXXX	XXXX	XXXXXX

18 **[CONFIDENTIAL]**

19 Based on the Survey Results Report issued by Staff (Attachment 3, page 2), on
20 February 28, 2005 there were [Confidential- XXXXX] full facilities-based CLEC
21 lines in Oregon, as discussed earlier. Based on the wholesale switched business
22 lines provided to CLECs by Qwest as of May 31, 2005, and the full facilities-based

¹⁹ It is my understanding that a major facilities-based national CLEC has not responded to the survey, which would indicate that these lines are understated.

1 switched business lines provided in the Staff Report, the CLEC and Qwest business
2 switched services market shares in Oregon are as follows:

3
4

Table B

5 **[CONFIDENTIAL]**

Business UNE-L, UNE-P, QPP and Resale Lines	Full Facilities -based Lines	Total CLEC Business Lines	Qwest Retail Business Lines	Total Lines	CLE C Mark et Shar e	Qwest Market Share
XXXXXX	XXXXX	XXXXXX	XXXXXX	XXXXXX	XX%	XX%

6 **[CONFIDENTIAL]**

7 These calculations combine full facilities-based lines from February 2005 with
8 wholesale lines provided by Qwest from May 2005 which creates somewhat of a
9 mismatch. However, it is reasonable to assume that the full facilities-based line
10 counts would not change significantly over a three-month period. Thus, the
11 calculation provides a reasonable estimate of the minimum CLEC market share as
12 of May 31, 2005.

13

14 **Q. IN QUANTIFYING THE NUMBER OF WHOLESALE SWITCHED**
15 **BUSINESS LINES PROVIDED TO CLECs BY QWEST, WHY HAVE YOU**
16 **RELIED ON QWEST WHOLESALE BILLING SYSTEMS DATA RATHER**
17 **THAN THE COMMISSION SURVEY DATA?**

18 A. As noted earlier, a number of CLECs did not respond to the Survey, and therefore
19 the quantities of UNE-L, UNE-P, QPP and resale lines in the Survey are
20 understated. Since Qwest billing systems quantify how many UNE-L, UNE-P, QPP

1 and resale business lines it bills to CLECs, I have relied on this data rather than the
2 wholesale line data in the survey.²⁰

3

4 **Q. HAVE YOU BEEN ABLE TO CALCULATE THE RELATIVE SWITCHED**
5 **BUSINESS SERVICES MARKET SHARE BY WIRE CENTER, RATE**
6 **CENTER OR REGION USING THIS DATA?**

7 A. Not entirely. Qwest knows the number of wholesale business lines (UNE-L,
8 UNE-P, QPP and resale) provided to CLECs in each Oregon wire center, and these
9 quantities are delineated in Confidential Exhibit Qwest/8. However, while the
10 Survey Results Report provides a conservative estimate of the total number of full
11 facilities-based CLEC lines in Oregon, it only provides geographic detail for basic
12 business lines in Portland and Clackamas. There is no detail for any other rate
13 center or service because there are less than four CLECs, and the data has been
14 redacted.

15

16 **Q. CAN YOU ESTIMATE THE RELATIVE BUSINESS SWITCHED SERVICE**
17 **MARKET SHARE IN PORTLAND AND CLACKAMAS?**

18 A. Yes. Confidential Exhibit Qwest/8 provides the number of wholesale business lines
19 (UNE-L, UNE-P, QPP and resale) that Qwest provides in Portland and Clackamas,
20 and the Survey Results Report provides the number of full facilities-based CLEC
21 lines in Portland and Clackamas (Attachment 3, page 2). The estimated market
22 shares for these rate centers are as follows:

²⁰ As I noted earlier, I have assumed that all UNE-L lines serve business customers, since the CLECs ordering the vast majority of UNE-L lines serve primarily business customers.

Table C

[CONFIDENTIAL]

Rate Center	Business UNE-L, UNE-P, QPP and Resale Lines	Full Facilities-based Lines	Total CLEC Bus. Lines	Qwest Retail Bus. Lines	Total Lines	CLEC Market Share	Qwest Market Share
Portland	XXXXX	XXXXX	XXXXX	XXXXX	XXXXXX	XX%	XX%
Clackamas	XXXX	XXX	XXXX	XXXXX	XXXXX	XX%	XX%

[CONFIDENTIAL]

Q. WHILE FULL FACILITIES-BASED LINE DATA IS NOT AVAILABLE FROM THE SURVEY FOR ANY RATE CENTERS OTHER THAN PORTLAND AND CLACKAMAS, HAVE YOU ESTIMATED THE CLEC AND QWEST BUSINESS SWITCHED SERVICES MARKET SHARE FOR THE REMAINING RATE CENTERS?

A. Yes. Confidential Exhibit Qwest/8 calculates a conservative estimate of the CLEC switched business market wireline market share for rate centers in Oregon as of May 31, 2005.²¹ This exhibit provides data for each Qwest wire center in Oregon, and groups these wire centers into rate centers and the geographic areas defined in the Commission’s annual report on competition. It is important to understand, however, that the CLEC wireline market shares calculated in this Confidential Exhibit Qwest/8, with the exception of Portland and Clackamas, are understated because the analysis does not include full facilities-based lines. Moreover, even the CLEC wireline markets shares calculated for Portland and Clackamas may be understated, since some CLECs have not responded to the survey.

²¹ For this analysis, Qwest assumes that 100% of stand-alone UNE loops are used for business services. As I mentioned earlier, the vast majority of UNE-L lines are purchased by CLECs that market their services primarily to business customers.

[PUBLIC VERSION]

1 Table D below summarizes the UNE-L, UNE-P, QPP and resale switched business
2 lines provided by Qwest to CLECs for each geographic area in Oregon, as
3 calculated in Confidential Exhibit Qwest/8.

4

5 **Table D – CLEC Lines Purchased From Qwest**

6 **[CONFIDENTIAL]**

Geographic Area	UNE-L Lines	Business UNE-P Lines	Business QPP Lines	Resale Business Lines	Total Wholesale Business Lines
Central	XXXX	XXX	XXXXX	XXXX	XXXXX
Coastal	XX	XX	XXXX	XXX	XXXX
Eastern	XXXX	XX	XXXX	XXX	XXXX
Eugene	XXXX	XXX	XXXX	XXX	XXXXX
Portland	XXXXX	XXX	XXXXX	XXX	XXXXX
Salem	XXXX	XXX	XXXX	XXX	XXXXX
Southwest	XXXX	XXX	XXXXX	XXXX	XXXXX
Willamette	XXXX	XXX	XXXX	XXX	XXXXX
TOTAL	XXXXX	XXXX	XXXXX	XXXX	XXXXXX

7 **[CONFIDENTIAL]**

8 Table E below summarizes the “minimum” wireline CLEC market “share”
9 calculations for each geographic area, as calculated in Confidential Exhibit
10 Qwest/8. I have added the Portland and Clackamas full facilities-based lines
11 described above to the Portland region CLEC wholesale line totals to calculate the
12 Portland region market share. In addition, the total market share calculation
13 includes full facilities-based lines that are not associated with rate centers in the
14 Survey Results Report.

15

Table E

[CONFIDENTIAL]

Geographic Area	Total CLEC Wholesale Lines²²	Qwest Access Lines	Total Addressed Lines	CLEC Minimum Market Share	Qwest Maximum Market Share
Central	XXXXX	XXXXX	XXXXX	XX%	XX%
Coastal	XXXX	XXXX	XXXXX	XX%	XX%
Eastern	XXXX	XXXX	XXXXX	XX%	XX%
Eugene	XXXXX	XXXXX	XXXXX	XX%	XX%
Portland	XXXXX*	XXXXXX	XXXXXX	XX%	XX%
Salem	XXXXX	XXXXX	XXXXX	XX%	XX%
Southwest	XXXXX	XXXXX	XXXXX	XX%	XX%
Willamette	XXXX	XXXXX	XXXXX	XX%	XX%
Unidentified	XXXX*				
TOTAL	XXXXXX	XXXXXX	XXXXXX	XX%	XX%

[CONFIDENTIAL]

* Portland geographic area includes full facilities-based lines for Portland and Clackamas from Survey Results Report. Unidentified geographic area includes full facilities-based lines for other rate centers from Survey Results Report.

On a statewide aggregate basis, the minimum market share for CLEC switched business services is estimated at [Confidential- XX%]. When viewed geographically, CLEC minimum market share ranges from [Confidential- XX% to XX%]. Again, the CLEC market share for each region is necessarily conservative since it does not include the impact of customers served by CLECs in a full facilities-based manner (except in the Portland and Clackamas rate centers) or the impact of end user business customers served by wireless or VoIP providers. In addition, as I have pointed out, the full facilities-based CLEC lines from the Survey

²² Includes UNE-L, UNE-P, QPP and resale lines provided by Qwest.

[PUBLIC VERSION]

1 are understated because several CLECs, including one major CLEC, have not
2 responded to the Survey.

3
4 **Q. IN DETERMINING WHETHER THE CRITERIA IN ORS 759.030(4) HAVE**
5 **BEEN MET, SHOULD THE ABSOLUTE LEVEL OF MARKET SHARE BE**
6 **THE PRIMARY CONSIDERATION?**

7 A. No. There are no “minimum market share” thresholds for competition in any
8 Oregon statutes or rules that Qwest must meet as a precondition to approval of
9 Qwest’s petition. ORS 759.030(4) states that the Commission should consider “the
10 extent to which services are available from alternative providers in the relevant
11 market.” This does not mean that a specific level of market share or market
12 concentration is necessary in order for the Commission to determine that “price and
13 service competition exist” or that the services are “subject to competition.” For
14 example, the Commission should not determine that services are “subject to
15 competition” only when it meets a specific CLEC market share level, or when it has
16 met a specific level of market concentration (for example as measured by the
17 Herfindahl-Hirschman Index (“HHI”)). Instead, the Commission should focus on
18 whether there is sufficient competition to constrain Qwest’s ability to raise prices
19 for its services in the market. In reality, Qwest may be constrained even when
20 CLECs have a relatively low market share, because even under these conditions,
21 business customers may have readily available competitive alternatives, and would
22 be likely to move to another carrier if Qwest were to raise its prices.

23
24 In addition, the Commission should not focus solely on wireline market share. As I
25 will demonstrate below, switched business service customers in Oregon now have
26 the option of utilizing alternative technologies such as wireless and VoIP to meet
27 their switched business service needs. The Commission should use caution when

1 evaluating wireline market share data, such as the calculations I have presented
2 above, because these data do not consider the increasing number of switched
3 business lines that are served using VoIP technology.

4
5 **Q. WHAT DO YOU CONCLUDE REGARDING THE “EXTENT TO WHICH**
6 **SERVICES ARE AVAILABLE FROM ALTERNATIVE PROVIDERS IN**
7 **THE RELEVANT MARKET” FOR SWITCHED BUSINESS SERVICES IN**
8 **OREGON?**

9 A. As I have demonstrated, there are numerous competitive providers offering
10 “alternative” wireline business local exchange services throughout Qwest’s serving
11 area in Oregon. I have shown that the criterion listed in ORS 759.030(4)(a) has
12 been satisfied, even if we consider only traditional wireline competition. However,
13 wireless and VoIP based services also represent “services which are available from
14 alternative providers in the relevant market.” I will discuss these intermodal service
15 alternatives later in my testimony.

16
17 **V. THE AVAILABILITY OF FUNCTIONALLY EQUIVALENT OR**
18 **SUBSTITUTABLE SERVICES AT COMPETITIVE RATES, TERMS, AND**
19 **CONDITIONS**

20
21 **Q. ARE ALTERNATIVE SWITCHED BUSINESS SERVICES AVAILABLE TO**
22 **OREGON CUSTOMERS AT COMPETITIVE PRICES?**

23 A. Yes. Setting aside for a moment the business service alternatives offered by
24 wireless and VoIP providers (which I will discuss in Section VIII), numerous
25 CLECs are offering a wide range of telecommunications services that may be
26 substituted for Qwest’s basic and advanced business services. These services are

1 comparable to Qwest services in terms of features and functionality, and are offered
2 at competitive prices. Exhibit Qwest/9 provides an analysis of the various switched
3 business services offerings of Qwest and numerous facilities-based alternative
4 providers, including AT&T, ELI, Eschelon, Granite, Integra, MCI, McLeod,
5 Oregon Telecom, Rio Communications and XO. Most of these carriers are
6 described in Section VII of my testimony.

7
8 **Q. IS IT EASY TO OBTAIN COMPREHENSIVE DATA ON CLEC PRICING**
9 **OF SWITCHED BUSINESS SERVICES IN OREGON?**

10 A. No. It should be noted that unlike Qwest, and unlike CLECs in many other states,
11 competitive providers are not required to file tariffs in Oregon, which makes a
12 comprehensive analysis of competitors' offerings very difficult to compile. In
13 addition, as of the time this testimony was prepared, Qwest has not been unable to
14 obtain meaningful pricing data from the Commission's Competitive Survey, as
15 CLEC pricing data is not included in the Staff's Survey Results Report. Qwest is
16 seeking to obtain the pricing data provided by CLECs in response to the Survey,
17 and I will update my testimony as this information is received.

18
19 Nevertheless, through a variety of methods, including checking websites and
20 reviewing tariffs in other states (such as Washington), Qwest has compiled a list of
21 alternative switched business services offerings and prices in Oregon. This exhibit
22 shows only a portion of a very competitive market; it does not include all
23 competitor wireline services that are available, and does not include any wireless
24 and VoIP-based competitive options, which I will discuss in Section XIII below.

25
26 **Q. PLEASE SUMMARIZE THE DATA CONTAINED IN EXHIBIT QWEST/9.**

1 A. To illustrate the competitive nature of the basic exchange business market in
2 Oregon, Exhibit Qwest/9 shows 10 unaffiliated CLECs offering competitive
3 alternatives to Qwest's basic flat rated business access line service. Qwest's flat
4 business line prices range from \$26.00 to \$30.50 per month for the three rate groups
5 in Oregon. CLECs, by comparison, offer flat rated business lines at prices ranging
6 from \$16.95 per month, as quoted by Oregon Telecom, to \$35.00-\$40.00 per month
7 – MCI's price. Multiple CLECs are also offering other analog and digital switched
8 business services, including analog PBX trunks, digital trunk service, ISDN service,
9 Frame Relay service, Asynchronous Transfer Mode (ATM) service, toll-free
10 services, etc., at rates that are very competitive. Granite Telecommunications, for
11 example, offers ISDN-Primary Rate Interface (PRI) service in Idaho at a rate of
12 \$550.00 per month, while McLeod offers its standard ISDN-PRI service in
13 Colorado for \$560.00 per month. Qwest's ISDN-PRI service price in Oregon is
14 \$537.00 per month. Several other CLECs also offer ISDN services – both PRI and
15 BRI (Basic Rate Interface). As a further indication of the CLECs' price
16 competitiveness, Qwest offers flat-rated analog PBX trunks at prices ranging from
17 \$28.00 to \$56.36 per month, depending on rate group and functionality, and AT&T,
18 ELI, Granite, MCI and XO are among the CLECs who offer analog PBX trunks in
19 this same price range. AT&T's analog trunks, for example, are priced at \$20.55 to
20 \$35.40 per month, and MCI's price for local trunk service is \$28.40 per month.

21

22 CLECs also provide features and ancillary products associated with the core analog
23 and digital services that provide customers with a wide range of alternatives to the
24 Qwest switched business services listed on Exhibit Qwest/2.

25

26

1 **VI. ECONOMIC OR REGULATORY BARRIERS TO ENTRY**

2
3 **Q. ARE THERE BARRIERS TO CLECs ENTERING THE BUSINESS LOCAL**
4 **EXCHANGE MARKET IN OREGON?**

5 A. No. First, it is important to understand that any legal and regulatory barriers that
6 may have existed to competitive local market entry were effectively eliminated with
7 the passage of the Telecommunications Act of 1996. Section 253 of the Act
8 requires all states to allow competition and preempts any state or local government
9 rules to the contrary:

10 No State or local statute or regulation, or other State or local legal
11 requirement, may prohibit or have the effect of prohibiting the ability of any
12 entity to provide any interstate or intrastate telecommunications service. 47
13 U.S.C. § 253(a).

14
15
16 Second, the Act eliminated economic barriers to entry. Sections 251(c) and 252(d)
17 of the Act and subsequent federal and state regulatory orders require Qwest and
18 other ILECs to resell retail services at an avoided cost discount, to provide
19 unbundled network elements (“UNEs”) at cost-based rates, and to interconnect with
20 competitors’ networks using cost-based reciprocal interconnection charges. Thus, a
21 CLEC could enter the Oregon business local telephone market not only by building
22 its own facilities, but also by purchasing facilities from Qwest. The Act and
23 subsequent FCC orders enabled CLECs to enter the market via UNE-Platform
24 (“UNE-P”) or resale, allowing a CLEC to serve end-user customers without
25 incurring the costs of building any of its own facilities.

26
27 Third, other than a relatively simple and straightforward certification application to
28 the Commission, CLECs in Oregon have virtually no state regulatory requirements

1 that would impede entry, and intermodal competitors such as wireless and VoIP
2 providers have no state regulatory requirements at all.

3
4 **Q. HAS THE FCC'S TRIENNIAL REVIEW REMAND ORDER ("TRRO")**
5 **ELIMINATED UNE-P AS A COMPETITIVE OPTION?**

6 A. Yes. As I discussed earlier in my testimony, the FCC in its February 4, 2005
7 Triennial Review Remand Order ("TRRO") determined that CLECs are not
8 impaired in their efforts to compete without the unbundled switching UNE, and
9 therefore ordered the availability of UNE-P to be phased out over a twelve-month
10 period ending on March 11, 2006.

11
12 **Q. DOES THE PHASE-OUT OF UNE-P CREATE A BARRIER TO CLECs**
13 **ENTERING THE LOCAL EXCHANGE MARKET?**

14 A. No. The phase-out of UNE-P does not create an entry barrier for CLECs. In fact,
15 given that the FCC's elimination of switching as a UNE is based on the fact that
16 *alternative switching is available* to CLECs, *by definition* the removal of UNE-P
17 cannot impair competition. A CLEC may provide its own switching or purchase
18 switching from another source, and combine this switching with an unbundled loop
19 (UNE-L) provided by Qwest (at Commission-approved TELRIC-based rates), to
20 serve an end-user customer. Thus the removal of Qwest unbundled switching and
21 UNE-P does not create an entry barrier for CLECs.

22
23 Further, while Qwest will no longer provide UNE-P when the FCC's transition
24 period ends, a CLEC will still not need to build its own facilities to compete with
25 Qwest. The CLEC may purchase Qwest retail services at Commission-approved
26 wholesale discounts, or, as I described earlier, a CLEC can purchase facilities via a
27 QPP agreement negotiated with Qwest. The commercially-negotiated QPP

1 agreements between Qwest and CLECs allow CLECs to continue purchasing
2 “UNE-P like” service from Qwest now and in the future. As I noted earlier in my
3 testimony, as of July 14, 2005, Qwest has already negotiated 36 QPP agreements
4 with CLECs in Oregon, encompassing 97% of the combined “platform” lines in
5 Oregon, and the number of QPP and UNE-P lines provided by Qwest in May 2005
6 is greater than the number of UNE-P lines provided in March 2004, prior to the
7 QPP offering. This data provides clear evidence that the elimination of UNE-P has
8 not erected a barrier to CLEC entry into the local exchange market.

9
10 **Q. DOES FUNCTIONAL PARITY EXIST WITH REGARD TO ORDERING,**
11 **INSTALLATION AND REPAIR OF WHOLESALE SERVICES UTILIZED**
12 **BY CLECs TO PROVIDE SWITCHED BUSINESS SERVICES IN**
13 **OREGON?**

14 A. Yes. Qwest’s UNE and resale ordering procedures, along with the service intervals
15 for installation and repair service, are documented in Qwest’s SGAT and were
16 reviewed by the Commission during Qwest’s Section 271 proceeding in Docket
17 UM 823. Although provisioning parity is not a requirement for exemption from
18 regulation in Oregon, Qwest was required to demonstrate provisioning parity in
19 conjunction with its Section 271 application for reentry into the interLATA toll
20 market. In that proceeding, the Commission found that Qwest had adopted all of
21 the necessary changes to the SGAT and its Qwest Performance Assurance Plan
22 (QPAP) with respect to checklist item 2 (UNEs) to warrant the Commission’s
23 positive approval recommendation to the FCC.²³ Further, in its discussion about
24 “public interest” factors, the Commission stated that in order to assure compliance

²³ Comments of the Public Utility Commission of Oregon, *In the Matter of Application by Qwest Communications International, Inc., for Authorization to Provide In-Region, InterLATA Services in New Mexico, Oregon and South Dakota*, WC Docket No. 0311 (February 3, 2003), pp. 11-12.

1 with the Act's requirements after Section 271 authority was granted, the
2 Commission "considered numerous issues raised by intervening parties with respect
3 to provisions in the QPAP and made findings and recommendations accordingly."

4 Specifically, the Commission stated:

5
6 With the recommended modifications made by Qwest to a significant number
7 of QPAP provisions, approval of the Qwest application [for 271 authority]
8 was found to be in the public interest."²⁴
9

10 Finally, Qwest has implemented OSS and change management processes for
11 interconnection and UNE orders. UNEs including unbundled loops are readily
12 available, and as evidenced by the data that I have provided in my testimony,
13 competitors are purchasing them throughout the state. Thus, there are no barriers to
14 entry associated with the ordering of wholesale services from Qwest.

15
16 **Q. ASSUMING QWEST'S PETITION IS APPROVED, HOW WILL THE**
17 **AVOIDED COST RESALE DISCOUNT BE APPLIED TO QWEST'S**
18 **RETAIL BUSINESS SERVICES?**

19 A. Qwest's petition is applicable only to *retail* switched business services, and all
20 prevailing terms governing Qwest's interconnection agreements and its SGAT will
21 continue to be in effect. Along with UNE and interconnection service rates, the
22 default resale discount rates in Oregon will continue to be established by the
23 Commission and would be unaffected by the granting of this petition. Thus,
24 changes in Qwest retail business rates will create no barriers to a CLEC utilizing
25 resale to participate in the Oregon business market.

26
27 **Q. ARE THERE BARRIERS TO FACILITIES-BASED CLEC ENTRY?**

²⁴ *Id.*, p. 16.

1 A. No. Some parties may argue that there are barriers to market entry because of the
2 high capital expenditures that may be required for a CLEC to build its own
3 facilities. However, as demonstrated above, a CLEC need not build its own
4 facilities to compete with Qwest; it can compete via the purchase of UNEs, QPP or
5 resale. Nonetheless, even if a CLEC decides to build its own facilities, the capital
6 outlay that may be required to “overbuild” facilities (*i.e.*, build a new telephone
7 network) does not represent a barrier to entry into the local exchange market (as
8 evidenced by the substantial number of CLEC full facilities lines reported in the
9 UX 29 Survey Results Report). Both Qwest and its competitors require capital to
10 finance investment; and thus, the cost of constructing telephone plant is not a
11 barrier to entry for competitors because both incumbents and competitors face
12 similar capital outlays and investment carrying charges for investments in their
13 networks. Although capital outlays needed to “overbuild” a traditional telephone
14 network may be significant, there is a well-functioning capital market that can
15 provide financing for such projects for companies with solid business plans.

16
17 **Q. DOES THE PRESENCE OF NUMEROUS COMPETITORS IN THE**
18 **SWITCHED BUSINESS SERVICES MARKET PROVIDE COMPELLING**
19 **EVIDENCE THAT THERE ARE NO ECONOMIC OR REGULATORY**
20 **BARRIERS TO ENTRY?**

21 A. Yes. The best evidence that there are no barriers to entry in the switched business
22 market in Oregon is the fact that there already *is* a significant level of competitive
23 entry for such services in Oregon today, as I demonstrated earlier. At least 50
24 CLECs today are serving a significant portion of the business telephone market in
25 Oregon via their own facilities and by purchasing UNEs, QPP and retail services at
26 a wholesale discount. If there were indeed significant barriers to facilities-based
27 entry, there would not be the high level of competition that is present today.

1

2 **Q. WHAT DO YOU CONCLUDE REGARDING WHETHER THERE ARE**
3 **BARRIERS TO ENTRY IN THE SWITCHED BUSINESS MARKET IN**
4 **OREGON?**

5 A. There are no barriers to entry in the Oregon switched business telecommunications
6 market. CLECs may build their own facilities to compete with Qwest, and many
7 have already done so. CLECs may also purchase Qwest loops at TELRIC-based
8 rates set by the Commission, and combine these loops with their own switching, as
9 many CLECs do today. CLECs can also purchase QPP from Qwest via a
10 negotiated agreement, as 25 CLECs are doing today. Quite simply, there are no
11 regulatory or economic barriers to entry that have prevented—or that could
12 prevent—the further growth of competition in the Oregon switched business
13 services market, and therefore the public interest does not require continued
14 regulation of these services.

15

16

VII. DESCRIPTION OF SELECT COMPETITORS

17

A. AT&T

18

19 **Q. PLEASE PROVIDE AN OVERVIEW OF AT&T AND DESCRIBE ITS**
20 **PRESENCE IN THE STATE OF OREGON.**

21 A. For more than 125 years, AT&T has been the most well-known name in
22 communications. According to AT&T, it has become a global leader in local, long
23 distance, Internet and transaction-based voice and data services.²⁵ In Oregon,
24 AT&T is serving business customers in [Confidential- XX] of Qwest's 77 wire

²⁵ See: <http://www.att.com> About Us page (visited July 30, 2005).

1 centers. It uses its own facilities (i.e., either its own switching, along with loops
2 purchased from Qwest, or its own switching *and* its own loop facilities) to serve
3 nearly [Confidential- xxxx] of those customers, and it serves remaining customers
4 through the purchase of QPP. Many of the business services offered by AT&T are
5 described in Exhibit Qwest/9.

6
7 In December 2003, AT&T unveiled its “major new initiative to deliver a full
8 complement of Voice over Internet Protocol (VoIP) services to business customers
9 and consumers in 2004.”²⁶ In announcing its VoIP initiative, AT&T Chairman and
10 CEO David Dorman asserted that “VoIP is the most significant, fundamental new
11 technology shift in telecommunications in decades and will deliver tremendous
12 value to all customers by leveraging the efficiencies and advanced communications
13 capabilities of IP-based technology.”²⁷ AT&T’s VoIP offering is discussed further
14 in Section XIII-B below.

15
16 In January 2005, SBC announced an agreement to acquire AT&T in a move that
17 “combines AT&T’s global systems capabilities, business and government
18 customers, and fast-growing Internet protocol (IP)-based business with SBC’s
19 extraordinary local exchange, broadband and wireless solutions,” giving the
20 combined company “the resources and skill sets to innovate and more quickly
21 deliver to customers the next generation of advanced, integrated IP-based wireline
22 and wireless communications services.”²⁸

23

²⁶ See: <http://www.att.com/news> Press release issued December 11, 2003 (visited June 26, 2004).

²⁷ See: <http://www.att.com/news> Press release issued December 11, 2003 (visited June 26, 2004).

²⁸ See: <http://sbc.merger-news.com/materials> (visited July 30, 2005).

1 **B. Electric Lightwave, Inc. (“ELI”)**

2
3 **Q. PLEASE PROVIDE AN OVERVIEW OF ELI AND DESCRIBE ITS**
4 **PRESENCE IN THE STATE OF OREGON.**

5 A. Founded in 1990, ELI is headquartered in Vancouver, Washington, and is a wholly-
6 owned subsidiary of Citizens Communications. In the western United States, ELI is
7 “a full service telecommunications provider, offering business customers a
8 complete suite of integrated products and services, including local phone service,
9 switched and dedicated long distance, private networks, and advanced data and
10 Internet access services.” In its full service markets, one of which is Portland, ELI
11 bundles its services to provide the convenience of a single bill and one number to
12 call for service.²⁹

13
14 ELI serves virtually all of its business customers in the Portland area via its own
15 switching and loop facilities, although the company also resells Qwest’s services on
16 a very limited basis. According to its website, ELI’s high-speed voice, data and
17 video transmission services are provided over “local and long-haul fiber optic
18 networks and extended regional and national networks.”³⁰ The company offers a
19 comprehensive portfolio of business services, including basic business lines, digital
20 trunks, ISDN, frame relay, ATM and toll-free long distance services. Exhibit
21 Qwest/9 describes many of the services offered by ELI.

22

²⁹ See: <http://www.electricleightwave.com/about> (visited May 11, 2005).

³⁰ See: <http://www.electricleightwave.com/about> (visited May 11, 2005).

1 **C. Eschelon**

2
3 **Q. PLEASE PROVIDE AN OVERVIEW OF ESCHELON TELECOM AND**
4 **DESCRIBE ITS PRESENCE IN THE STATE OF OREGON.**

5 A. Eschelon Telecom, Inc. (“Eschelon”), headquartered in Minneapolis, Minnesota, is
6 an integrated communications provider of voice, data, Internet services, and
7 business telephone systems. Eschelon was founded in 1996 and according to its
8 website, it has grown into “one of the leading telecommunications providers in the
9 country,” providing service in Oregon and six other states.³¹ Eschelon markets
10 almost exclusively to business customers, billing itself as “The Next Level of
11 Business Communications.” In Oregon, Eschelon advertises offices in Bend,
12 Eugene, Medford, Portland and Salem,³² and Qwest’s wholesale records indicate
13 that Eschelon is providing switched business services in [Confidential- XX] of
14 Qwest’s 77 wire centers in Oregon. Eschelon primarily serves its Oregon
15 customers via its own switches and the purchase of UNE-L from Qwest.

16
17 Eschelon recently completed its acquisition of Advanced TelCom, Inc., with
18 President and CEO Richard A. Smith proclaiming that Eschelon would now have a
19 “leading market position among CLECs operating in the Pacific Northwest with a
20 revenue run rate in excess of \$215 million and over 350,000 access line equivalents
21 in service.” He went on to describe the combined company as “a regional
22 powerhouse.”³³ In May of this year, Eschelon announced that it had filed a

³¹ See: http://www.eschelon.com/about_us/ (visited June 30, 2005).

³² See: <http://www.eschelon.com/markets/> (visited June 30, 2005).

³³ See: http://www.eschelon.com/about_us/ Press Release issued January 3, 2005 (visited July 21, 2005).

1 registration statement with the Securities and Exchange Commission for a proposed
2 initial public offering of its common stock.³⁴

3
4 As described more fully in Exhibit Qwest/9, Eschelon offers a number of local
5 switched services to small and medium-sized businesses in Oregon, including basic
6 local lines, features, digital T-1 service, and integrated voice and data services. The
7 company cites its broad product set, quality solutions, and network reliability as
8 three distinct reasons why businesses should select Eschelon.³⁵

9
10 **D. Granite Telecommunications (“Granite”)**

11
12 **Q. PLEASE PROVIDE AN OVERVIEW OF GRANITE**
13 **TELECOMMUNICATIONS AND DESCRIBE ITS PRESENCE IN THE**
14 **STATE OF OREGON.**

15 A. Headquartered in Quincy, Massachusetts, Granite Telecommunications (“Granite”)
16 provides local and long distance telecommunications services to small, medium and
17 large business customers in 49 states. According to its website, Granite has
18 achieved an industry-leading market share offering bundled services at competitive
19 prices. Granite is a \$145 million profitable, cash flow positive telephone company
20 without debt.³⁶

21
22 Granite is currently providing service in [Confidential- XX] of Qwest’s 77 wire
23 centers in Oregon, exclusively through the purchase of QPP. The company’s

³⁴ See: http://www.eschelon.com/about_us/ - Press Release issued May 9, 2005 (visited July 21, 2005).

³⁵ See: <http://www.eschelon.com/why/> (visited July 21, 2005).

³⁶ See: <http://www.granitenet.com> (visited July 6, 2005).

1 website includes no specific product or service information, but a review of
2 Granite's tariffs in Idaho and Washington shows that Granite is offering a full
3 complement of business services, including basic lines, feature packages, trunks,
4 ISDN and toll-free services. Some of the products offered by Granite are described
5 in Exhibit Qwest/9.

6
7 **E. Integra Telecom**

8
9 **Q. PLEASE PROVIDE AN OVERVIEW OF INTEGRATELECOM AND**
10 **DESCRIBE ITS PRESENCE IN THE STATE OF OREGON.**

11 A. Headquartered in Portland, Integra Telecom ("Integra") is "a facilities-based,
12 integrated communications provider, primarily focused on serving small and
13 midsize companies located in the business centers" of Oregon and four other
14 states.³⁷ Integra owns and operates its own network, utilizing Lucent 5ESS@
15 switching equipment to support all local and long distance voice services.³⁸ The
16 company utilizes its own switches, along with the purchase of UNE-L from Qwest,
17 to serve the majority of its business customers in [Confidential- XX] of Qwest's 77
18 wire centers in Oregon.

19
20 Integra recently announced that it had grown by 15 percent in 2004, marking its
21 eighth consecutive year of double-digit growth.³⁹ This impressive growth led to
22 Integra being named by *Inc.* magazine as the 344th fastest growing private
23 company in America, and for the sixth consecutive year the Portland Business

³⁷ See: <http://www.integratelecom.com/about/> (visited June 30, 2005).

³⁸ See: http://www.integratelecom.com/about/network_and_facilities.asp (visited June 30, 2005).

³⁹ See: http://www.integratelecom.com/about/news_releases/2005 News Release issued April 11, 2005 (visited June 30, 2005).

1 Journal included Integra on its list of fastest-growing private companies in the
2 Portland area. Notably, in 2004, the company became the first major CLEC since
3 2000 to repay in full its original debt funding.

4
5 As described more fully in Exhibit Qwest/9, Integra offers many business local
6 services in Oregon, including basic business lines, features, T1 services, and
7 integrated voice and data solutions. Integra's success in marketing these services
8 can be measured by the 247,000 access lines it had in service across five states by
9 the end of 2004.⁴⁰ It is already the [Confidential- xxxxxxxx] CLEC competing in
10 Qwest's territory in Oregon, and the company is predicting continued growth in
11 2005.

12
13 **F. MCI**

14
15 **Q. PLEASE PROVIDE AN OVERVIEW OF MCI AND DESCRIBE ITS**
16 **PRESENCE IN THE STATE OF OREGON.**

17 A. MCI describes itself as "a leader in serving global businesses, government offices,
18 and U.S. residential customers" that provides service to millions of business and
19 residential customers. For the business market, it offers a comprehensive portfolio
20 of local-to-global business data, Internet and voice services, including frame relay,
21 ATM and a full range of dedicated, dial and value-added Internet services.⁴¹ Some
22 of the services that MCI offers are described in more detail in Exhibit Qwest/9. In
23 addition to its wireline services, MCI also offers business VoIP services through its
24 MCI Advantage product line.

⁴⁰ See: http://www.integratelecom.com/about/news_releases/2005 News Release issued April 11, 2005 (visited June 30, 2005).

⁴¹ See: <http://global.mci.com/about/company> (visited July 30, 2005).

1

2 MCI owns and operates one of the largest communications networks in the world.
3 Its 98,000-mile fiber optic network is “designed to support the largest array of data
4 communications and voice products in the world.”⁴² In Oregon, MCI is providing
5 service to business customers in [Confidential- XX] of Qwest’s 77 wire centers
6 using its own facilities and via the purchase of QPP from Qwest.

7

8 MCI is being acquired by Verizon Communications, and in joint comments filed
9 with the FCC in May 2005, the two companies claimed to be “creating a strong new
10 competitor for enterprise customers nationwide, enhancing investment in the
11 nation’s critical infrastructure, and establishing the nation’s most advanced
12 broadband platform, capable of delivering next-generation multimedia services in
13 markets across the country.”⁴³

14

15 **G. McLeodUSA (“McLeod”)**

16

17 **Q. PLEASE PROVIDE AN OVERVIEW OF MCLEOD AND DESCRIBE ITS**
18 **PRESENCE IN THE STATE OF OREGON.**

19 A. McLeodUSA (“McLeod”), headquartered in Cedar Rapids, Iowa, is a significant
20 telecommunications competitor in Oregon, offering business services in
21 [Confidential- XX] of Qwest’s 77 wire centers in the state. According to its website,
22 McLeod provides “reliable local, long distance, wireless, data and Internet service to
23 rural and metropolitan areas” in 25 Midwest, Southwest, Northwest and Rocky

⁴² See: <http://global.mci.com/about/network> (visited July 30, 2005).

⁴³ See: <http://newscenter.verizon.com/proactive/newsroom/release> Press release issued May 24, 2005 (visited July 30, 2005).

1 Mountain states.⁴⁴ McLeod owns, operates and maintains a full range of facilities,
2 including as of March 31, 2005: 38 ATM switches, 39 voice switches, 699
3 collocations and 432 DSLAMs.⁴⁵

4
5 In Oregon, McLeod serves business customers across the state both by utilizing its
6 own facilities and via the purchase of QPP. Roughly [Confidential- xxxx] of
7 McLeod's access lines in Oregon are facilities-based, and [Confidential- xxxx] of
8 these are provided through the use of its own switching facilities in combination
9 with loops purchased from Qwest (switch facilities-based competition). McLeod
10 offers a full array of business services, many of which are described in Exhibit
11 Qwest/9. In addition to its wireline services, McLeod also offers business VoIP
12 services through its Preferred Advantage products. According to McLeod's
13 website, its Preferred Advantage VoIP services are available in Portland and
14 Salem.⁴⁶

16 H. Oregon Telecom

18 Q. PLEASE PROVIDE AN OVERVIEW OF OREGON TELECOM AND 19 DESCRIBE ITS PRESENCE IN THE STATE OF OREGON.

20 A. Oregon Telecom is a Salem-based provider of local and long-distance phone
21 service and broadband Internet services, primarily serving business customers in
22 Oregon. According to a news release issued by the company on February 27, 2004:
23 "Thousands of businesses have signed on with Oregon Telecom since it started up

⁴⁴ See: <http://www.mcleodusa.com/CompanyInformation/OurNetwork> (visited July 30, 2005).

⁴⁵ See: <http://www.mcleodusa.com/CompanyInformation/OurNetwork> (visited July 30, 2005).

⁴⁶ See: <http://www.mcleodusa.com/FindProductsResult.do> (visited July 8, 2005).

1 in October 2001.”⁴⁷ Oregon Telecom has a network of branch support offices in
2 Bend, Eugene, Klamath Falls, Medford, Newport, Oregon City, Roseburg and
3 Salem.⁴⁸ It is a privately-held company, and while it does not release financial or
4 customer data, it claims to be a “profitable company without any significant debt.”⁴⁹

5
6 Oregon Telecom has been successful in capturing a significant share of the business
7 telecommunications market in Oregon, becoming the [Confidential- xxxxxxxxx]
8 CLEC provider of business services in Oregon after less than four years of
9 operation. The company is currently serving business customers in [Confidential-
10 XX] of Qwest’s 77 wire centers, primarily through the purchase of QPP.
11 Advertising a “huge product line” on its website, Oregon Telecom states that it
12 offers a wide range of business products to suit the telecommunications and Internet
13 needs of its customers.⁵⁰ Since the availability of price information is limited,
14 Exhibit Qwest/9 offers only a glimpse of the services that Oregon Telecom
15 provides.

16
17 **I. Rio Communications (“Rio”)**

18
19 **Q. PLEASE PROVIDE AN OVERVIEW OF RIO COMMUNICATIONS AND**
20 **ITS PRESENCE IN THE STATE OF OREGON.**

21 A. Headquartered in Roseburg, Rio is a local company that describes itself as being “a
22 full service telephone company providing high-speed service for both voice and

⁴⁷ See: <http://www.oregontelecom.com> News Release issued February 27, 2004: Oregon Telecom Expands (visited July 6, 2005).

⁴⁸ See: <http://www.oregontelecom.com/contactus> (visited July 11, 2005).

⁴⁹ See: <http://www.oregontelecom.com> News Release issued February 27, 2004: Oregon Telecom Expands (visited July 6, 2005).

⁵⁰ See: <http://www.oregontelecom.com/productsservices> (visited July 1, 2005).

1 data along with the products to support them.” On its website, it defines itself as
2 both a “leading Voice over Internet Protocol (VoIP) communications solution
3 provider” and a CLEC that is in a “unique position to offer local and long-distance
4 phone service combined with Internet services and data connectivity.”⁵¹

5
6 Rio is currently offering business services in [Confidential- XX] of Qwest’s 77 wire
7 centers in Oregon, primarily through the purchase of UNE-L, but also using resale
8 on a limited basis. In addition to its corporate headquarters in Roseburg, Rio also
9 has offices in Portland, Eugene, Medford and Bend.⁵² The company boasts
10 standard business lines that, according to Rio, include “features you pay extra for
11 with your current local carrier: call forwarding, extended area service, call transfer,
12 direct inward dialing, and 800 number service.”⁵³ Rio offers a full range of
13 business voice and data services, including ISDN, Frame Relay and ATM services.
14 Many of these services are described in Exhibit Qwest/9.

15
16 **J. United Communications (“UNICOM”)**

17
18 **Q. PLEASE PROVIDE AN OVERVIEW OF UNICOM AND DESCRIBE ITS**
19 **PRESENCE IN THE STATE OF OREGON.**

20 A. Founded in 1985 and headquartered in Bend, United Communications
21 (“UNICOM”) states that it provides state-of-the-art telecommunications services to
22 businesses and residences throughout Oregon and in parts of Washington.
23 Although UNICOM also serves residential customers, commercial customers make

⁵¹ See: http://www.rio.com/about_rio and http://www.rio.com/what_we_do (visited July 1, 2005).

⁵² See: http://www.rio.com/contact_information (visited July 27, 2005).

⁵³ See: http://www.rio.com/services/phone_services (visited July 1, 2005).

1 up “the largest portion” of its customer base, and it boasts one of the highest
2 customer retention figures in the industry. The company serves “a broad range of
3 industries including financial institutions, health care facilities, colleges, legal
4 firms, as well as businesses with multiple locations that require reliable, high speed
5 transfer of data and voice.”⁵⁴ UNICOM has offices located in six communities in
6 Qwest’s Oregon service territory, including Bend, Grants Pass, Klamath Falls,
7 Medford, Pendleton and Portland.⁵⁵

8
9 UNICOM is currently providing service in [Confidential- XX] of Qwest’s 77 wire
10 centers in Oregon, primarily through the purchase of QPP. According to its
11 website, it offers a host of business services, including Business Lines, Centrex, T1-
12 PRI/DSS, Call Features, Toll Free service, and a number of Internet and data
13 services.⁵⁶ UNICOM does not provide any service pricing information on its web
14 site, and Qwest has been unable to locate any UNICOM tariffs in other states.
15 Therefore, UNICOM’s services and prices are not included in Exhibit Qwest/9.

16
17 UNICOM also advertises its VoIP service as a “realistic and economical option for
18 small to medium-sized businesses.” The company invites website visitors to
19 contact a representative to “find out how VoIP can help your business grow.”⁵⁷ In a
20 June 2, 2005 press release, UNICOM announced that it had reached an agreement
21 with OneEighty Networks to acquire all of OneEighty’s Central Oregon assets. In
22 describing the benefits of this transaction, UNICOM Chairman and CEO Craig

⁵⁴ See: <http://www.ucinet.com/pages.cgi/company/about> (visited July 6, 2005).

⁵⁵ See: <http://www.ucinet.com/pages.cgi/company/locations> (visited July 6, 2005).

⁵⁶ See: http://www.ucinet.com/pages.cgi/business_services (visited July 6, 2005).

⁵⁷ See: <http://www.ucinet.com/pages.cgi/voip> (visited July 6, 2005).

1 Nelson explained that the acquisition would be “an excellent fit for our plans to
2 deploy facilities-based voice services using VoIP.”⁵⁸

3

4

K. XO Communications (“XO”)

5

6 **Q. PLEASE PROVIDE AN OVERVIEW OF XO COMMUNICATIONS AND**
7 **ITS PRESENCE IN THE STATE OF OREGON.**

8 A. XO Communications bills itself as “a telecommunications provider offering
9 nationwide communications solutions exclusively for businesses, agents and
10 carriers.”⁵⁹ XO’s website indicates that the company “serves 75 U.S. major
11 metropolitan markets.”⁶⁰ Portland is one of these markets, and according to its
12 website, XO has a Softswitch and a Class 5 Voice Switch located in Portland.⁶¹

13

14 In June 2004, XO announced that it had completed its acquisition of Allegiance
15 Telecom, “creating the nation’s largest provider of national local
16 telecommunications services focused exclusively on businesses.” XO CEO Carl
17 Grivner added that, as a result of this acquisition, the new XO would have “the
18 scale and size to serve even more business customers for their local and national
19 telecommunications needs and provide a more cost-effective alternative to the
20 incumbents.”⁶²

21

⁵⁸ See: <http://www.ucinet.com> Press release linked to Home Page (visited July 6, 2005).

⁵⁹ See: <http://www.xo.com> (visited July 26, 2005).

⁶⁰ See: <http://www.xo.com> (visited July 26, 2005).

⁶¹ See: http://www.xo.com/about/network/maps/map_complete (visited July 7, 2005).

⁶² See: <http://www.xo.com/news> Press release issued June 23, 2004 (visited July 30, 2005).

1 XO is a purely facilities-based CLEC, serving local exchange customers in the
2 Portland metropolitan area via its own switch. Some customers are served in a full
3 facilities-based manner, and some are served in a switch facilities-based manner,
4 via the purchase of UNE-L. According to its website, XO offers a complete
5 portfolio of business services, including basic business lines, analog and digital
6 trunks, Centrex, Frame Relay, ISDN-PRI and Toll-Free Service.⁶³ Exhibit Qwest/9
7 contains more information about these services. In addition to its wireline services,
8 XO also offers business VoIP services through its XOptions Flex product line.
9 Portland is among the more than 45 major markets where XOptions Flex is
10 available.⁶⁴

VIII. INTERMODAL COMPETITION

A. Wireless Services

15 **Q. PLEASE REVIEW THE RECENT TRENDS IN WIRELESS ACCESS LINE**
16 **GROWTH IN OREGON.**

17 A. As I noted earlier in my testimony, according to the FCC, the number of wireless
18 subscribers in Oregon increased from 1,201,207 in December 2000 to 2,029,224 in
19 June 2004—a 69% increase in four years.⁶⁵ Over this same time period, total ILEC
20 wirelines in Oregon decreased almost 20%, while Qwest access lines decreased
21 more than 23%. Thus, it is clear that wireless service is gaining market share at the
22 expense of wireline services; in fact there are now *more wireless “lines” than wired*

⁶³ See: <http://www.xo.com/products/a-zindex> (visited July 26, 2005).

⁶⁴ See: <http://www.xo.com/news> Press release issued April 18, 2005 (visited July 30, 2005).

⁶⁵ See *Local Telephone Competition: Status as of December 2004*, FCC Industry Analysis and Technology Division, Wireline Competition Bureau, released July 8, 2005, Table 13.

1 *lines* in Oregon according to the FCC's data. While the explosion of wireless
2 service is perhaps having a greater impact in the residential market, wireless service
3 is nonetheless impacting the business market, especially for small businesses.

4
5 **Q. IS WIRELESS SERVICE NOW A GENERALLY-ACCEPTED MEANS OF**
6 **PLACING AND RECEIVING TELEPHONE CALLS?**

7 A. Yes. Wireless phone service is now widely accepted by business and residential
8 consumers, and for many customers, it serves as a substitute for traditional wireline
9 telephone service. In addition, wireless providers are now augmenting their
10 services with data applications, such as dial-up wireless Internet access, text
11 messaging and image transmission, to bring additional functionality to their
12 services and to attract new customers. As stated in a recent report by the Yankee
13 Group:

14
15 From a 'product' perspective, cellular service has begun to deliver many of
16 the desired features and functionality of traditional voice. Primarily, the call
17 quality, service reliability and coverage reach of cellular has increased greatly.
18 While cellular reliability and coverage do not quite meet the high standards set
19 by wireline, the improvement has been marked, and the service experience is
20 close enough to wireline for many users.

21
22 As a result, wireless service is becoming increasingly interchangeable with
23 wireline service.⁶⁶

24
25 **Q. SHOULD WIRELESS SERVICE BE CONSIDERED AS A COMPETITIVE**
26 **FACTOR IN THE RETAIL SWITCHED BUSINESS SERVICE MARKET?**

27 A. Yes. While Qwest does not contend that all business customers view wireless
28 service as a complete substitute for traditional wireline service, wireless service
29 does represent an increasingly meaningful competitive alternative for single-line or

⁶⁶ See *A New Era in Voice Communications, as Mobile Changes the Rules for Wireline*, Yankee Group Report, November, 2003, p. 3.

1 multi-line business customers (where wireless service could replace all lines, or
2 serve as a substitute for a secondary line). With the advent of FCC-mandated
3 wireless number portability in November 2003, Qwest's wireline business
4 customers now have the option of retaining their preexisting Qwest telephone
5 number when moving to wireless service, which increases the attractiveness of
6 wireless service as a functional substitute for Qwest's switched business services.
7 Further, most wireless carriers in Oregon now use digital wireless technology,
8 which has greatly improved the quality of wireless calls and enhanced the
9 attractiveness of wireless service. Wireless carriers currently offer a full range of
10 calling features such as Call Waiting, Voice Messaging, Three-Way Calling, Call
11 Forwarding, etc., that are functionally similar to Qwest's calling features.

12
13 **Q. IS THERE EVIDENCE THAT BUSINESS CUSTOMERS ARE**
14 **SUBSTITUTING WIRELESS SERVICE FOR WIRELINE SERVICE?**

15 A. Yes. While residential customers have been substituting wireless service for their
16 landline connections for some time, this trend is now starting to gain traction in the
17 small business market, especially for those businesses that have employees that
18 spend time both in and out of the office. For example, "on the go" businesses such
19 as landscapers, construction managers and real estate agents are prime examples of
20 the types of small businesses that rely heavily on wireless service. In a report titled
21 "The Landline to Wireless Shift is Finally Under Way at Many SMBs" (small and
22 medium businesses), the Yankee Group stated: "Based on data from our 2003 Small
23 & Medium Business Bundled Communications Survey, we find landline
24 displacement is finally increasing across all SMB size segments."⁶⁷

25

⁶⁷ *The Landline to Wireless Shift is Finally Under Way at Many SMBs*, Yankee Group Report, December 3, 2003, p. 1.

1 In a recent deregulation proceeding, the Colorado Public Utilities Commission
2 hired an outside consulting firm (Ciruli Associates) to perform a survey of Colorado
3 residence and business customers to obtain opinions on several telecommunications
4 issues, including wireless substitution. When asked the abstract question of
5 whether they would consider replacing their business telephone service with
6 wireless phone service, 14% of business customers responded “yes.”⁶⁸ When Ciruli
7 Associates asked a more concrete version of the same question—based on various
8 levels of wireline price increases—the number of customers indicating a
9 willingness to wholly substitute wireless for wireline service increased
10 significantly:⁶⁹ For example, 25% of the business customers surveyed said they
11 would consider “cutting the cord” if Qwest were to increase its business rates by
12 \$25 per month. Another 38% of the customers surveyed said that they would
13 consider “cutting the cord” if Qwest were to increase its business rates by \$50 per
14 month. Only 45% of the customers said that they would not consider migrating to
15 wireless at any price—which (after excluding the 6% of customers who did not
16 respond) means that for more than half of Colorado business customers, relative
17 price is an important factor. It is reasonable to assume that Oregon business
18 customers would reflect the same sentiments.

19
20 This data demonstrates that for a significant number of Colorado—and Oregon—
21 business customers, wireless service may represent an effective substitute for
22 wireline service. The existence of wireless alternatives necessarily constrains
23 Qwest’s ability to raise prices for wireline switched business services because an

⁶⁸ *In the Matter of the Combined Application of Qwest Corporation for Reclassification and Deregulation of Certain Part 2 Products and Services and Deregulation of Certain Part 3 Products and Services*, Colorado Public Utilities Commission, Docket No. 04A-411T, Answer Testimony of Floyd Ciruli, filed February 18, 2005, Exhibit CA-1, p. 45.

⁶⁹ *Id.*, Exhibit CA-1, p. 47.

1 increase in Qwest's prices (or a decline in its service quality) would likely cause
2 these customers to replace their wireline service with a wireless phone, thereby
3 further reducing Qwest's profitability. Finally, it is important to understand that
4 wireless service need not be a complete substitute for *all* business customers in
5 order for it to constrain Qwest's wireline pricing. Thus, wireless service represents
6 an effective price-constraining substitute for wireline service.

7

8 **Q. WHICH WIRELESS PROVIDERS NOW OFFER SERVICE IN OREGON?**

9 A. Numerous wireless providers now offer service in the state, including Cingular,
10 Verizon Wireless, T-Mobile, Sprint, Nextel,⁷⁰ Edge Wireless, Leap Wireless (d/b/a
11 Cricket) and several small carriers.

12

13 **Q. DO THESE WIRELESS CARRIERS NOW PROVIDE SERVICE**
14 **THROUGHOUT QWEST'S SERVICE TERRITORY IN OREGON?**

15 A. Yes. Each wireless carrier does not typically serve customers who reside in every
16 location in the state, although customers are usually able to use "roaming" functions
17 even if they are not in their wireless carrier's primary service area. However,
18 wireless carriers in the aggregate provide coverage throughout virtually all of
19 Qwest's wireline service territory. Exhibit Qwest/10 includes publicly-available
20 Oregon wireless service availability maps for several wireless providers operating
21 in Oregon.

22

23 **Q. HAVE YOU ASSESSED THE SERVICES AND PRICES OF WIRELESS**
24 **CARRIERS AS COMPARED TO QWEST'S BUSINESS SERVICES IN**
25 **OREGON?**

⁷⁰ Nextel is currently in the process of merging with Sprint.

1 A. Yes. Wireless plans are now priced very competitively with Qwest's flat business
2 local exchange and package rates in Oregon. Exhibit Qwest/11 provides a sampling
3 of available plans from Cingular, Sprint PCS, Cricket, T-Mobile, Unice and
4 Verizon.⁷¹ and compares these plans to Qwest flat business line rates in the
5 Portland, Eugene, Salem, Corvallis and Bend areas. Typically, available wireless
6 calling plans include a standard range of calling features, such as Caller ID, Voice
7 Mail, Call Waiting, Three-Way Calling, etc., at no additional charge. As depicted
8 in Exhibit Qwest/11, these wireless plans are priced similarly to (and in some
9 instances, substantially lower than) Qwest's equivalent services (local exchange
10 business services with features or the Business Choice package). Clearly, wireless
11 services represent yet another competitive alternative to Qwest's switched business
12 services for many Oregon businesses.

13
14 As stated earlier in my testimony, Qwest does not contend that wireless service is
15 viewed as a complete substitute for wireline business services by all Qwest business
16 customers. However, for many business customers, and especially for smaller
17 businesses that have a need for mobility (i.e., landscapers, plumbers, real estate
18 agents, interior decorators, caterers, construction managers, transportation and
19 delivery personnel, etc.), wireless service is clearly substitutable for standard
20 wireline service. This competitive reality must be considered when assessing
21 overall competition in the switched business service market.

22
23 **Q. WHAT DO YOU CONCLUDE REGARDING THE IMPACT OF WIRELESS**
24 **COMPETITION IN THE SWITCHED BUSINESS SERVICES MARKET IN**
25 **OREGON?**

⁷¹ This exhibit provides a representative sample of Oregon wireless carriers and their rates. This comparison does not reflect all wireless carriers serving Qwest's service territory in Oregon.

1 A. As I have demonstrated, for a number of business customers, wireless service offers
2 an effective substitute for Qwest's switched business services. Even though
3 wireless service may not be a *perfect* substitute for wireline service, the existence of
4 wireless alternatives necessarily constrains Qwest's ability to raise prices for its
5 switched business services, because an increase in Qwest's prices would likely
6 cause *some business customers* to replace their wireline services with a wireless
7 phone, thereby further reducing Qwest's profitability. Quite simply, while *all*
8 customers do not see wireless as a perfect or viable substitute, as long as there are
9 enough customers who would consider a switch from Qwest's wireline service to
10 wireless service, Qwest would not be able to increase wireline rates without the
11 substantial risk of losing customers and the associated revenues to wireless
12 alternatives.

13

14

B. VoIP-Based Services

15

16 **Q. IS TELEPHONE SERVICE UTILIZING VoIP TECHNOLOGY NOW**
17 **AVAILABLE TO BUSINESS CUSTOMERS IN OREGON?**

18 A. Yes. In fact, numerous telecommunications providers, including Qwest, now offer
19 VoIP-based telephone services to business customers in Oregon. Alternative
20 providers currently offering VoIP-based business services in Oregon include
21 AT&T, Vonage, Packet8, Covad, MCI, XO, McLeod, Unicom and several others.⁷²
22 I will describe the business VoIP offerings for several of these provides below, and
23 Exhibits Qwest/12 through Qwest/19 contain press releases and web site postings

⁷² Comcast has recently announced that it is offering VoIP-based local exchange service in the Portland area, although the initial primary focus will be to serve residential consumers. In other states where Comcast offers telephone service, it does serve a number of business customers.

1 describing the business VoIP offerings of each of the aforementioned VoIP
2 providers.

3

4 **Q. DOES VOIP SERVICE FUNCTION IN A MANNER SIMILAR TO**
5 **STANDARD CIRCUIT-SWITCHED TELEPHONY?**

6 A. From a customer perspective, yes. VoIP-based telephone service looks and
7 functions very much like traditional telephone service. VoIP is a technology (rather
8 than a “service”) that allows a customer to utilize a standard telephone set to
9 originate and receive telephone calls using the same dialing patterns that are used
10 for standard wireline telephone service. Basic VoIP set-up is relatively simple—a
11 standard telephone is simply plugged into an adaptor (provided by the VoIP
12 carrier), which is then connected to the phone jack in a personal computer. From
13 the standpoint of the customer, VoIP works just like traditional telephone service,
14 except that it provides additional features and functionality. As I will describe,
15 there are numerous VoIP options and services available to meet the needs of small,
16 medium and large businesses.

17

18 VoIP providers also allow customers to select the area code they would like to be
19 assigned to them. For example, an Oregon VoIP customer with significant business
20 volumes with Chicago customers may elect a Chicago area code. By doing so, all
21 calls from Chicago callers to the Oregon-based customer essentially become toll-
22 free.

23

24 **Q. IN THE PAST, DID USERS OFTEN COMPLAIN ABOUT THE VOICE**
25 **QUALITY OF VOIP CALLS?**

26 A. Yes. However, this no longer appears to be a concern. While early VoIP calls may
27 have been subject to choppiness and dropped calls, VoIP transmission quality has

1 improved dramatically in the recent past, and in most cases, the quality of VoIP-
2 based services is indistinguishable from traditional telephone service. As noted
3 recently in *PC Magazine*, “[p]aid VoIP services. . . . have come a long way in
4 correcting issues that lead to poor voice quality. The sound quality with VoIP is
5 usually indistinguishable from that of traditional phone service.”⁷³

6
7 **Q. DOES VOIP SERVICE REQUIRE A CUSTOMER TO BE**
8 **“TECHNOLOGICALLY SAVVY”?**

9 A. Not really. While perhaps this was true in the early days of VoIP, today’s VoIP-
10 based services are certainly not limited to “techie.” For example, under normal
11 circumstances, the adapter provided by the VoIP provider is easily installed. One
12 simply connects the adapter provided by the VoIP provider to the cable or DSL
13 modem, using a standard modular cord. The adaptor is then connected to the
14 computer and the telephone is connected to the adaptor using modular cords. This
15 is no more difficult than connecting one’s computer to peripherals. To illustrate, I
16 have provided as Exhibit Qwest/20 a page from the AT&T “CallVantage” User
17 Guide that diagrams the equipment wiring.⁷⁴

18
19 **Q. DO VOIP PROVIDERS OFFER 911 SERVICES?**

20 A. Yes. Nearly all VoIP providers offer 911 services, and most now offer E-911
21 services that are equivalent to Qwest’s E-911 service. For example, Packet8’s web
22 site states that:

23
24 In June 2004, Packet8 became the first major broadband Internet telephone
25 service provider to offer E911 service to consumers. Packet8’s E911 service,

⁷³ “Talk Is Cheaper,” *PC Magazine*, January 12, 2005, see
<http://www.pcmag.com/article2/0,1759,1746589,00.asp>

⁷⁴ See http://www.usa.att.com/callvantage/faqs/user_guide.jsp

1 developed in partnership with Level3 Communications, automatically routes
2 emergency calls, along with computer-based “screen pops” of caller
3 information, to dispatch operators at local PSAPs.
4

5 Since Packet8 E911 calls are routed as emergency traffic, callers should
6 expect to receive the same response from emergency personnel that they
7 would receive from traditional 911 service, subject to the capabilities of the
8 local PSAP. Packet8’s E911 service eliminates the need for operators to ask
9 Packet8 callers their location, which could be vital in cases where the caller
10 may not be able to verbally communicate.
11 ⁷⁵

12 While AT&T has always offered 911 service to its VoIP customers, it is now
13 rolling out E-911 service. Specifically, AT&T has recently announced that it has
14 “begun introducing Enhanced 911 Service to its AT&T CallVantage Service users
15 in a phased deployment to be largely completed later this summer.” AT&T states
16 that its “E-911 service delivers a caller’s name, telephone number and service
17 address directly to the console of the appropriate Public Safety Answering Point
18 (PSAP) in the event of an emergency.”⁷⁶
19

20 Covad states that “Enhanced 911 (E-911) was built into Covad VoIP as a
21 fundamental feature on every single one of (its) managed VoIP lines since in its
22 introduction.”⁷⁷ Comcast states that it “has access to the network, systems and
23 capabilities to handle 911/E911 calls the way traditional phone companies do,
24 ensuring that calls, location information and telephone numbers are transmitted to
25 the correct local emergency responders.”⁷⁸
26

27 **Q, HAS THE FCC ISSUED AN ORDER REQUIRING ALL VoIP PROVIDERS**
28 **TO OFFER E-911 SERVICE BY THE END OF 2005?**

⁷⁵ See <http://www.packet8.net/about/e911.asp> (visited August 1, 2005).

⁷⁶ AT&T Press Release, July 11, 2005.

⁷⁷ See: <http://www.covad.com/voip/voip.shtml>

⁷⁸ Comcast Press Release, June 24, 2005.

1 A. Yes. On June 3, 2005, the FCC released Order 09-116 in Docket Nos. 04-36 and
2 05-196 requiring VoIP providers to offer E911 service by the end of 2005. The
3 FCC requires that :

4

- 5 • All interconnected VoIP providers must automatically provide E9-1-1
6 services to all customers as a standard, mandatory feature without
7 customers having to specifically request this service. VoIP providers may
8 not allow their customers the option to “opt-out” of E911 service.
- 9 • Before interconnected VoIP service providers can activate a new
10 customer’s service, providers must obtain from the customer the physical
11 location at which the service will first be used so that emergency services
12 personnel will be able to locate callers who dial 9-1-1. Interconnected
13 VoIP providers must also provide one or more easy ways for all customers
14 to update the physical location they have registered with the provider, if it
15 changes.⁷⁹

16

17 In sum, E-911 services are available from most VoIP providers today, and all VoIP
18 providers are required to provide E-911 by the end of 2005.

19

20 **Q. CAN YOU QUANTIFY THE NUMBER OF OREGON CONSUMERS NOW**
21 **UTILIZING VoIP-BASED SERVICES IN LIEU OF QWEST LOCAL**
22 **EXCHANGE SERVICES?**

23 A. Unfortunately, no. In part because VoIP providers are not required by any
24 governmental or regulatory agency to report the size and composition of their
25 customer bases, and in part because alternative competitive data is difficult to
26 obtain, Qwest has no real means of assessing the number of Oregon customers
27 served by VoIP providers. However, it is clear that VoIP service is being marketed
28 aggressively on a national basis and in Oregon. For example, Vonage recently
29 announced that it had more than 700,000 subscribers, and that it was adding 15,000

⁷⁹ See <http://ftp.fcc.gov/cgb/consumerfacts/voip911.html>

1 customers per week. According to its CEO, Jeffrey Citron, Vonage will easily
2 cross the one million subscriber mark before the end of 2005.⁸⁰ XO
3 Communications recently announced that it “has more than 1,000 customers of
4 XOptions Flex,” its VoIP services bundle for businesses. This occurred in “just
5 three months” after launching the service, and according to XO demonstrates “the
6 strong demand by small and medium-sized businesses for VoIP solutions that are
7 simple, flexible and cost effective.”⁸¹

8
9 **Q. ARE VOIP CALLS ASSESSED ORIGINATING ACCESS CHARGES?**

10 A. No. Currently, VoIP calls are not assessed originating switched access charges,
11 enabling VoIP providers to offer very low long distance rates. For example, as
12 depicted in Exhibits Qwest/12 through Qwest/19, AT&T, XO, Covad, Vonage,
13 Packet8 and other VoIP providers offer business customers unlimited local and long
14 distance calling within the continental United States and Canada for a flat fee, and
15 international long distance rates from the U.S. are generally offered at rates well
16 below standard direct-dialed rates.

17
18 **Q. ARE THE VOIP OFFERINGS AVAILABLE IN OREGON PRICED
19 COMPETITIVELY WITH QWEST’S SWITCHED BUSINESS SERVICES?**

20 A. Yes. VoIP offerings available to Oregon business customers today are priced very
21 competitively with Qwest switched business rates; however, since VoIP services
22 typically include numerous features (and in many cases, free long distance), it is
23 most meaningful to compare VoIP service with traditional telephone service
24 including some group of features (and for some plans, long distance usage). For

⁸⁰ See *Vonage homes in on 1 million subscriber mark*, Jeffrey Hodgson, Reuters, May 31, 2005.

⁸¹ XO Press Release, August 1, 2005.

1 comparison purposes, the current Qwest flat-rate business basic exchange rate in
2 rate group 1 is \$26.00, and the End User Common Line (“EUCL”) charge is \$6.50,
3 for a total basic monthly rate of \$32.50. Qwest also offers the Qwest Choice
4 Business package, which includes a choice of three features, for \$39.99 (\$46.49
5 with EUCL), and the Qwest Choice Business Plus package, which includes a choice
6 of 15 features, for \$49.99 (\$56.49 with EUCL). Unlike most VoIP plans, however,
7 these packages do not include free long distance. Further, there is no “EUCL”
8 charge related to VoIP service.

9
10 **Q. CAN YOU PROVIDE SOME EXAMPLES OF COMPETITIVE VOIP**
11 **OFFERINGS?**

12 A. Yes. I will provide some examples of competitive VoIP-based business local
13 exchange services, culled from Exhibits Qwest/12 through Qwest/19. Please see
14 these exhibits for more detail, and for information regarding other carriers not
15 discussed below.

16
17 **Q. PLEASE DESCRIBE AT&T “BUSINESS VoIP” SERVICE.**

18 A. AT&T offers VoIP-based services for small and large businesses. For small
19 businesses, AT&T offers its “CallVantage Small Office Plan.”⁸² According to
20 AT&T’s website (see Exhibit Qwest/12), for \$49.99, a small business customer can
21 purchase a two-line plan with “unlimited local and long distance calling in the US
22 and to Canada for the 1st line and 500 LD minutes for faxing and calling
23 throughout the US and to Canada on 2nd line.” The service includes numerous
24 features, including **Error! Hyperlink reference not valid., Error! Hyperlink**
25 **reference not valid., Error! Hyperlink reference not valid., Error! Hyperlink**

⁸² AT&T CallVantage service is available to all Oregon small business customers. However, at present, local numbers are only available in the 503 area code.

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2 **reference not valid., Error! Hyperlink reference not valid., Error! Hyperlink**
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4 **reference not valid., Error! Hyperlink reference not valid., Error! Hyperlink**
5 **reference not valid., Error! Hyperlink reference not valid., Error! Hyperlink**
6 **reference not valid., Error! Hyperlink reference not valid., and Error!**
7 **Hyperlink reference not valid..**⁸³

8
9 Thus, the AT&T CallVantage VoIP business customer receives two lines, unlimited
10 local and long distance calling in the United States and Canada (on the first line),
11 plus a host of advanced features, for only \$49.99 per month, as compared to
12 Qwest's Choice Business Plus package, which includes a choice of 15 features, for
13 \$49.99 (\$56.49 with EUCL) per month. The Qwest plan, however, only includes
14 one line, and it does not include unlimited free long distance. It is clear that the
15 AT&T business VoIP plans compare very favorably with Qwest's basic business
16 service packages.

17
18 AT&T also offers VoIP-based solutions for large businesses. According to
19 AT&T's website:

20
21 AT&T's VoIP Services help your business evolve to the next generation of
22 converged communication services. Enhancing employee productivity,
23 reducing operational expenses and gaining the efficiencies of a unified
24 network help you attain the leading edge over your competition. AT&T's
25 VoIP services are delivered with the quality of service, reliability and security
26 required for your mission critical business communications. Powering these
27 services is AT&T's world-class global, IP-MPLS network, which is
28 standards-based and designed to support open protocols such as Session

⁸³ See: <http://www.usa.att.com/callvantage/plans/index.jsp>, visited July 21, 2005.

1 Initiated Protocol (SIP) which provides the interoperability and scalability that
2 your business needs for next-generation communication applications.

3
4 AT&T offers a broad portfolio of VoIP solutions designed to help you achieve
5 your business objectives at the pace your business requires...

- 6
7 • Corporate Networks: VoIP with AT&T's VPN services helps you
8 maximize your networking investment by providing you with high
9 quality voice communications that can seamlessly connect your
10 entire enterprise
- 11 • Branch Offices: AT&T IP Telephony services give you the
12 flexibility to deploy advanced features throughout the entire
13 enterprise. Whether your employees are located at headquarters or a
14 remote office, they can all benefit from the productivity
15 enhancements of IP Telephony.
- 16 • Remote Workers: Whether you have full-time, part-time or
17 occasional remote workers, AT&T will be providing services that
18 support their needs with cost effective, feature rich options that
19 allow them to be "always at their desk".
- 20 • Call Centers: As your call centers evolve to be IP-enabled, AT&T
21 will evolve with you and provide critical VoIP services to help you
22 gain new efficiencies and capabilities as you serve your customers.⁸⁴

23
24 AT&T recently unveiled its "Dynamic Network Applications™ ("DNA") service.

25 According to its May 2, 2005 press release, "Voice DNA" offers:

- 26
27 • Network-based voice over IP (VoIP) service that combines the cost and
28 functionality of a premise-based VoIP service, with the flexibility, control
29 and reduced capital expenditures of network-based IP services;
- 30
31 • A VoIP solution for enterprise branch offices and remote locations, as well
32 as smaller businesses;
- 33
34 • Enhanced telephony features and "any distance" calling plans, and
35 provides a full suite of management capabilities and end user tools;
- 36
37 • All of the standard features of today's business telephone in addition to
38 advanced features, such as mid-call move, which gives customers the
39 ability to move a call from one phone to another without disruption;

⁸⁴ See: http://www.business.att.com/service_portfolio.jsp (visited July 21, 2005).

1 personalized call handling, simultaneous ring, click-to-call, to dial calls
2 with a single mouse click; locate me; the ability to have multiple phones
3 ring at once or sequentially for ultimate reachability; on-demand audio
4 conferencing; and integration with Microsoft Outlook.⁸⁵

5
6 AT&T does not provide pricing for these large business VoIP-based services on its
7 website.

8
9 **Q. PLEASE DESCRIBE VONAGE'S VoIP OFFERING.**

10 A. According to the Vonage website⁸⁶ (see Exhibit Qwest/18), for \$39.99 per month,
11 business customers may purchase the "Small Business Basic" plan that includes
12 1,500 minutes of local and long distance calls, as well as numerous features
13 (including fax service, voicemail plus, caller ID, call forwarding, call waiting and
14 many others).⁸⁷ Vonage's "Small Business Unlimited" plan, priced at \$49.99 per
15 month, provides unlimited local and long distance calling within the United States
16 and Canada, along with all of the features included in the "Small Business" plan.
17 Vonage's VoIP rates compare very favorably to the \$32.50 Qwest local basic
18 exchange rate (including EUCL but excluding features and long distance), the
19 \$46.49 rate (including EUCL but excluding long distance) for Qwest Choice-
20 Business, and the \$56.49 (including EUCL) rate for Qwest Choice Business Plus.

21
22 **Q. PLEASE DESCRIBE COVAD'S VOIP OFFERING.**

23 A. As indicated in Exhibit Qwest/13, Covad offers VoIP services primarily to business
24 customers. On September 1, 2004, Covad announced the availability of "business
25 class Covad VoIP" to several new markets, including Portland. According to

⁸⁵ AT&T Press Release, May 2, 2005.

⁸⁶ See http://www.vonage.com/products_basic_sb.php (visited August 1, 2005).

⁸⁷ Vonage business service is available to all Oregon business customers. However, at present, local numbers are only available in the 971 area code.

1 Covad, its VoIP service “is managed end-to end, offering small and medium
2 businesses an unparalleled suite of services and voice quality that businesses can
3 rely on.”⁸⁸ Covad touts its “managed” VoIP service” that utilizes the Covad
4 network and is “designed to handle phone service with 24x7 systems monitoring
5 along with guarantees for clarity and accessibility.” Covad continues: “With a
6 managed network (last mile loop and core network) there is no perceivable
7 difference in voice quality between a traditional voice call and a VoIP call.”⁸⁹ With
8 its “Managed” VoIP, the customer purchases its broadband connection from
9 Covad.⁹⁰

10
11 For large businesses (up to 250 employees per location) Covad offers its “vPBX
12 Voice Service” which includes

- 13 • Voice service
- 14 • 1.5 Mbps T1 or SDSL broadband access optimized for voice services
- 15 • Premium ISP and hosting services
- 16 • Advanced phone features such as Find Me/Follow Me, instant conference
17 calling, and easy adds, moves and changes provided with Covad’s award
18 winning Dashboard (see below)
- 19 • The flexibility of choosing between a metered or unlimited calling plans
- 20 • With multiple locations, interoffice calls over the Covad network are free
21 of charge at all times with 4-digit dialing
- 22 • Automatic implementation of new features and upgrades
- 23 • Emergency 911 (E-911), the system routing emergency calls to the 911
24 center closest to the caller AND automatically displaying the caller’s
25 phone number with address for expedited response⁹¹
- 26

27

⁸⁸ Covad Press Release, September 1, 2004.

⁸⁹ See <http://www.covad.com/voip/whatisvoip/networktypes.shtml>

⁹⁰ With most “unmanaged” VoIP offerings, the end-user customer purchases a broadband connection (e.g., DSL) from one provider, and may purchase VoIP service from another provider.

⁹¹ See: <http://www.covad.com/voip/voiceservices/index.shtml>

1 Covad recently touted its “PBXi” service, which “enables businesses to utilize their
2 existing on-premise telephone system and gain (the) significant cost advantages
3 VoIP provides” with “no upfront capital expenses to integrate Covad PBXi Voice
4 Service.”⁹² This service, designed for customers with 5 to 100 employees per
5 location, includes:

- 6
- 7 • Voice service
- 8 • 1.5 Mbps T1 broadband access optimized for voice services
- 9 • Premium ISP and hosting services
- 10 • A set number of local and long distance minutes included each month
- 11 • With multiple locations, interoffice calls over the Covad network are free
12 of charge at all times with 4-digit dialing
- 13 • Cisco 2431 integrated access device (IAD)
- 14 • Emergency 911 (E-911), the system routing emergency calls to the 911
15 center closest to the caller AND automatically displaying the caller’s
16 phone number with address for expedited response⁹³

17

18 Covad does not provide detailed pricing information on its web site, but does state
19 that “flat-rate pricing with unlimited local and long distance calling ranges from
20 \$36.95 to \$59.95 per phone per month, depending on the number of stations.”⁹⁴

21

22 **Q. PLEASE DESCRIBE XO’S VOIP OFFERING.**

23 A. On April 18, 2005, XO announced the nationwide launch of its “XOptions Flex”
24 VoIP-based services for business in 45 markets, including Portland. According to
25 its press release:

26

27 XOptions Flex is an integrated VoIP services solution that gives business
28 customers enhanced features, functionality and value for their voice and
29 Internet services, all in one simple package. It is the industry’s first VoIP

⁹² Covad Press Release, July 13, 2005.

⁹³ See: <http://www.covad.com/voip/voiceservices/index.shtml> (visited August 1, 2005).

⁹⁴ See: <http://www.covad.com/voip/voiceservices/details.shtml> (visited August 1, 2005).

1 services bundle for businesses that combines unlimited local and long distance
2 calling, dedicated Internet access and web hosting services for a flat monthly
3 price.

4
5 “XOptions Flex offers businesses across the country the most comprehensive
6 and flexible VoIP services bundle,” said Craig Collins, vice president of
7 product management at XO Communications. “VoIP is truly revolutionizing
8 the telecommunications industry, and XOptions Flex leverages the power of
9 the Internet to provide a high quality and reliable communications solution
10 that integrates voice and data over a single broadband connection with more
11 valuable features for small and medium-sized businesses that save them time
12 and money.”⁹⁵

13
14 As described in Exhibit Qwest/19, XO states that its “XOptions Flex” service
15 includes more than twenty standard voice features for each phone line including call
16 forward, three-way calling, and voice mail, as well as E-911. Key features of the
17 service include:⁹⁶

- 18
19
- 20 • Dedicated Internet Access up to 3 Mbps
 - 21 • Dynamic bandwidth allocation
 - 22 • Unlimited local calling
 - 23 • Unlimited inbound and outbound domestic long distance calling
 - 24 • An easy-to-use Administrative Web Portal for making real-time changes
25 to services
 - 26 • Web Basic Hosting Package
 - 27 • Additional voice lines, hosting and other applications can also be added on
an a la carte basis

28
29 XO does not provide any pricing information on its website.

30
31 **Q. ARE CABLE PROVIDERS ALSO UTILIZING VOIP TO PROVIDE**
32 **TELEPHONE SERVICE TO CUSTOMERS?**

33 A. Yes. Comcast and other cable providers are now entering the VoIP telephony
34 market. On June 24, 2005, Comcast announced the launch of “Comcast Digital

⁹⁵ See: <http://www.xo.com/news/227.html> (visited July 27, 2005).

⁹⁶ *Id.*

1 Voice” in the Portland metropolitan area. According to its press release,
2 “Comcast’s new IP-enabled voice service offers customers digital-quality phone
3 service with unlimited direct-dial local and domestic long distance calling, Web
4 access to voicemail, E911 service and 12 of the most popular calling features.”⁹⁷
5 Comcast offers a “managed” VoIP service where calls originate and travel over
6 Comcast’s own proprietary managed network. Comcast offers unlimited local and
7 domestic long distance calling for as little as \$39.95 per month.

8
9 While Comcast and other cable companies have been primarily focused on
10 residential cable households, they are increasingly providing telephone and internet
11 services to business customers.

12
13 **Q. WHAT DO YOU CONCLUDE REGARDING THE IMPACT OF VOIP-**
14 **BASED COMPETITION IN THE SWITCHED BUSINESS SERVICES**
15 **MARKET IN OREGON?**

16 A. VoIP-based telephone services are now offered to small, medium and large business
17 customers throughout Oregon, and many business customers are purchasing VoIP-
18 based services from companies such as AT&T, Covad, MCI, McLeod, Packet8,
19 Unicom, Vonage, XO and several others. For Qwest’s business customers with
20 access to a broadband Internet connection who use calling features and make long
21 distance calls, VoIP-based services provided by these and other providers represent
22 a viable and price-competitive alternative to Qwest’s traditional wireline business
23 services. As described above, VoIP services are available at rates and terms that are
24 comparable with Qwest’s switched business services. Thus, for many businesses,

⁹⁷ Comcast Press Release, June 24, 2005.

1 VoIP-based telephony represents an effective substitute for traditional telephone
2 service.

3
4 Along with traditional wireline and wireless competitive alternatives, the
5 availability of VoIP-based services to Oregon business customers demonstrates that
6 the criteria outlined in ORS 759.30(4) have been satisfied. First, the wide
7 availability of VoIP-based services that are comparable to traditional switched
8 business telephone service demonstrates that “services are available from
9 alternative providers in the relevant market.” ORS 759.30(4)(a). Second, VoIP-
10 based services that are “functionally equivalent or substitutable at comparable rates,
11 terms and conditions” are available from alternative providers in Oregon. ORS
12 759.30(4)(b). Third, the existence of multiple VoIP providers in Oregon
13 demonstrates that there are no “existing economic or regulatory barriers to entry” in
14 the Oregon business market. ORS 759.30(4)(c). Finally, the emergence of VoIP-
15 based telephony has the effect of necessarily constraining the prices that Qwest can
16 charge for traditional wireline telephone service.

17
18 **IX. OTHER RELEVANT CONSIDERATIONS**

19
20 **Q. HAS THE COMMISSION BEEN CHARGED WITH REDUCING**
21 **REGULATORY BURDENS ON TELECOMMUNICATIONS CARRIERS**
22 **AND ADVANCING PRICING FLEXIBILITY FOR COMPETITIVE**
23 **SERVICES?**

24 A. Yes. Oregon law now requires the Commission to submit, on an annual basis, a
25 report to the Governor and Legislative Assembly or the Emergency Board,
26 including information on:

- 1
2 (1) The status of competition in the telecommunications industry;
3
4 (2) Significant changes that have occurred in the telecommunications industry
5 during the preceding 12 months;
6
7 (3) Statutes that inhibit or discourage competition in and deregulation of the
8 telecommunications industry;
9
10 **(4) Specific actions taken by the commission to reduce the regulatory**
11 **burden imposed on the telecommunications industry, including**
12 **telecommunications utilities and competitive telecommunications**
13 **providers** (emphasis added);
14
15 **(5) Specific actions taken by the commission to maximize the**
16 **opportunities for telecommunications utilities and competitive**
17 **telecommunications providers to achieve pricing flexibility, including rate**
18 **rebalancing, exemption from regulation and streamlined regulations**
19 **(emphasis added);**
20
21 (6) Specific actions taken by the commission to:
22
23 (a) Minimize implicit sources of support; and
24
25 (b) Maximize explicit sources of support that are specific, sufficient,
26 competitively neutral and technologically neutral and that support
27 telecommunications services for customers of telecommunications
28 providers in high-cost locations; and
29
30 (7) Statutes that should be enacted, amended or repealed to enhance and
31 respond to the competitive telecommunications environment or promote the
32 orderly deregulation of the telecommunications industry.

33
34 It is clear from these requirements that the Governor and other state lawmakers hold
35 an expectation that as competitive markets develop, the Commission's role is to
36 remove undue regulation and facilitate market-based pricing. The retail switched
37 business services market in Oregon is clearly an area where the Commission can
38 take action consistent with that vision.
39

1 **Q. SINCE THE LEVEL OF COMPETITION IN THE RETAIL BUSINESS**
2 **MARKET IS NOT UNIFORM THROUGHOUT QWEST'S OREGON**
3 **SERVICE TERRITORY, SHOULD THE COMMISSION APPROVE**
4 **QWEST'S PETITION ONLY IN THOSE GEOGRAPHIC AREAS WITH**
5 **THE HIGHEST LEVEL OF COMPETITION?**

6 A. No. The Commission should approve Qwest's petition for all of Qwest's Oregon
7 wire centers. As I have demonstrated above, Qwest is now experiencing a high
8 level of switched business service competition throughout its Oregon service
9 territory. While the level of competitive entry may be higher in urban areas such as
10 Portland than it is some other areas, significant competition for switched business
11 services is also being experienced in the smaller Oregon communities served by
12 Qwest. As demonstrated above, of the eight Oregon regions identified in the
13 Commission's annual report on competition, the lowest wireline CLEC switched
14 business market share for any region is [Confidential- XX%], with an average for
15 the state of [Confidential- XX%]. This indicates significant competition throughout
16 Oregon. Business customers are currently purchasing competitive local exchange
17 services in *all* of Qwest's Oregon wire centers.

18

19 As described in Section IV-A above, the relevant market in this case should be
20 defined to include the provision of switched business services throughout Qwest's
21 Oregon territory. Many of Qwest's competitors are *marketing* business services to
22 customers throughout the state, indicating that they view the relevant market to be
23 the entire state. Not only are CLECs *marketing* business services throughout the
24 state, but many competitors are also *currently serving* business customers in a high
25 percentage of Qwest's wire centers, as I demonstrated earlier. The presence of
26 competitive providers offering switched business services in all of Qwest's wire

1 centers has the effect of constraining Qwest's ability to raise prices throughout
2 Oregon.

3
4 In sum, Qwest has demonstrated that the requirements of the provisions of ORS
5 759.030(4) have been met, and that switched business services should be
6 deregulated throughout Qwest's serving area in Oregon.

7
8 **Q. SHOULD THE COMMISSION CONSIDER DEREGULATING ONLY A**
9 **SUBSET OF THE BUSINESS SERVICES IDENTIFIED IN QWEST'S**
10 **PETITION?**

11 A. No. As described earlier, CLECs in Oregon typically offer a substantial range of
12 switched business services, including exchange access services (such as flat
13 business lines, PBX trunks, etc) and advanced features and functionalities. CLECs
14 also offer service packages including access lines, features, and in some instances
15 long distance calling, at attractive rates that incorporate volume discounts based on
16 the combined services purchased. Thus, as explained in Section IV-A, the market
17 for all of these services must be considered as a whole. It would *not* be appropriate
18 to consider, for example, flat business service, analog PBX Trunks, analog Centrex
19 services, ISDN Basic Rate service, ISDN Primary Rate services and advanced
20 features as separate and distinct markets.

21
22 Further, business products overlap, and customers can often meet their overall
23 needs by substituting one service for another. For example, a medium size business
24 with a need for several access lines may purchase analog PBX trunks, digital PBX
25 trunks, Centrex, ISDN PRI or basic business lines to meet its needs. While these
26 services are not identical from a technology standpoint, customers will substitute
27 these products for one another based on the relative price and the perceived level of

1 benefits they will receive. It makes no sense to deregulate one of these services
2 while continuing to regulate the other, especially given that customers can and do
3 substitute these products for each other.

4
5 **X. DEREGULATORY ACTIVITY IN OTHER STATES**

6
7 **Q. HOW ARE RETAIL BUSINESS SWITCHED SERVICE PRICES**
8 **REGULATED IN OTHER STATES?**

9 A. While the level of retail business service regulation varies by state, many states
10 have relaxed the price regulation of business services, either via legislation or
11 regulatory decisions. In some states, prices for all business services are
12 deregulated, while in other states Qwest has been granted business service pricing
13 flexibility. In this section, I will briefly describe the regulatory treatment of
14 switched business services in several of these states.

15
16 **Q. WHICH QWEST STATES HAVE ENACTED LEGISLATION**
17 **“DEREGULATING” SWITCHED BUSINESS SERVICE PRICES?**

18 A. Legislation that creates a more equitable and flexible regulatory climate for *all*
19 providers was passed in four Qwest states—Utah, Iowa, North Dakota and Idaho—
20 during the 2005 legislative sessions. Nebraska passed deregulatory legislation in
21 1987, and Minnesota deregulated some business services in 2004. Following are
22 the highlights of each of these bills:

- 23
24 • **Utah** – Pursuant to Senate Bill 108, effective May 2, 2005, all retail
25 services except basic residential service (one line without features) are
26 deregulated. *All business service prices are deregulated*, and Qwest may

1 offer these services “by means of a price list or competitive contract in the
2 same manner as a competing telecommunications corporation.”⁹⁸
3

- 4 • **Iowa** – Pursuant to House File 277, effective July 1, 2005, *all retail*
5 *residence and business local exchange services, except for single line flat-*
6 *rated residential and business services, are price deregulated.* Single-line
7 flat rated residential and business service rates may be increased by up to
8 \$1.00 and \$2.00, respectively, per twelve-month period between July 1,
9 2005 and June 30, 2008.⁹⁹ Rates cannot exceed \$19.00 for residential
10 service or \$38.00 for business service. Effective July 1, 2008, single line
11 flat-rated residential and business services are deregulated, unless the Iowa
12 Utilities Board finds during the first six months of 2008 that it is in the
13 public interest to extend its retail rate jurisdiction over these services. If
14 such a finding is made, rate regulation may be extended for no more than
15 an additional two years.¹⁰⁰
16

17 Additionally, all residential and business local exchange services
18 (including single line flat-rated services) in six Qwest exchanges were
19 deregulated by the Iowa Utilities Board in its Final Decision and Order
20 issued December 23, 2004 in Docket No. INU-04-1.
21

- 22 • **North Dakota** – Pursuant to Senate Bill 2216, effective August 1, 2005,
23 all retail service prices are deregulated except for primary residential
24 service. A price cap of \$18.00 will remain in effect for primary residential
25 service. Thus, *all retail business service prices are deregulated.*¹⁰¹
26
- 27 • **Idaho** – House Bill 224, effective July 1, 2005, allows a company to elect
28 to have all or parts of its services excluded from price regulation.
29 However, basic single line local exchange services will be subject to price
30 restrictions for a transition period of three years, at the end of which time
31 the Idaho Commission may extend restrictions for another two years if the
32 Commission finds that such action is necessary to protect the public
33 interest. The single line residence price may not be increased by more
34 than 10% per year, and is capped at \$24.10. The single line business price
35 may not be increased by more than 10% per year, and is capped at
36 \$42.00.¹⁰² Thus, *all retail business service prices, except for basic single*
37 *line service, are deregulated.*
38

⁹⁸ A copy of Senate Bill 108 is included with my testimony as Exhibit Qwest/21.

⁹⁹ If the ILEC elects to make these increases in rates, the ILEC agrees to invest in DSL services in all exchanges in its service area.

¹⁰⁰ A copy of House File 277 is included with my testimony as Exhibit Qwest/22.

¹⁰¹ A copy of Senate Bill 2216 is included with my testimony as Exhibit Qwest/23.

¹⁰² A copy of House Bill 224 is included with my testimony as Exhibit Qwest/24.

- 1 • **Nebraska** - LB835, effective in 1987, completely deregulated rates for all
2 telecommunications services except basic local exchange services, for
3 which it provided significant pricing flexibility. Rate increases for local
4 service may only be reviewed by the Nebraska Public Service
5 Commission if they exceed 10% a year or if 2% of the affected subscribers
6 protest the increase.
7
- 8 • **Minnesota** – Pursuant to legislation passed in 2004, prices of business
9 basic exchange services for customers with four or more lines in
10 competitive areas – including Minneapolis/St. Paul, Duluth and St. Cloud
11 – are deregulated.
12

13 **Q. PLEASE DESCRIBE THE NATURE OF BUSINESS SERVICES**
14 **REGULATION IN OTHER STATES.**

15 A. Retail switched business services prices have been partially or fully deregulated by
16 commissions in several other states:

- 17 • **South Dakota** - Effective January 1, 2004, pursuant to enabling
18 legislation that had been enacted in 1988 (SDCL 49-31-3.2), all residential
19 and business local exchange service, and their related services, are
20 classified as fully competitive, and thus *all business switched services*
21 *prices are deregulated.*¹⁰³
22
- 23 • **Washington** – Competitive services are flexibly priced, with the
24 requirement that prices charged for these services shall cover their cost.
25 The WUTC determined that, effective January 1, 2004, all Qwest retail
26 analog business services (e.g., flat business local exchange, PBX trunks,
27 Centrex lines, etc.) are competitive and may be flexibly priced in all
28 Qwest wire centers. In April 2005, pursuant to RCW 80.36.330, the
29 Washington Utilities and Transportation Commission determined that
30 digital business services are competitive in 58 Washington wire centers
31 and may be flexibly priced. These digital services include DSS, ISDN and
32 Frame Relay. Thus, *Qwest has pricing flexibility for all business services*
33 *in most of Washington, and pricing flexibility for some services in all of*
34 *Washington.*¹⁰⁴
35
36

¹⁰³ See *Order Reclassifying Qwest's Local Exchange Services as Fully Competitive*, issued October 29, 2003, in South Dakota Docket No. TC03-037.

¹⁰⁴ The Washington Commission verbally approved Qwest's application in docket UT-050258 in April, 2005, but a final written order has not yet been issued.

1 Pursuant to ORS 759.030(4)(a), I have demonstrated that “services are available
2 from alternative providers in the relevant market.” There are at least 50 wireline
3 competitive providers actively competing with Qwest in the Oregon business
4 switched services market, and virtually all business customers in Oregon have
5 competitive switched service alternatives. Oregon business customers also have
6 intermodal alternatives; multiple competitors are providing wireless and VoIP-
7 based services throughout Oregon, and these services may be utilized as a substitute
8 for Qwest wireline switched services.

9
10 Pursuant to ORS 759.030(4)(b), I have demonstrated that both traditional wireline
11 and intermodal competitive providers are offering services that are “functionally
12 equivalent or substitutable (for Qwest services) at comparable rates, terms and
13 conditions.” The provision of functionally equivalent or substitutable services at
14 comparable rates by multiple competitors has the effect of constraining Qwest’s
15 ability to raise prices for its services. Thus competitive market forces, not
16 regulation, should determine the appropriate prices for these competitive switched
17 business services.

18
19 Pursuant to ORS 759.030(4)(c), I have demonstrated that there are no “existing
20 economic or regulatory barriers to entry.” The fact that there are at least 50
21 wireline providers actively competing with Qwest in Oregon, along with numerous
22 wireless and VoIP providers, provides compelling evidence that entry barriers do
23 not exist.

24
25 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

26 A. Yes, it does.

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CLECs COMPETING WITH QWEST IN OREGON *

1-800-Reconex (d/b/a "USTel")
ACN Communications Services
Apex Telecom
AT&T
ATL Communications (d/b/a "Sunriver Telecom")
Automotive Experts Group (d/b/a "Bend Data Center")
Beaver Creek Cooperative Telephone Company
Budget Phone
Bullseye Telecom
CDS Networks
Centel Communications
Comm South Companies
Cypress Communications
Eastern Oregon Telecom
Electric Lightwave, Inc. ("ELI")
Ernest Communications
Eschelon Telecom
Excel Telecommunications
FairPoint Communications Solutions
Global Crossing Local Services
Granite Telecommunications
Integra Telecom
Lightyear Network Solutions
MCImetro Access Transmission Services
McLeodUSA Telecommunications Services
New Access Communications
NextGen Phone Systems
Northwest Open Access Network Oregon
NOS Communications
OneEighty Networks
Oregon Telecom
Preferred Long Distance
Prime Time Ventures
PriorityOne Telecommunications
Quantum Communications
QuantumShift Communications
Rio Communications
SBC Telecom
Sprint Communications Company
Talk America
Tel West Communications
TelLogic (d/b/a "Quality Telephone")
Time Warner Telecom
Trinsic Communications (fka "Z-Tel Communications")
United Communications (d/b/a "Unicom")
VarTec Telcom
VCI Company
Wantel Telecommunications
Western Telephone Integrated Communications
XO Communications Services

* As of May 2005

**CLECs THAT HAVE SIGNED A QPP AGREEMENT WITH QWEST
INDICATING AN INTENT TO PROVIDE SERVICE IN OREGON***

<u>CLEC</u>	<u>Date QPP Signed</u>
1-800 Reconex (d/b/a "USTel")	1/14/2005
ACN Communications Services	12/17/2004
AT&T	2/1/2005
ATL Communications (d/b/a "Sunriver Telecom")	1/31/2005
Automotive Experts Group ((d/b/a "Bend Data Center")	10/1/2004
Budget Phone	1/26/2005
Bullseye Telecom	3/2/2005
Covad Communications Company	3/15/2005
Ernest Communications	3/7/2005
Eschelon Telecom	1/25/2005
Global Crossing Local Services	3/14/2005
Granite Telecommunications	8/18/2004
Integra Telecom	2/3/2005
Ionex Communications North	3/29/2005
Lightyear Network Solutions	1/27/2005
Marathon Communications	2/23/2005
MCImetro Access Transmission Services	7/15/2004
McLeodUSA Telecommunications Services	2/1/2005
New Access Communications	9/1/2004
New Rochelle Telephone Corp	1/28/2005
OrbitCom	1/28/2005
Oregon Telecom	1/11/2005
PiperTel Communications	2/21/2005
Preferred Carrier Services	2/2/2005
Preferred Long Distance	8/5/2004
Prime Time Ventures	1/26/2005
PriorityOne Telecommunications	1/27/2005
Quality Telephone	2/10/2005
Tanager Telecommunications	3/14/2005
Sovereign Telecommunications	1/31/2005
Tel West Communications	2/1/2005
Trans National Communications International	3/14/2005
United Communications (d/b/a "Unicom")	8/9/2004
VCI Company	2/8/2005
Vycera Communications	2/11/2005
Z-Tel Communications (now known as "Trinsic Communications")	10/18/2004

* As of July 14, 2005

**SELECTED SERVICES AND PRICES
QWEST AND CLECS**

Qwest/9
Brigham/1

Carrier	Service Name	Service Description	Pricing	Target Market	Availability	Source
QWEST:	Flat Business Line	Single party, flat-rated business access line	\$26.00 - \$30.50, depending on rate group	Small/Medium/Large Businesses	Qwest Territory	Qwest Exchange and Network Services Tariff, effective 1-1-02.
	Flat Business Trunk	Flat-rated analog PBX trunk	\$28.00 - \$56.36, depending on rate group and functionality	Medium/Large Businesses	Qwest Territory	Qwest Exchange and Network Services Tariff, effective 1-1-02 & 5-3-04.
	Digital Business Trunk	Flat-rated basic trunk	\$270/month (common equipment) \$17.00/trunk	Medium/Large Businesses	Qwest Territory	Qwest Exchange and Network Services Tariff, effective 1-1-02.
	ISDN - Basic Rate	Single Line ISDN Service Basic Rate Access	\$58.00 - \$78.35, M-M \$52.20 - \$77.11/month for 1-5 yr. terms, depending on rate group/term length	Small/Medium Businesses	Qwest Territory	Qwest Exchange and Network Services Tariff, effective 1-1-02 .
	ISDN - Primary Rate	ISDN 23B+D Service	\$400/month (service configuration) + \$137.00/month (T-1 facility)	Medium/Large Businesses	Qwest Territory	Qwest Exchange and Network Services Tariff, effective 10-17-03.
	ATM Service	Asynchronous Mode Transfer Service	Optical Access Link: \$639 - \$2800 (depending on bandwidth and term length)	Medium/Large Businesses	Qwest Territory	Qwest Advanced Communications Services Tariff, effective 6-24-98 & 8-9-02.
	Frame Relay	High-speed Frame Relay functionality at up to 44.736 Mbps	Access Link: \$49.58 - \$150.00/month (depending on bandwidth and term length)	Medium/Large Businesses	Qwest Territory	Qwest Advanced Communications Services Tariff, effective 6-24-98.
	Wide Area Telecommunications Service	800 Serviceline Option	\$6.00/hour, with volume discounts of 10% - 20% available	Small/Medium/Large Businesses	Qwest Territory	Qwest Exchange and Network Services Catalog, effective 7-7-05.
CLECS:						
AT&T	Main Business Line (for customers who also subscribe to an AT&T long distance plan)	Flat rate business local service	\$23.75/month	Unspecified	Qwest Territory	AT&T Oregon Local Exchange Services Tariff, p. 6-10, eff. 1-17-03 and 2-14-05; CCMI database.
	AT&T All In One Plus	Business Local Service Bundle: unlimited local calling, long distance at 6 cents/minute	\$28.60/month	Small/Medium Businesses	All Qwest exchanges, except Junction City	www.att.com, visited 7-1-05.
	AT&T All In One Advantage	Business Local Service Bundle: unlimited local and unlimited long distance calling	\$58.95/month	Small/Medium Businesses	All Qwest exchanges, except Junction City	www.att.com, visited 7-1-05.
	Business Trunks	Analog Trunk	\$20.55-\$35.40/month	Unspecified	Qwest Territory	AT&T Oregon Local Exchange Services Tariff, p. 10.1, effective 2-14-05; CCMI database
	Digital Trunks	Digital Trunk, per Trunk	\$20.55-\$40.40/month	Unspecified	Qwest Territory	AT&T Oregon Local Exchange Services Tariff, p. 10.1, effective 2-14-05; CCMI database
	DS-1 Digital Facility	Digital Facility, 24 Trunks; In Only, Out Only, Two-Way	\$555-\$705/month	Unspecified	Qwest Territory	AT&T Oregon Local Exchange Services Tariff, p. 10.1, effective 2-14-05; CCMI database
	Primary ISDN Facility	ISDN Primary Rate Interface (PRI): 23B+D, 24B, 23B + Back-up D	\$785-\$935/month	Unspecified	Qwest Territory	AT&T Oregon Local Exchange Services Tariff, p. 12, effective 2-14-05.
	AT&T Frame Relay Service & Frame Relay Plus Service	A global data network based on a simplified form of packet switching in which synchronous frames of data are routed to specified destinations within a defined network.	No publicly available pricing information located.	Medium/Large Businesses	Unknown	www.att.com, visited 7-08-05 and 7-27-05

**SELECTED SERVICES AND PRICES
QWEST AND CLECs**

Qwest/9
Brigham/2

Carrier	Service Name	Service Description	Pricing	Target Market	Availability	Source
	AT&T ATM Service	Asynchronous Transfer Mode (ATM) - a service designed for business applications that require bandwidth at speeds of T1.5 and higher.	No publicly available pricing information located.	Medium/Large Businesses	Unknown	www.att.com, visited 7-08-05 and 7-27-05
	AT&T All In One Toll-Free Service	Toll Free Services	\$0.06 - \$0.069/minute	Unspecified	Qwest Territory	www.att.com, visited 7-11-05
Electric Lightwave (ELI)	Simple Business Service	Business Line Service - single, voice grade channel that includes two standard features.	Washington: \$32.00/month - M-M; \$24.00 - \$30.00/month, depending on length of term.	Unspecified	Portland	www.electricleightwave.com, visited 5-11-05. Prices per ELI tariff in WA, eff. 1-8-04.
	Basic Business Service	Business Line Service - single, voice grade channel that includes eleven standard features.	Washington: \$34.00/month - M-M; \$25.00 - \$31.00/month, depending on length of term.	Unspecified	Portland	www.electricleightwave.com, visited 5-11-05. Prices per ELI tariff in WA, eff. 1-8-04.
	Enhanced Business Service	Business Line Service - single, voice grade channel that provides customers with the capability of abbreviated dialing within their business, along with a set of custom calling features at no extra charge.	Washington: \$37.00/month - M-M; \$28.00 - \$35.00/month, depending on length of term.	Unspecified	Portland	www.electricleightwave.com, visited 5-11-05. Prices per ELI tariff in WA, eff. 1-8-04.
	PBX Interface Line	Business Line Service - an analog line service used to connect a customer with a PBX to the public switched network.	Washington: \$37.00/month - M-M; \$28.00 - \$34.50/month, depending on length of term.	Unspecified	Portland	www.electricleightwave.com, visited 5-11-05. Prices per ELI tariff in WA, eff. 1-8-04.
	Hybrid Line	Business Line Service - provides customers with the ability to terminate 24 lines at their premises at a T-1 level rather than channelized.	Washington: \$33.00/month - M-M; \$25.00 - \$31.00/month, depending on length of term.	Unspecified	Portland	www.electricleightwave.com, visited 5-11-05. Prices per ELI tariff in WA, eff. 1-8-04.
	Basic Trunk Service	Provides a single voice grade channel which can be used to place or receive one call at a time.	Washington: \$40 - \$77/mo. - M-M; \$27.50 - \$67.00/month, depending on trunk configuration and length of term.	Unspecified	Portland	www.electricleightwave.com, visited 5-11-05. Prices per ELI tariff in WA, eff. 1-8-04.
	Digital Trunk Service	Provides the customer with a digital connection operating at 1.544 Mbps which is time-multiplexed into 24 individual voice grade channels. Value Trunk Service is limited to one trunk group; Business Trunk Service accommodates multiple trunk groups.	Washington: <u>Value Trunk</u> - \$1017.60/mo. - M-M; \$816 - \$999/month, depending on length of term. <u>Business Trunk</u> - \$1248/mo. - M-M; \$825 - \$1248/month, depending on length of term.	Unspecified	Portland	www.electricleightwave.com, visited 5-11-05. Prices per ELI tariff in WA, eff. 1-8-04.

**SELECTED SERVICES AND PRICES
QWEST AND CLECs**

Qwest/9
Brigham/3

Carrier	Service Name	Service Description	Pricing	Target Market	Availability	Source
	ISDN-PRI	Allows the customer to transport voice, data and video over the same line, and increases throughput over the network. Consists of 23 bearer (B) channels and one data (D) channel.	Washington: \$700 - \$1000/mo., depending on term length, volume, and service type (i.e., data only, or voice + data)	Unspecified	Portland	www.electriclightwave.com, visited 5-11-05. Prices per ELI tariff in WA, eff. 1-8-04.
	ATM	Asynchronous Transfer Mode - a packet-switched technology that uses multiple virtual channels over a single access line at speeds up to 155 Mbps.	Washington: ATM Port Pricing - DS1 - \$700/month; DS3 - \$3,000/month; OC3 - \$6,000/month	Unspecified	Portland	www.electriclightwave.com, visited 5-11-05. Prices per ELI tariff in WA, eff. 1-8-04.
	Frame Relay	Provides multi-point, wide-area connectivity using frame relay packet technology that reduces the connection costs of distributed data networks.	Washington: Frame Relay Port Pricing - \$95 - 475/month, depending on speed.	Unspecified	Portland	www.electriclightwave.com, visited 5-11-05. Prices per ELI tariff in WA, eff. 1-8-04.
	Advantage Switched Toll-Free Service	Allows toll calls to be billed to ELI's customers rather than to the call originator.	Washington: \$0.07/minute	Unspecified	Portland	www.electriclightwave.com, visited 5-11-05. Prices per ELI tariff in WA, eff. 1-8-04.
Eschelon	Premium Business Line; Premium Measured Line	Flat rate business service provided over Eschelon's own switching facilities; includes a variety of features at no additional cost.	Washington: \$27.29/month; \$19.60 - measured Utah: \$28.99/month; \$20.98 - measured	Small/Medium Businesses	Qwest Territory	www.eschelon.com, visited 6-30-05. Prices per Eschelon tariff in WA, eff. 1-9-04, and UT, eff. 1-5-04.
	Eschelon Advantage Line	Flat rate business service provided over the unbundled network elements of Eschelon's wholesale providers.	Washington: \$27.29/month Utah: \$28.99/month	Small/Medium Businesses	Qwest Territory	Eschelon tariff in WA, eff. 1-9-04, and UT, eff. 1-5-04.
	On-Network Local Voice T-1 Trunks and Voice T1/Primary Rate Interface (PRI) Services	Digital switched services providing digital exchange service through Eschelon's own switch facilities. These services ride DS1 facilities, consisting of common equipment, local exchange switching, and flat usage trunks for access to the local exchange and toll networks.	Washington and Utah: 1 yr.- \$350/mo; 2 yr.- \$300/mo; 3 yr.- \$250/mo.	Medium-sized Businesses	Qwest Territory	www.eschelon.com, visited 6-30-05. Prices per Eschelon tariff in WA, eff. 2-7-05, and UT, eff. 2-1-05.
	On-Network First Eschelon T1 and First Eschelon T1/Primary Rate Interface (PRI) Services	On-Network PRI service rides a T1 facility, which consists of common equipment, local exchange switching, flat usage trunks and a data channel for access to the local exchange and toll networks. Service is provided through Eschelon's own switch facilities.	Washington and Utah: 1 yr.- \$375/mo; 2 yr.- \$325/mo; 3 yr.- \$225/mo.	Medium-sized Businesses	Qwest Territory	www.eschelon.com, visited 6-30-05. Prices per Eschelon tariff in WA, eff. 2-7-05, and UT, eff. 2-1-05.
	Precision Integrated Access	Combines voice and data services delivered over a single circuit; customers can choose from a host of local line features.	Washington and Utah: 1 yr.- \$325/mo; 2 yr.- \$275/mo; 3 yr.- \$225/mo.	Small/Medium Businesses	Qwest Territory	www.eschelon.com, visited 6-30-05. Prices per Eschelon tariff in WA, eff. 2-7-05, and UT, eff. 2-1-05.

**SELECTED SERVICES AND PRICES
QWEST AND CLECs**

Qwest/9
Brigham/4

<u>Carrier</u>	<u>Service Name</u>	<u>Service Description</u>	<u>Pricing</u>	<u>Target Market</u>	<u>Availability</u>	<u>Source</u>
	Dedicated Long Distance T1 Service	24 channels for long distance calling that can be used for inbound or outbound long distance calls.	Washington and Utah: \$285/mo. (\$75/mo. if customer provides own T1 loop)	Small/Medium Businesses	Qwest Territory	www.eschelon.com, visited 7-25-05 Prices per Eschelon tariff in WA, eff. 9-23-02, and UT, eff. 10-22-02.
	Integrated T1 Long Distance - Toll Free Service available through this program.	Service is designed to meet the needs of high-volume customers.	Washington and Utah: \$125/mo.	Small/Medium Businesses	Qwest Territory	www.eschelon.com, visited 7-25-05 Prices per Eschelon tariff in WA, eff. 9-23-02, and UT, eff. 10-22-02.

**SELECTED SERVICES AND PRICES
QWEST AND CLECs**

Qwest/9
Brigham/5

Carrier	Service Name	Service Description	Pricing	Target Market	Availability	Source
	Toll Free Service Features: Area Code Blocking Area Code Routing Percent Allocation TOD/Day of Year Routing Area Code/Exch.Routing Toll Free DA Listing	Toll Free Service allows callers to reach Eschelon customers without incurring toll charges.	Washington & Utah \$10/month \$20/month \$10/month \$10/month \$50/month \$16.95/month	Small/Medium Businesses	Qwest Territory	Per Eschelon tariff in WA, eff. 8-5-02, and UT, eff. 10-22-02.
Eschelon (through its acquisition of Advanced TelCom)	Analog Trunks	A two-wire trunk connecting an analog Key/PBX system to Eschelon's telephone network; may be in only, out only, two-way, or DID.	Washington \$21.85 - \$53.55/mo., depending on type of trunk and term length; \$26.60 - \$59.50 for month-to-month	Small/Medium Businesses	Qwest Territory	www.advancedtelcom.com, visited 5-11-05 Prices per Advanced TelCom's tariff in WA, eff. 12-14-03.
	Centrex Line	An enhanced business line for serving an analog telephone set or analog Key/PBX system in an Eschelon Centrex service group and associated dialing plan.	Washington \$20.60 - \$23.50/mo., depending on term length; \$26.00 for month-to-month	Small/Medium Businesses	Qwest Territory	www.advancedtelcom.com, visited 5-11-05 Prices per Advanced TelCom's tariff in WA, eff. 12-14-03.
	Digital Centrex Line	A single line to receive up to eight incoming calls to a main number, and "more standard features than any other local service provider."	No publicly available pricing information located.	Small/Medium Businesses	Qwest Territory	www.advancedtelcom.com, visited 5-11-05
	ISDN Basic Rate Interface (BRI) Service	Delivers 128Kbps of bandwidth for supporting voice and/or data calls. Includes a number of standard features and additional optional features..	Washington \$52.00 - \$56.70/mo., depending on term length; \$63.00 for month-to-month	Small/Medium Businesses	Qwest Territory	www.advancedtelcom.com, visited 5-11-05 Prices per Advanced TelCom's tariff in WA, eff. 12-14-03.
Granite Telecommuni- cations	Individual Line Flat Rate Service	Basic business local service.	Idaho \$26.50 - \$32.51, depending on geographic location.	Small/Medium/Large Businesses	Qwest Territory	www.granitenet.com, visited 7-6-05. Prices per Granite's tariff in ID, eff. 2-5-04.
	CustomChoice Package	Package of 22 custom calling features. [Other, smaller feature packages also available, priced from \$8.15 to \$14.35.]	Idaho \$22.44 - \$28.45, depending on geographic location.	Small/Medium/Large Businesses	Qwest Territory	www.granitenet.com, visited 7-6-05. Prices per Granite's tariff in ID, eff. 2-5-04.
	PBX Trunk Flat Rate Service	Specific description not available.	Idaho \$34.08 - \$37.20, depending on geographic location.	Unspecified	Qwest Territory	www.granitenet.com, visited 7-6-05. Prices per Granite's tariff in ID, eff. 2-5-04.
	Centrex Service	Centrex 21 Analog Station Line & Centrex 21 ISDN 2B+S	Washington \$200/month	Unspecified	Qwest Territory	www.granitenet.com, visited 7-6-05. Prices per Granite's tariff in WA, eff. 9-28-03.
	ISDN - BRI	Basic Rate Interface	Idaho \$69.00/month	Unspecified	Qwest Territory	www.granitenet.com, visited 7-6-05. Prices per Granite's tariff in ID, eff. 2-5-04.
	ISDN - PRI	Primary Rate Interface	Idaho Transport (T1) - \$150/mo. Service Configuration - \$400.00/mo.	Unspecified	Qwest Territory	www.granitenet.com, visited 7-6-05. Prices per Granite's tariff in ID, eff. 2-5-04.

**SELECTED SERVICES AND PRICES
QWEST AND CLECs**

Qwest/9
Brigham/6

<u>Carrier</u>	<u>Service Name</u>	<u>Service Description</u>	<u>Pricing</u>	<u>Target Market</u>	<u>Availability</u>	<u>Source</u>
	Granite Switched Inbound & Outbound Services	Toll-free long distance service.	Idaho \$0.099/minute	Small/Medium/Large Businesses	Qwest Territory	www.granitenet.com, visited 7-6-05. Prices per Granite's tariff in ID, eff. 2-5-04.
Integra	Basic Business Line	Flat rate business local service	Oregon \$16.00/month Washington \$19.99 - \$23.00/mo., depending on term length; \$29.00 for month-to-month	Small/Medium Businesses	Portland, Salem, Eugene, Vancouver, and surrounding communities.	www.integratelecom.com, visited 6-30-05. OR price per www.telogical.com, visited 7-11-05 (term commitment, if any, not known) WA prices per Integra's tariff in WA, eff. 7-21-03.
	Custom Calling Features	A full range of calling features "designed to enhance the customer's image and productivity."	Washington Most features priced between \$1.25 and \$5.00	Small/Medium Businesses	Portland, Salem, Eugene, Vancouver, and surrounding communities.	www.integratelecom.com, visited 6-30-05. WA prices per Integra's tariff in WA, eff. 7-21-03.
	Digital T1 Access Service	Combines local, long distance and Internet access services over the same network; includes flexibility to choose full or fractional T1 use.	Washington \$80.00 - \$220.00/mo., depending on type of plan selected	Medium-sized Businesses	Portland, Salem, Eugene, Vancouver, and surrounding communities.	www.integratelecom.com, visited 6-30-05. WA prices per Integra's tariff in WA, eff. 7-21-03.
	ISDN PRI	ISDN Primary Rate Interface - An "enhanced T-1" service delivering voice conversations over 23 bearer (23 B) channels supported by one signaling channel (1 D). Allows for access to the Internet in areas where DSL cannot be provided.	Washington \$700.00 - \$899.00/mo., depending on term selected	Medium-sized Businesses	Portland, Salem, Eugene, Vancouver, and surrounding communities.	www.integratelecom.com, visited 6-30-05. (Integra's website notes that ISDN services are available "only in OREGON, Washington and Utah markets.") WA prices per Integra's tariff in WA, eff. 7-21-03.
	ISDN BRI	ISDN Basic Rate Interface - Provides for a digital transmission of two 64 Kbps bearer channels and one 16 Kbps data channel (2B+D). Allows for access to the Internet in areas where DSL cannot be provided.	Washington \$65.00/month - 1-year term	Medium-sized Businesses	Portland, Salem, Eugene, Vancouver, and surrounding communities.	www.integratelecom.com, visited 6-30-05. (Integra's website notes that ISDN services are available "only in OREGON, Washington and Utah markets.") WA prices per Integra's tariff in WA, eff. 7-21-03.
	NEXUS Voice & Data Solutions	An integrated voice and data solution designed for small and mid-sized customers with traditional analog business lines that have a need for high-speed Internet access, but do not require the service of a full T1.	No publicly available pricing information located.	Small/Medium Businesses	Portland, Salem, Eugene, Vancouver, and surrounding communities.	www.integratelecom.com, visited 6-30-05.
	Integra 8XX Switched Toll Free Service	Service permits termination of intrastate calls from diverse geographic locations to customer local exchange lines or to dedicated access facilities.	Washington \$0.11/min. - month-to-month \$0.10/min. - 1-yr. term \$0.09/min. - 2-yr. term	Small/Medium Businesses	Portland, Salem, Eugene, Vancouver, and surrounding communities.	www.integratelecom.com, visited 7-25-05. WA prices per Integra's tariff in WA, eff. 7-21-03.
MCI (MCI Metro Access Transmission Services, Inc.)	Basic Business Line	Described on MCI's website as "Plain Old Telephone Service" (POTS). Customers can choose from an array of local features.	\$35.00 - \$40.00/month - month-to-month; lower for 1-3 yr. terms	Small/Medium/Large Businesses	Qwest Territory	www.mci.com, visited 7-1-05 Prices from www.telogical.com, visited 7-11-05.
	MCI Business Complete Value	Unlimited local calling and six popular features for one monthly price; also includes low rates on long distance and calling cards.	\$34.99/month	Small/Medium Businesses	Qwest Territory	www.mci.com, visited 7-1-05

**SELECTED SERVICES AND PRICES
QWEST AND CLECs**

Qwest/9
Brigham/7

<u>Carrier</u>	<u>Service Name</u>	<u>Service Description</u>	<u>Pricing</u>	<u>Target Market</u>	<u>Availability</u>	<u>Source</u>
	MCI Business Complete 200	Unlimited local calling, 200 minutes of domestic long distance, and six popular features for one monthly price; also includes low rate on calling cards and 4 cents/minute on long distance beyond 200 minutes.	\$42.99/month	Small/Medium Businesses	Qwest Territory	www.mci.com, visited 7-1-05
	MCI Business Complete Unlimited	Unlimited local calling, unlimited domestic long distance calling, and six popular features for one monthly price; also includes low rate on calling cards.	\$59.99/month	Small/Medium Businesses	Qwest Territory	www.mci.com, visited 7-1-05
	Local Trunk Service	Provides a single digital or analog connection that can carry inbound, outbound or two-way traffic.	\$28.40/month	Medium/Large Businesses	Qwest Territory	www.mci.com, visited 7-26-05 MCI Metro Oregon Tariff #4, p. 63, eff. 8-1-02; CCMI database
	MCI Flex Service T1	Provides a single point of access for voice and data communications needs; flat-rate monthly price also includes 200 long distance minutes per month; no installation fees.	No publicly available pricing information located.	Medium/Large Businesses	Qwest Territory	www.mci.com, visited 7-26-05
	MCI Full Service T1	A dedicated T1 trunk that delivers 24 channels for a range of communications services; monthly price includes unlimited local calling, and 1250 minutes of long distance calling, Internet access and IP-based data transmission.	No publicly available pricing information located.	Medium/Large Businesses	Qwest Territory	www.mci.com, visited 7-26-05
	Local ISDN-PRI	A high-speed, intelligent connection to the MCI network that supports simultaneous voice and digital data calls over an industry standard Primary Rate Interface T1 (1.544 mbps).	No publicly available pricing information located.	Medium/Large Businesses	Qwest Territory	www.mci.com, visited 7-26-05
	Asynchronous Transfer Mode ("ATM")	A network technology that transmits voice, data, multimedia, and video through a single network, simplifying technology management with fewer access lines.	No publicly available pricing information located.	Medium/Large Businesses	Qwest Territory	www.mci.com, visited 7-1-05
	Frame Relay Service	A high-speed packet data technology, supporting private business data communications on a public network.	No publicly available pricing information located.	Medium/Large Businesses	Qwest Territory	www.mci.com, visited 7-1-05
	Toll Free Service	Lets customers route incoming toll-free calls according to their business needs.	No publicly available pricing information located.	Medium/Large Businesses	Qwest Territory	www.mci.com, visited 7-26-05
McLeodUSA	Basic Business Line	Flat rate business local service	\$22.05/month	Small/Medium/Large Businesses	Qwest Territory	www.telogical.com, visited 7-11-05 (term requirement, if any, not known)
	One Line Preferred Package	Provides unlimited local calling; also includes primary directory listing, and federal access, EAS and LNP charges; many optional features available.	\$34.95 - \$42.95/month, depending on location within Oregon; price includes federal access and EAS charges. (in limited number of wire centers, price quoted was \$80.95)	Small/Medium/Large Businesses	Qwest Territory	www.mcleodusa.com, visited 7-08-05.

**SELECTED SERVICES AND PRICES
QWEST AND CLECs**

Qwest/9
Brigham/8

<u>Carrier</u>	<u>Service Name</u>	<u>Service Description</u>	<u>Pricing</u>	<u>Target Market</u>	<u>Availability</u>	<u>Source</u>
	Simple Preferred Package	Provides unlimited local calling and choice of up to three features; also includes primary directory listing, federal access, EAS and LNP charges, and Wire Care (for inside wire repair at no cost).	\$39.95 - \$47.95/month, depending on location within Oregon; price includes federal access and EAS charges. (in limited number of wire centers, price quoted was \$91.95)	Small/Medium/Large Businesses	Bend, Eugene, Medford, Portland, Salem and surrounding communities.	www.mcleodusa.com, visited 7-08-05.
	Value Preferred Package	Provides unlimited local calling and choice of up to seven features; also includes primary directory listing, federal access, EAS and LNP charges, and Wire Care (for inside wire repair at no cost).	\$48.95 - \$54.95/month, depending on location within Oregon; price includes federal access and EAS charges. (in limited number of wire centers, price quoted was \$94.95)	Small/Medium/Large Businesses	Bend, Eugene, Medford, Portland, Salem and surrounding communities.	www.mcleodusa.com, visited 7-08-05.
	Premium Preferred Package	Provides unlimited local calling and nine features; also includes primary directory listing, federal access, EAS and LNP charges, and Wire Care (for inside wire repair at no cost).	\$55.95 - \$59.95/month, depending on location within Oregon; price includes federal access and EAS charges. (in limited number of wire centers, price quoted was \$63.95)	Small/Medium/Large Businesses	Bend, Eugene, Medford, Portland, Salem and surrounding communities.	www.mcleodusa.com, visited 7-08-05.
	Preferred Advantage Integrated Access	Combines voice and data lines over a single, high-speed connection (digital T1 or PRI) to McLeodUSA advanced network. Includes: six local voice lines and 256k of high-speed Internet access; premise equipment and installation kit; competitive term and volume discounts; in-band signaling (T1); DID (T1/PRI); Inbound Caller ID number (PRI); Outbound Caller ID number with screening ANI. Other PRI options also available.	Colorado: \$420/month for base package; \$22.00/month per incremental voice channel.	Medium/Large Businesses	Portland, Salem, Lake Oswego, Oak Grove-Milwaukie, Oregon City	www.mcleodusa.com, visited 7-8-05. Price per McLeod tariff in CO, eff. 8-30-03.
	Local T1 Service	High-quality digital service with 12- to 24-channel capacity. Includes switch port and transport facility configurations; in-band and out-of-band signaling. Can be configured for either two-way trunk side service (Standard Trunks) or one-way DID (DID capable) service.	Colorado: \$505 - \$775/month, depending on trunk configuration and DID capability.	Medium/Large Businesses	Unknown	www.mcleodusa.com, visited 7-8-05. Price per McLeod tariff in CO, eff. 7-1-04.
	ISDN-PRI	Provides voice and data communications capabilities via a 1.544 Mbps central office termination and a 1.544 Mbps end user's premises; also provides high capacity local access services, with up to 24 channels (23 64Kbps B channels + 1 D channel for signaling).	Colorado: \$560 - \$805/month, depending on trunk configuration and DID capability.	Medium/Large Businesses	Unknown	www.mcleodusa.com, visited 7-8-05. Price per McLeod tariff in CO, eff. 7-1-04.
	Preferred Advantage Secure City-to-City Connection and Preferred Advantage Secure Metro Connection	Frame Relay Services, permitting customers to transmit voice, data and video at high speeds across safe lines.	No publicly available pricing information located.	Medium/Large Businesses	Unknown	www.mcleodusa.com, visited 7-26-05.

**SELECTED SERVICES AND PRICES
QWEST AND CLECs**

Qwest/9
Brigham/9

<u>Carrier</u>	<u>Service Name</u>	<u>Service Description</u>	<u>Pricing</u>	<u>Target Market</u>	<u>Availability</u>	<u>Source</u>
	Preferred Advantage 800 Service	A switched toll-free service, permitting intrastate calls to a customer's station in one location from stations in diverse geographical locations, and for which the McLeodUSA customer is billed for the calls rather than the call's originator.	Colorado: \$0.0693/minute for customers with McLeodUSA local service; \$0.1023/minute for customers w/o McLeodUSA local service.	Small/Medium/Large Businesses	Qwest Territory	www.mcleodusa.com, visited 7-26-05. Price per McLeod tariff in CO, eff. 7-1-04.
Oregon Telecom	Basic Business Line	Basic Business Line	\$16.95	Unspecified	Qwest Territory	www.oregontelecom.com, visited 7-1-05; Price per www.telogical.com, visited 7-11-05 - quote as of 12/04.
	Oregon Gold	Analog and digital solutions (PRI, DSS, T-1, features)	No publicly available pricing information located.	Small/Medium Businesses	Qwest Territory	www.oregontelecom.com, visited 7-1-05.
	Oregon Connect	Toll Free Services	No publicly available pricing information located.	Small/Medium/Large Businesses	Qwest Territory	www.oregontelecom.com, visited 7-11-05
Rio Communications	Standard Business Line	Local business service - includes call forwarding, extended area service, call transfer, DID and 800 number service at no additional cost.	No publicly available pricing information located. Per Rio's website, its prices are "very competitive".	Small/Medium/Large Businesses	Headquartered in Roseburg, with sales offices in Portland, Eugene, Medford, and Bend.	www.rio.com, visited visited 7-1-05 and 7-27-05.
	ISDN PRI Service	Combines multiple voice, video and data communications calls onto one trunk. Provides 23 64 Kbps bearer (B) channels for transmission and one 64Kbps data (D) control channel.	No publicly available pricing information located. Per Rio's website, its prices are "very competitive".	Medium/Large Businesses	Headquartered in Roseburg, with sales offices in Portland, Eugene, Medford, and Bend.	www.rio.com, visited 7-1-05.
	Asynchronous Transfer Mode ("ATM")	Carries voice, data and video over copper or optic fiber in 53-byte cells with a variety of identifiers that determine the priority of data bandwidth requirements, routing information at high speeds - from 1.54Mbps (T1) to 622 Mbps (OC12) - and reassembling it at the destination.	No publicly available pricing information located. Per Rio's website, its prices are "very competitive".	Medium/Large Businesses	Headquartered in Roseburg, with sales offices in Portland, Eugene, Medford, and Bend.	www.rio.com, visited 7-1-05.
	Frame Relay Service	A high-speed data transport technology that provides "private network performance at public network prices". Available via: DDS - 56Kbps or clear channel 64 Kbps; Fractional T1 Service - 128, 256 and 384 Kbps; Digital Service (DS1, or T1) - 1.544 Mbps; DS3, or T3 - provides 45 Mbps access and interoperability with ATM networks.	No publicly available pricing information located. Per Rio's website, its prices are "very competitive".	Medium/Large Businesses	Headquartered in Roseburg, with sales offices in Portland, Eugene, Medford, and Bend.	www.rio.com, visited 7-1-05.
	Toll Free Service	Allows incoming toll calls at no cost to the call originator.	Provided with local business service at no additional cost.	Medium/Large Businesses	Headquartered in Roseburg, with sales offices in Portland, Eugene, Medford, and Bend.	www.rio.com, visited 7-1-05.

**SELECTED SERVICES AND PRICES
QWEST AND CLECs**

Qwest/9
Brigham/10

<u>Carrier</u>	<u>Service Name</u>	<u>Service Description</u>	<u>Pricing</u>	<u>Target Market</u>	<u>Availability</u>	<u>Source</u>
XO	XO Basic Business Line	Described on XO's website as "Plain Old Telephone Service" (POTS). Provides "small, growing and large businesses with low-cost, flexible telephone service." Price includes a directory listing and Caller ID Blocking; a variety of optional features are available.	Idaho: \$22.54 - \$36.55/month, depending on term length and geographic area.	Small/Medium/Large Businesses	Portland area	www.xo.com , visited 7-7-05. Prices per XO's tariff in ID, eff. 3-13-05; CCMI database.
	XO Business Trunks - PBX Analog Trunk	Provides customers with access to and from the Public Switched Telephone Network for inbound, outbound or two-way call traffic. Analog trunk service is offered via stand-alone PBX or DID trunks.	Idaho: \$29.22 - \$68.90/month, depending on term length, geographic area and trunk configuration.	Small/Medium/Large Businesses	Portland area	www.xo.com , visited 7-7-05. Prices per XO's tariff in ID, eff. 3-13-05; CCMI database.
	XO Business Trunks - Digital Switched T1	Provides customers with access to and from the Public Switched Telephone Network, via digital connections, for inbound, outbound or two-way call traffic.	Idaho: \$450 - \$1136/month (full trunk), depending on term length, geographic area and trunk configuration. \$212 - 236/month (fractional T1), depending on term length and geographic area. \$21.90 - \$24.69 (per channel), depending on term length, geographic area and channel configuration	Small/Medium/Large Businesses	Portland area	www.xo.com , visited 7-7-05. Prices per XO's tariff in ID, eff. 3-13-05; CCMI database.
	XO Centrex	A complete business telephone system that delivers PBX-like features with both internal and Public Switched Telephone Network access to individual desks; price includes over 20 standard features, with availability of additional optional features for advanced functionality.	Idaho: \$27.43 - \$29.86/month, depending on term length, geographic area and number of Centrex lines.	Medium/Large Businesses	Portland area	www.xo.com , visited 7-7-05. Prices per XO's tariff in ID, eff. 3-13-05; CCMI database.
	XO ISDN PRI	Offers simultaneous, integrated voice and data transmission via a digital trunking interface; available month-to-month or for terms of 1, 2, 3, or 5 yrs. Consists of 23 bearer (B) channels and 1 data (D) channel.	Idaho: \$1024/month - M-M; \$620 - \$954/month, depending on term length and geographic location. Utah: \$1200/month - M-M; \$620 - \$820/month, depending on term length.	Medium/Large Businesses	Portland area	www.xo.com , visited 7-7-05. Prices per XO's tariff in ID, eff. 3-13-05, and UT, eff. 1-18-05; CCMI database.
	XO ISDN BRI	Provides two 64 Kbps bearer (B) channels used for voice and data transmission, and one 16 Kbps data (D) channel used for call set-up.	Idaho: \$89.25/month - M-M; \$79.80-\$84.88, depending on term length. Utah: \$60/month - M-M	Medium/Large Businesses	Portland area	www.xo.com , visited 7-7-05. Prices per XO's tariff in ID, eff. 3-13-05, and UT, eff. 1-18-05; CCMI database.

**SELECTED SERVICES AND PRICES
QWEST AND CLECs**

Qwest/9
Brigham/11

<u>Carrier</u>	<u>Service Name</u>	<u>Service Description</u>	<u>Pricing</u>	<u>Target Market</u>	<u>Availability</u>	<u>Source</u>
	XO Premium Integrated Access Service	A bundled service offering that requires the customer to purchase local exchange service, message toll service and Internet service from XO. Standard configuration is a single DS-1; can also be provided via ISDN PRI.	Idaho: \$21.90 - \$39.15/month, depending on type of trunk and geographic location.	Small/Medium/Large Businesses	Portland area	www.xo.com , visited 7-26-05. Prices per XO's tariff in ID, eff. 3-13-05; CCMI database.
	XO Toll Free Service	Allows businesses to offer customers an easy way to connect to customer support, sales offices or other company office locations using a toll-free access number.	Idaho: \$0.09/min. - Platinum Rate (on-net service); \$0.145/min. - Gold Rate (off-net service). Available discounts range from 5% to 30%, depending on annual dollar commitment level and term of contract.	Small/Medium/Large Businesses	Portland area	www.xo.com , visited 7-26-05. Prices per XO's tariff in ID, eff. 4-1-05; CCMI database.

Cingular Nation FamilyTalk

No Roaming or Long Distance Charges Nationwide

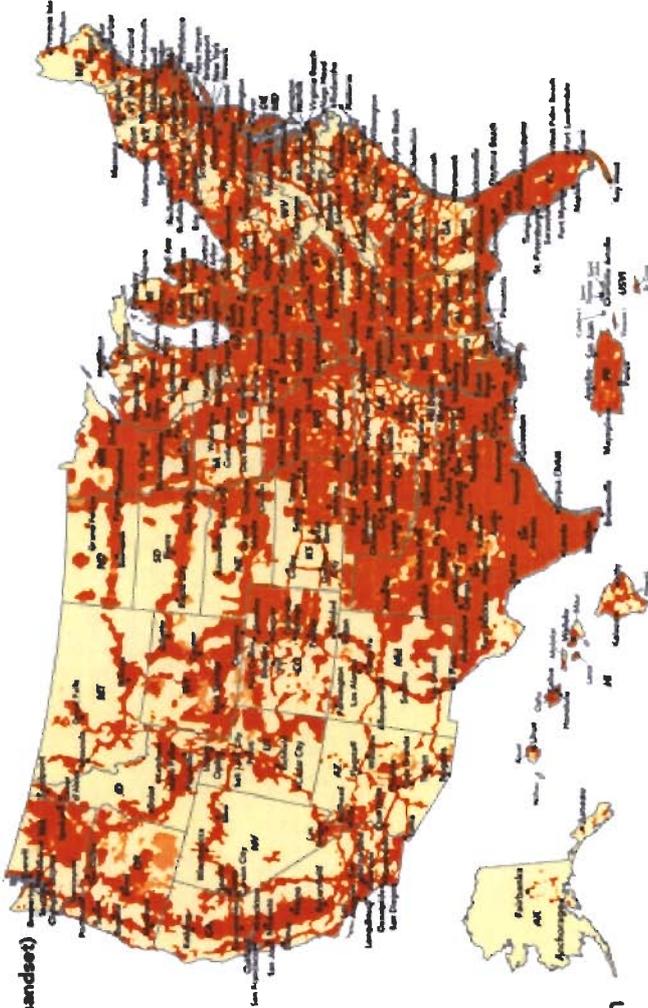
Cingular Nation FamilyTalk* (with a GSM handset)

- Anytime, Mobile to Mobile and Night & Weekend Minutes apply

Future Coverage Area

- Estimated Availability by Year End 2005

No Service Area



Cingular GSM handset required on Cingular Nation FamilyTalk* plans.

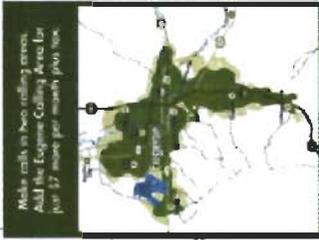
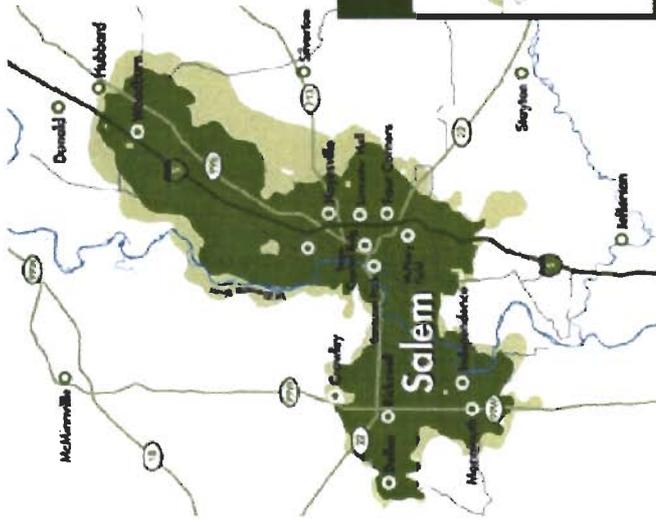
Your phone's display does not indicate the rate you will be charged. Please review your coverage map for areas included in and out of plan. Map depicts an approximation of outdoor coverage. Map may include areas served by unaffiliated carriers and may depict their licensed area rather than an approximation of the coverage there. Actual coverage area may differ substantially from map graphics, and coverage may be affected by such things as terrain, weather, foliage, buildings and other construction, signal strength, customer equipment and other factors. Cingular does not guarantee coverage. Charges will be based on the location of the site receiving and transmitting the call, not the location of the subscriber. Future Coverage, if depicted above, is based on current planning assumptions but is subject to change and may not be relied upon.

76004

cricket

Capital coverage

where to talk in Salem



-  **Cricket® Excellent Calling Area**
Excelente Área de Cobertura Cricket®
-  **Cricket® Good Calling Area**
Buena Área de Cobertura Cricket®
-  **Not within Cricket® Calling Area**
Fuera del Área de Cobertura Cricket®

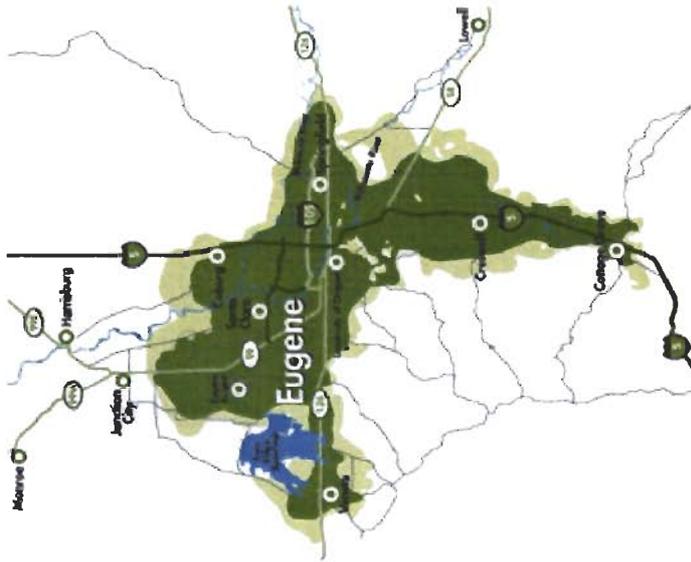
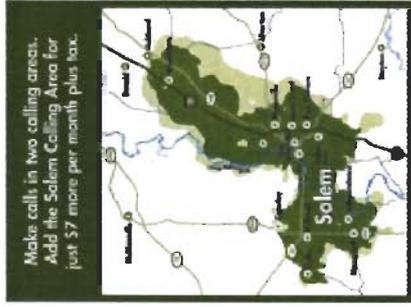
Service shown is not a guarantee of coverage.
 Because your Cricket® phone is a wireless phone and works by sending and receiving radio signals, obstacles can sometimes interfere with the signal. You may not be able to make or receive calls, or your call may be cut off. So if you're having trouble with a call in a building or parking garage, it's a good idea to step outside to improve your reception. Cricket® is a registered trademark of Cricket Communications, Inc. ©2004 Cricket Communications, Inc. 4012C1104

CLOSE WINDOW

cricket

Speak up in Eugene

where to talk



Cricket® Excellent Calling Area

Excelente Área de Cobertura Cricket®

Service shown is not a guarantee of coverage.

Because your Cricket® phone is a wireless phone and works by sending and receiving radio signals, obstacles can sometimes interfere with the signal. You may not be able to make or receive calls, or your call may be cut off. So if you're having trouble with a call in a building or parking garage, it's a good idea to step outside to improve your reception. Cricket® is a registered trademark of Cricket Communications, Inc. ©2004 Cricket Communications, Inc. 4012C1V04



Cricket® Good Calling Area

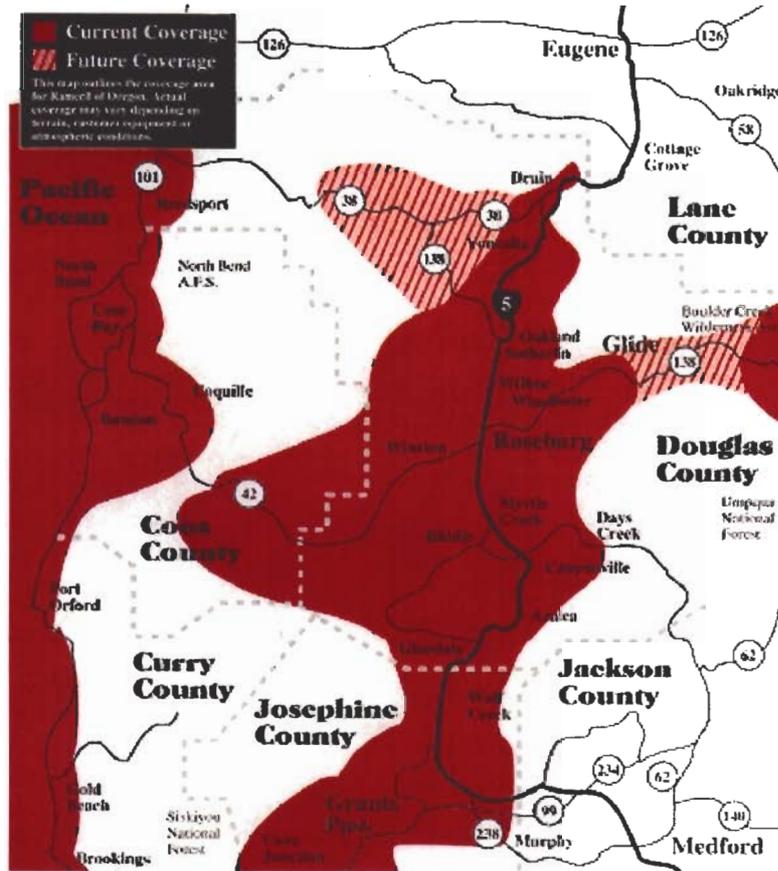
Buena Área de Cobertura Cricket®



Not within Cricket® Calling Area

Fuera del Área de Cobertura Cricket®







Coverage Information

This map shows coverage in the **Portland, OR** area.

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- Sprint Nationwide PCS Network
- Additional Sprint PCS Service
- Digital Roaming
- Analog Roaming
- No Service Available

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Coverage Information

This map shows coverage in the Grants Pass, OR area.

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- Sprint Nationwide PCS Network
- Additional Sprint PCS Service
- Digital Roaming
- + Analog Roaming
- No Service Available

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Coverage Information

This map shows coverage in the **Pendleton, OR** area.

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- Sprint Nationwide PCS Network
- Additional Sprint PCS Service
- Digital Roaming
- Analog Roaming
- No Service Available

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T-Mobile USA : Portland, Oregon (change location)



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- >> View international rates and coverage



>> Help

T-Mobile digital coverage area

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Service for: Bend, Oregon

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NATIONAL PLANS

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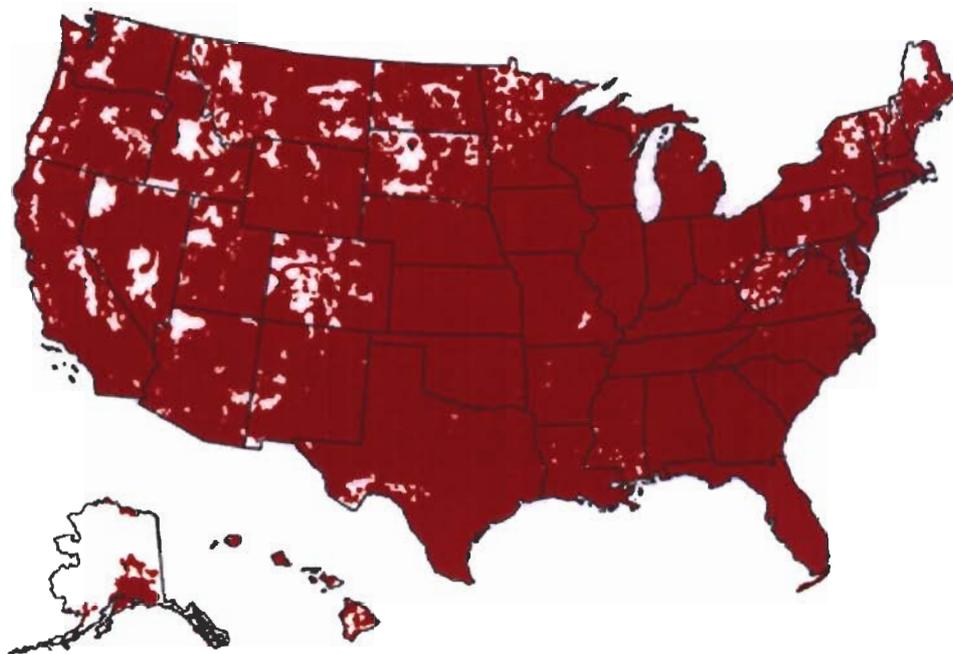
Plan Description

Plan Features

Available Phones

Coverage Map

Terms & Conditions



Unicel 50 State Calling Area

Actual coverage may vary

PREPAID PLANS

- **SmartPay Prepay**

LIFELINE SERVICE

- **Lifeline and Link Up**



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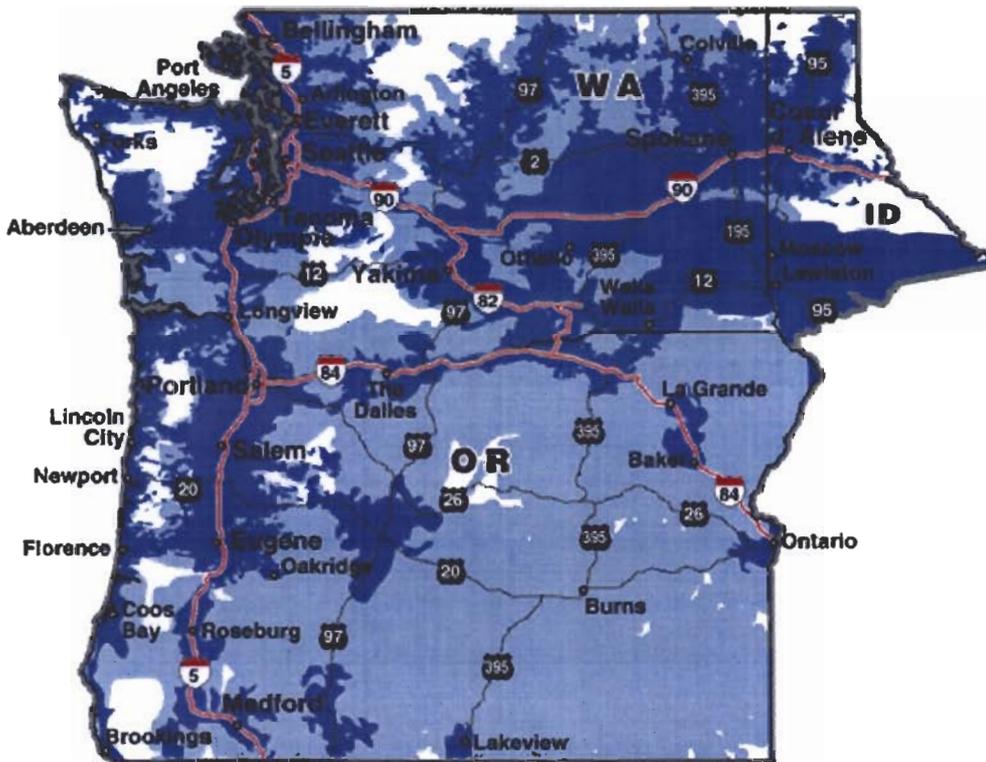
Info2Go

Discover any number of the million and one ways to make your phone uniquely your own

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DigitalChoice Home Airtime Rate and Coverage Area



-  DigitalChoice* Home Airtime Rate and Coverage Area
-  DigitalChoice* All-Digital Home Airtime Rate and Coverage Area
-  No Coverage Area

SELECTED WIRELESS CALLING PLAN PRICES COMPARED TO QWEST'S WIRELINE BUSINESS PRICES IN OREGON

	Qwest Wireline*							
	1FB	Qwest Choice Business	Cingular ^a	Cricket ^b	Sprint ^c	T-Mobile ^d	Unicel ^e	Verizon ^f
Basic Rate	\$32.50 - \$37.00	\$46.49	\$39.99	\$45.00	\$40.00	\$39.99	\$45.00	\$39.99
FEATURES	(incl. choice of 3 features)							
Caller ID	\$7.95	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Voice Mail	\$13.95	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Call Waiting	\$2.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Standard Listing Qwest Directory	\$0.00	\$0.00	\$1.03	\$1.03	\$1.03	\$1.03	\$1.03	\$1.03
Regulatory Program Fee or Surcharge	\$0.00	\$0.00	\$1.25	\$0.45	\$0.80	\$0.86	\$1.18	\$0.05
Total Monthly Rate w/Features	\$56.40-\$60.90	\$46.49	\$42.27	\$46.48	\$41.83	\$41.88	\$47.21	\$41.07
PLAN DETAILS								
Unlimited Local Calls	YES	YES	NO	YES	NO	NO	NO	NO
Free Long Distance	NO	NO	YES	YES	YES	YES	YES	YES
Installation Chg/Activation Fee	\$31.00	\$31.00	\$36.00	Not available	\$36.00	\$35.00	\$30.00	\$35.00 - 1-yr. \$20.00 - 2-yr.
Cancellation Fee	n/a	n/a	\$150.00	None	\$150.00	\$200.00	\$200.00	\$175.00
Contract Length	n/a	n/a	1-2 yrs.	Not required	2 yr.	1 yr.		1-2 yrs.
Plan Description (monthly minutes of use)	n/a	n/a	450 w / 5000 night & weekend	unlimited local and LD	500 w/ unlimited night & weekend	600 w/ unlimited weekend	400 w/ unlimited night & weekend	550 w/ unlimited night & weekend
Additional Minutes Charge per Minute	n/a	n/a	Unused anytime minutes roll over for up to 12 months	n/a	\$0.10	\$0.35	\$0.45	\$0.25
Long Distance Rate per Minute (for minutes not included in the plan)	\$0.05/min for all LD	\$0.05/min for all LD	Free LD	Free LD	Free LD	Free LD	Free LD	Free LD
Roaming Rates	n/a	n/a	\$0.00	Not available	\$0.00	\$0.00	Not available	\$0.00

* Includes \$6.50 Subscriber Line Charge. No long distance or features included in the 1FB rate.

a Cingular National 450 w/Rollover Plan. Additional features included at no charge: 3-way Calling, Call Forwarding, International Dialing, Text Messaging (incoming).

b Cricket \$45 Unlimited Access Plan. Additional features included at no charge: Text and Picture Messaging, 2 Directory Assistance Calls.

c Sprint PCS Free & Clear Plan for Business. Additional features included at no charge: 3-Way Calling, Numeric Paging.

d T-Mobile National Business Plan 600. Additional features included at no charge: Instant Messenger, Built-In Paging, Conference Calling, Call Forwarding, Call Hold, Directory Assistance.

e Unicel True Nationwide 800 Special Offer (800 anytime minutes first 6 months; then 400 minutes). Additional features, no charge: Call Forwarding, Conference Calling, Text Messaging (incoming).

f America's Choice for Business Calling - \$39.99 Plan (Option 2). Additional features included at no charge: 3-Way Calling, 411 Connect, Call Forwarding, No Answer/Transfer, Text Messaging.



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CALLING PLANS INTERNET SERVICES BUNDLED SERVICES VOICE OVER IP PHONES & ACCESSORIES

AT&T CallVantage®
Phone service for broadband

PLANS & PRICING

AT&T CALLVANTAGE HOME

ABOUT AT&T CALLVANTAGE

CHECK SERVICE
AVAILABILITY

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COMPARE PLANS

SAVINGS CALCULATOR

INTERNATIONAL CALLING

SMALL OFFICE/HOME OFFICE

EQUIPMENT

911: IT'S DIFFERENT

IMPORTANT INFO AND FAQS

SUBSCRIBER AGREEMENT

CHOOSE A PLAN

AT&T CallVantage® Service has a plan to fit your budget and calling needs. Whichever plan you choose, you'll get great service, exciting features, and substantial savings over traditional calling with VoIP from AT&T.

\$29.99
PER MONTH

ORDER ONLINE & GET
FIRST MONTH FREE

AT&T CallVantage® Service Plan
**Unlimited Local and Long Distance
calling in the US and to Canada, plus:**

- 50% savings on international calls
- Exciting advanced features
- Your favorite traditional features

[Learn More and Order Now](#)

\$19.99
PER MONTH

AT&T CallVantage® Local Plan
**Unlimited Local calling, 4¢/minute
Long Distance calling, plus:**

- Voice Mail with eFeatures
- Caller ID with Name
- Exciting advanced features

[Learn More and Order Now](#)

\$49.99
PER MONTH

AT&T CallVantage® Small Office Plan
**Unlimited Local and Long Distance
faxing and calling in the US and to
Canada for the 1st line and 500 LD
minutes for faxing and calling
throughout the US and to Canada on
2nd line, plus:**

- Exciting Advanced Features
- Your favorite traditional features
- Fax capability on both lines

[Learn More and Order Now](#)

CHECK OUT OUR AMAZING INTERNATIONAL RATES

Save an average of 50%
on International Calls!

[View International Rates](#)

DON'T FORGET. You'll need high
speed (broadband, not dial up)
access to the internet to get
these offers.

Broadband access charges are not
included in our monthly price or
our savings calculations.

STILL HAVE DIAL-UP?

Check out available cable
high-speed options during the
AT&T CallVantage order process.



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AT HOME & ON THE GO: PRODUCTS & SERVICES CUSTOMER CENTER ASSISTANCE

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PLANS & PRICING

[AT&T CALLVANTAGE HOME](#)[ABOUT AT&T CALLVANTAGE](#)[CHECK SERVICE](#)[AVAILABILITY](#)[PLANS & PRICING](#)[AT&T CALLVANTAGE®
SERVICE PLAN](#)[AT&T CALLVANTAGE® LOCAL
PLAN](#)[AT&T CALLVANTAGE® SMALL
OFFICE PLAN](#)[SAVINGS](#)[COMPARE OFFERS](#)[INTERNATIONAL CALLING](#)[SMALL OFFICE/HOME OFFICE](#)[VIEW THE DEMO](#)[911: IT'S DIFFERENT](#)[IMPORTANT INFO AND](#)[FAQS](#)[YOUR ORDER](#)**AT&T CallVantage® Small Office Plan¹**[YOUR ORDER](#)**\$49.99**

Small Office Home Office Customers can enjoy unlimited Local and Long Distance calling in the US and to Canada for a special rate, and save an average of 50% on international calls in addition to these great features:

INCLUDED FEATURES

- [Conference Calling](#)
- [Voicemail](#)
- [Call Log](#)
- [Phone Book](#)
- [Locate Me](#)
- [Speed Dial](#)
- [Do Not Disturb](#)
- [3-Way Calling](#)
- [Alternative 911 or
Alternative E-911 Service](#)
- [Call Forwarding](#)
- [Call Waiting](#)
- [Caller ID](#)
- [Safe Forward Number](#)
- [2nd Line](#)
- [Fax and Modem Support](#)
- [Directory Assistance](#)

[View all plans](#)[Select this Plan](#)[Sign up now](#)Already an AT&T CallVantage customer? [Access Your Account](#)

¹ Broadband service charges not included. 1st month free offer expires 12/31/05 and is available for online orders only. Monthly rate includes direct-dialed domestic calls and calls to Canada. International calls are billed at additional per-minute rates and may have different feature capabilities. A \$29.99 service activation fee applies. Other charges may apply. Customers who disconnect Service must return equipment associated with Service in order to avoid \$29.99 disconnect fee.



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CALLING PLANS INTERNET SERVICES BUNDLED SERVICES VOICE OVER IP PHONES & ACCESSORIES



SMALL OFFICE / HOME OFFICE

AT&T CALLVANTAGE HOME

MAKE YOUR BUSINESS MORE PRODUCTIVE

YOUR ORDER

AT&T CALLVANTAGE®
SMALL OFFICE PLAN

\$49.99 PER MONTH

Learn More

ABOUT AT&T CALLVANTAGE

With the AT&T CallVantage® Small Office Plan, you'll keep your business costs down with unlimited local and long distance calling, including calls to Canada, plus you'll get a second phone line with fax capability?

CHECK SERVICE

AVAILABILITY

PLANS & PRICING

STREAMLINE YOUR BUSINESS WITH EXCITING FEATURES

This plan gives you all the features you expect, like Voicemail, Caller ID, Call Waiting, and Call Forwarding. But you'll also get advanced features like Locate Me and the ability to choose almost any area code for your business that will help you and your business be flexible and more productive.

INTERNATIONAL CALLING

SMALL OFFICE/HOME OFFICE

EQUIPMENT

911: IT'S DIFFERENT

IMPORTANT INFO AND FAQS

SUBSCRIBER AGREEMENT



2nd LINE

When you sign up for AT&T VoIP, a second line is included. Each line is independent of the other and each has its own phone number so you can use both lines at the same time. Both your primary and 2nd Line will be billed to your Master Line Account.



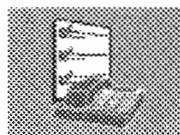
CHOOSE YOUR BUSINESS AREA CODE

Give your home or small office a little big city panache. With AT&T CallVantage Service, you can choose almost any area code you want, no matter where you're located. So your Newark, NJ office can look like it's in Midtown Manhattan.



LOCATE ME

You can't always be in the office. When you're not there to answer your phone, Locate Me will ring 5 different numbers - including cell phone numbers - either sequentially or all at the same time until it finds you.



CALL MANAGEMENT

Wherever business takes you, your AT&T VoIP is just a phone call or click away. With your personal access number, you can manage your phone service online or on the phone from anywhere.



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CALLING PLANS INTERNET SERVICES BUNDLED SERVICES VOICE OVER IP PHONES & ACCESSORIES

AT&T CallVantage®
Phone service for broadband

FEATURES

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[YOUR ORDER](#)

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INCLUDED FEATURES

PREMIUM FEATURES

FEATURES

For one monthly fee, you'll get all the features you expect and great advanced features.

CALL MANAGEMENT

STANDARD FEATURES

Voicemail, Call Forwarding, Caller ID, Conference Calling and Call Waiting

HOW IT WORKS

VIEW THE DEMO

ADVANCED FEATURES

Rollover the list below to learn more about AT&T CallVantage® Service advanced features.

CHECK SERVICE

AVAILABILITY

PLANS & PRICING

VOICEMAIL

LOCATE ME

DO NOT DISTURB

CALL LOBS

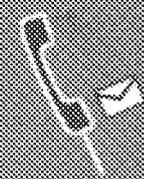
SPEED DIAL

NUMBER FOR LIFE

SAFE FORWARD NUMBER

FAX AND MODEM SUPPORT

CONFERENCE CALLING



Wouldn't it be great to send voicemails to groups of people?

Now your voicemail is more versatile than ever. Check your home voicemail with any phone or computer.

Even send "talking e-mails" to friends, family, or coworkers.

TOUR FEATURE

TOUR THE ADVANCED FEATURES

[View the Premium Features](#)

Already a customer?

Access your AT&T CallVantage account
Questions? Log in to the Help section



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CALLING PLANS INTERNET SERVICES BUNDLED SERVICES VOICE OVER IP PHONES & ACCESSORIES



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FEATURES

CALL MANAGEMENT

HOW IT WORKS

VIEW THE DEMO

CHECK SERVICE

AVAILABILITY

PLANS & PRICING

INTERNATIONAL CALLING

SMALL OFFICE/HOME OFFICE

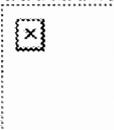
EQUIPMENT

911: IT'S DIFFERENT

IMPORTANT INFO AND FAQS

SUBSCRIBER AGREEMENT

Once you sign up for AT&T CallVantage® Service, you can enhance your phone service even more by adding Premium Features. You'll just go to the Account Management and Settings section of the AT&T CallVantage Service Homepage and make changes or additions to your account.



2nd LINE - \$29.99 a month for Unlimited Local and Long Distance Plan customers. \$19.99 a month for Unlimited Local Plan

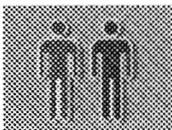
When you sign up for AT&T CallVantage Service, you can add a 2nd Line under the same plan as your Master Line Account. Each line is independent of the other and each has its own phone number so you can use both lines at the same time. Both your primary and 2nd Line will be billed to your Master Line Account.

SIMPLE REACHSM NUMBER - Only \$4.99/MO PER NUMBER

With Simple Reach Number, you can select additional phone numbers with different area codes and give them to people you talk to often. So even if you live in New York and your grandmother lives in New Mexico, she can call you and it shouldn't cost her any more than a local call.

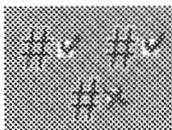
ADD PHONE USERS - AT&T CALLVANTAGE PLUS - Only \$7.49/MO per user

"Add Phone Users - AT&T CallVantage Plus" are "family friendly" in that you can provide each member of your household a distinctive telephone number and the ability to manage their own calling experience. This enables individuals the ability to configure 'Do Not Disturb' and 'Locate Me' to receive calls when they want and where they want. It also provides a discrete 'Call Log' for each user and allows everyone to retrieve their own voicemail.



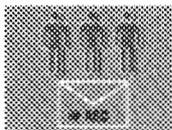
CALL FILTERING - \$1.99/MO

Call Filtering lets you filter calls based on caller for up to 20 numbers. You can even send calls directly to voicemail or block them entirely.



RECORD & SEND - Limited time free promotion

Use Record & Send to broadcast a message to several different telephone numbers at the same time. You can also manage Record & Send using your AT&T CallVantage Service Phone.



View the Included Features

Already a customer?

Access your AT&T CallVantage account
Questions? Log in to the Help section



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Voice over Internet Protocol

AT&T's VoIP Services help your business evolve to the next generation of converged communication services. Enhancing employee productivity, reducing operational expenses and gaining the efficiencies of a unified network help you attain the leading edge over your competition. AT&T's VoIP services are delivered with the quality of service, reliability and security required for your mission critical business communications. Powering these services is AT&T's world-class global, IP-MPLS network, which is standards-based and designed to support open protocols such as Session Initiated Protocol (SIP) which provides the interoperability and scalability that your business needs for next-generation communication applications.

AT&T offers a broad portfolio of VoIP solutions designed to help you achieve your business objectives at the pace your business requires...

- **Corporate Networks:** VoIP with AT&T's VPN services helps you maximize your networking investment by providing you with high quality voice communications that can seamlessly connect your entire enterprise
- **Branch Offices:** AT&T IP Telephony services give you the flexibility to deploy advanced features throughout the entire enterprise. Whether your employees are located at headquarters or a remote office, they can all benefit from the productivity enhancements of IP Telephony.
- **Remote Workers:** Whether you have full-time, part-time or occasional remote workers, AT&T will be providing services that support their needs with cost effective, feature rich options that allow them to be "always at their desk".
- **Call Centers:** As your call centers evolve to be IP-enabled, AT&T will evolve with you and provide critical VoIP services to help you gain new efficiencies and capabilities as you serve your customers.

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News Release

FOR RELEASE MONDAY, JULY 11, 2005

AT&T Aggressively Rolling Out VoIP E-9-1-1 Service

BEDMINSTER, N.J. – AT&T announced today that it has begun introducing Enhanced 9-1-1 service (E-911) to its AT&T CallVantage® Service users in a phased deployment to be largely completed later this Summer.

E-911 service delivers a caller's name, telephone number and service address directly to the console of the appropriate Public Safety Answering Point (PSAP) in the event of an emergency.

"AT&T is proud to be making good on its commitment to deliver an E-911 solution to our AT&T CallVantage subscribers," said Cathy Martine, AT&T senior vice president for Internet Telephony. "It has long been AT&T's heritage to serve the nation's public safety needs and the introduction of E-911 for many of our VoIP users is the culmination of a lot of hard work."

AT&T began provisioning eligible new AT&T CallVantage Service subscribers with E-911 capabilities on a phased, market-by-market approach this past April. That means in the service areas where the company has installed and tested the infrastructure required to support E-911, eligible new subscribers are automatically receiving the enhanced service when activating their accounts.

Existing AT&T CallVantage Service users in those same markets whose accounts are eligible will be provisioned with E-911 service automatically by mid-summer. To date, the company has migrated tens of thousands of lines successfully across the nation.

When the migration is complete, customers will receive notification from the company confirming they have been provisioned with E-911.

Exceptions would be those subscribers who have selected "out-of-area" telephone numbers as their primary VoIP lines. For example, if a New Jersey resident chose a telephone number in another part of the state, or in another state, he or she would not qualify for E-911 service and would remain on AT&T's 911 Alternative Emergency Dialing service until the company is prepared to implement an "out-of-area" E-911 solution.

AT&T is working with industry members, commercial partners and public safety officials to rapidly expand these emergency dialing capabilities in an attempt to provision all AT&T CallVantage subscribers with E-911 access as quickly as possible.

In a similar manner, customers who travel with their telephone adapters are cautioned to maintain an alternate means of accessing emergency services. While AT&T enables customers to update their service address, in such instances customers may be better served by using a hotel or other local phone to place an emergency call until real-time updates are made possible.

AT&T CallVantage Service subscribers can determine their account status by logging on to their personal Web portal and visiting the Account Management & Settings page where they can review the emergency service type they are currently subscribed to. All users are urged to proactively check their 911 status online, read their 911 notification letters and not to place test calls to 911 as this creates an unnecessary burden on the nation's emergency calling system.

In the interest of public safety, AT&T reminds customers that VoIP E-911 does not work if there is an outage in electrical power or broadband service.

Introduced in late March 2004, AT&T CallVantage works with a customer's broadband connection to provide a complete calling solution with unlimited local and long-distance domestic calling, including calls to Puerto Rico and the U.S. Virgin Islands, unlimited calling to Canada, discount rates for international calling, and a suite of advanced features for \$29.99 a month.

Under its AT&T CallVantage Local Plan, customers receive unlimited local calling and access to the entire AT&T CallVantage Service advanced feature set for \$19.99 per month. All local toll and long distance calling and feature use in the U.S. and to Canada will be billed at \$0.04 a minute.

To learn more about AT&T CallVantage Service, consumers can visit <http://www.CallVantage.com> or visit one of its valued retailers.

About AT&T

For more than 125 years, AT&T (NYSE 'T') has been known for unparalleled quality and reliability in communications. Backed by the research and development capabilities of AT&T Labs, the company is a global leader in local, long distance, Internet and transaction-based voice and data services.

AT&T 'Safe Harbor'

The foregoing contains 'forward-looking statements' which are based on management's beliefs as well as on a number of assumptions concerning future events made by and information currently available to management. Readers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside AT&T's control, that could cause actual results to differ materially from such statements. These risk factors include the impact of increasing competition, continued capacity oversupply, regulatory uncertainty and the effects of technological substitution, among other risks. For a more detailed description of the factors that could cause such a difference, please see AT&T's 10-K, 10-Q, 8-K and other filings with the Securities and Exchange Commission. AT&T disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This information is presented solely to provide additional information to further understand the results of AT&T.

For more information, reporters may contact:

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gmorgenstern@att.com

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News Release**FOR RELEASE MONDAY, MAY 2, 2005****AT&T Announces Integrated Portfolio Of IP Communications Services; Company To Offer Network-Based VoIP For Business**

NetWorld+Interop Las Vegas – AT&T today unveiled AT&T Dynamic Network Applications^(SM) (DNA), an integrated portfolio of Internet Protocol (IP) services that will support the next generation of business communications — from voice to conferencing, messaging and beyond.

The first service available in the portfolio will be AT&T Voice DNA^(SM), a network-based voice over IP (VoIP) service that combines the cost and functionality benefits of a premises-based VoIP service, with the flexibility, control and reduced capital expenditures of network-based IP services. AT&T will begin rolling out this service to a limited number of customers in the coming months, and will continue to roll out service through the rest of the year.

The AT&T DNA portfolio leverages the company's software-driven, global MPLS network and its IP VPN services, which help customers converge their data and voice applications on the same reliable, secure, high-performing and scalable network infrastructure. This networking foundation enhances the capabilities delivered by AT&T Voice DNA and enhances business productivity by making it easier for employees, suppliers and partners to collaborate.

"Today's announcement is the latest example of AT&T's commitment to deliver turnkey services over IP that provide consistent features, improved performance and superior service quality across an enterprise," said Kathleen Flaherty, AT&T chief marketing officer. "AT&T Voice DNA is the first example of the types of turnkey services in our Dynamic Network Applications portfolio, which are being designed to give customers and their employees unprecedented control and flexibility over the business capabilities they value most."

Future targeted services of the AT&T DNA portfolio include IP-conferencing and messaging services. The company also said the portfolio of services will be standards-based and capable of interoperating with service-oriented business applications from AT&T and third-party providers.

AT&T Voice DNA will let customers manage the advanced features of the service through the company's industry-leading AT&T Business-Direct[®] customer support and network management portal. The web interface provides convenience and control for IT managers, as well as employees.

"Effective communication and collaboration are critical to the productivity increases that lead to business success," said Mark Winther, Group Vice President Worldwide Communications, IDC. "AT&T's new portfolio of IP services will provide the network-based solutions companies need to flexibly deploy advanced communications and collaboration technology that will enable them to compete more effectively and bring new products and services to market more swiftly."

AT&T Voice DNA is a VoIP solution for enterprise branch offices and remote locations, as well as for smaller businesses. This service offers enhanced telephony features and "any distance" calling plans, and provides a full suite of management capabilities and end-user tools.

AT&T Voice DNA will provide all of the standard features of today's business telephones in addition to advanced features, such as mid-call move, which gives customers the ability to move a call from one phone to another without disruption; personalized call handling; simultaneous ring; click-to-call, to dial calls with a single mouse click; locate-me; the ability to have multiple phones ring at once or sequentially for ultimate reachability; on-demand audio conferencing; and integration with Microsoft Outlook.

Businesses will have a choice of calling plans including:

Qwest/12
Brigham/10

- Any Distance: with unlimited on-net, local and long distance calling with included minutes, for customer sites in AT&T's VoIP-enabled local footprint
- Local: with unlimited on-net and local calling with competitive long distance and international rates, for customer sites in AT&T's VoIP-enabled local footprint
- LD-Only: with unlimited on-net and competitive long distance and international rates, for customer sites outside AT&T's VoIP-enabled local footprint

AT&T Voice DNA will also support a variety of IP phones, including select models from Cisco and Polycom as well as a variety of IP PBXes, including select models from Cisco and Avaya. Additionally, the service will support a variety of softphones, which work on a laptop computer and will deliver users all the service capabilities from remote locations around the world.

For more information visit www.att.com/business.

About AT&T

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Covad VoIP

Covad VoIP is a business-class broadband service that truly integrates high-speed Internet and telephone service.

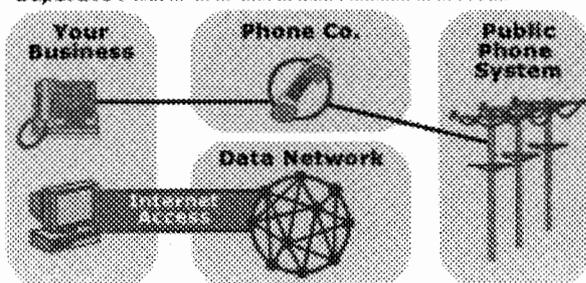
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1-877-268-2353

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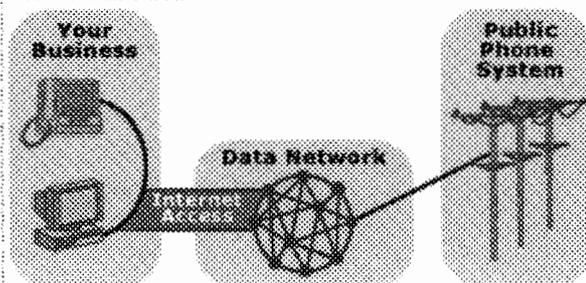
What is VoIP?

With VoIP (Voice over Internet Protocol), phone calls are sent over a broadband Internet connection via either a managed or unmanaged data network - either a private network or the public Internet - and then connected to the public phone system (PSTN).

Traditional Communications:
Separate Phone and Internet Access Services



VoIP Communications:
Combined Phone and Internet Access Services



Covad VoIP

Covad VoIP integrates your phone system with a managed broadband connection that is optimized for voice enabling us to control the quality of service. This connection can be a managed T1 or managed SDSL connection. In this way, Covad VoIP has no perceivable difference in voice quality between a traditional voice call, but reduces costs and increases productivity.

Products & Services

VoIP Home

Benefits

Learn More

> What is VoIP?

Is It Right For You?

White Papers

Brochures

Covad VoIP Demo

Awards

Customer Stories

Dashboard Demo

Covad VoIP Portal

Voice Services

Customer Stories

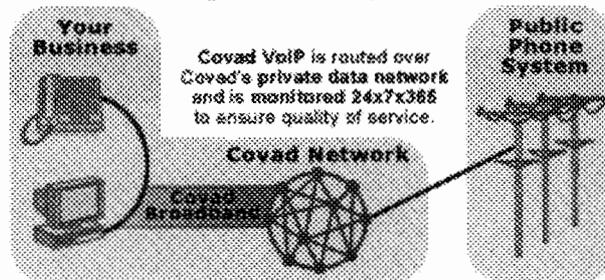
How to Order

Spread the Word

Compare Your Service to Covad VoIP

Get a free analysis of your total communications costs and benefits. >

**Covad VoIP:
Nationwide Managed Network Optimized for Voice**



VoIP Learning Tools

Collateral

- [White Papers »](#)
Download and learn about trends in VoIP
- [Brochures »](#)
 - Covad VoIP
 - Voice Services
 - Hosted Services
 - Corporate Brochure

Demos

- [Covad VoIP Demo »](#)
Hear a 2-minute introduction to Covad VoIP
- [Covad Dashboard Demo »](#)
Navigate through a demo version of Covad's award-winning web-based interface

Tools

- [Is Covad VoIP Right? »](#)
5 quick questions to learn whether Covad VoIP is the right solution for your business.
- [CovadVoIP.com »](#)
Covad's Peter Boggs explains many of the benefits of Covad and Covad VoIP.
- [The Covad VoIP Portal »](#)
Custom solutions for your business, customer videos and case studies and more.

Stories

- [Customer Stories »](#)
 - [Awards »](#)
Hear how the industry is applauding Covad VoIP

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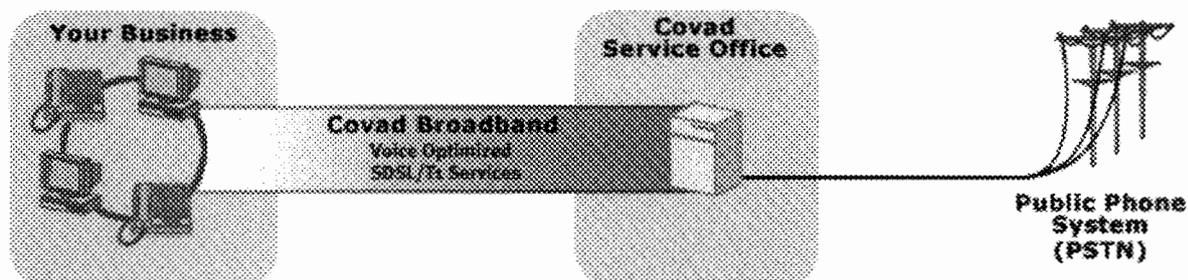
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Close Window X

Managed Network

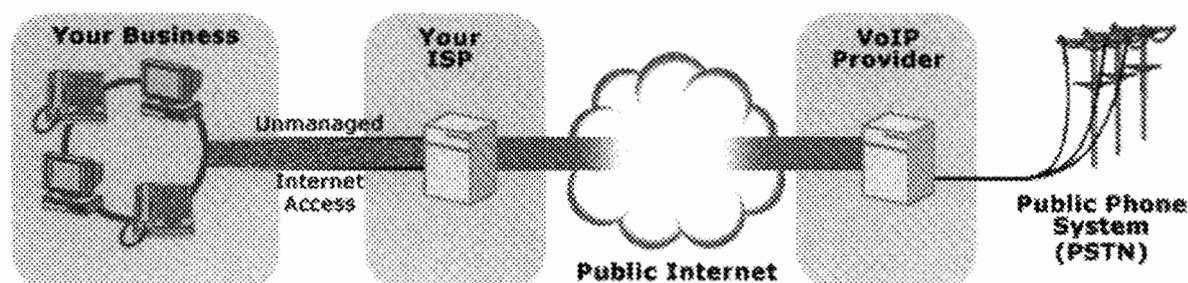
Your calls' quality of service are monitored 24x7 with a direct connection to PSTN



vs.

Unmanaged Network

Your calls' quality of service is not monitored & are routed through the Internet



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Covad VoIP

Voice Services

VoIP services to meet the needs of your business; support for 5 to 250 employees per location, ability to keep or replace existing PBX or key system equipment, availability of advanced communications features.

Questions?
Call Us.
1-877-268-2353

Availability & Order Process

Questions? 1-877-268-2353

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Additional Information & Downloads

- [Covad VoIP Brochure](#) (in pdf format)
- [vPBX Voice Service Brochure](#) (in pdf format)
- [PBXi Voice Service Brochure](#) (in pdf format)
- [White Papers](#)

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Compare Your Service to Covad VoIP

Get a free analysis of your total communications costs and benefits. »

Voice Services Information

How Does it Work?

Details & Technical Info

Voice Services Details

Phone Systems

- Provides business phone services including business lines, DID and toll free numbers without requiring any changes to existing numbers.
- Supports all calls including local, domestic and international long distance, operator assistance, 411 and 911 service.
- Internet services, with high-speed access, email account and web hosting.
- **E-911**

"Enhanced 911 (E-911) service has saved countless lives with its ability to instantly pinpoint a distressed callers' location so emergency services can respond immediately. We recognized this when we launched Covad business-class VoIP service and made E911 a fundamental feature on every single one of our managed VoIP lines. Other VoIP providers in the market may not provide this vital feature leaving customers stranded when they need help most."

- Jeff Ahlquist, Covad vice president, product management and development.

E-911 FAQs:

Q: Is E-911 a required service?

A: On May 19, 2005, the FCC ruled unanimously that all VoIP providers must supply enhanced 911 (E911) emergency calling capabilities to their customers as a mandatory feature of the service. [Read FCC release >](#)

Q: What are the differences between Enhanced 911 (E-911) and traditional 911 emergency service?

A: 1. Traditional 911 routes an emergency call to a 911 center in the region. However, it does not provide the caller's phone number or address, and it is not always the closest facility - making response potentially longer.

2. E911 is a system which routes an emergency call to the 911 center closest to the caller AND automatically displays the caller's phone number with address for expedited

response.

Q: Does Covad provide E-911 service?

A: E911 has been a fundamental feature on every single one of our managed VoIP lines since the launch of Covad VoIP.

Q: How do you get the information needed to support E-911 service?

A: Covad uses turn-key E-911 service provided by third-party vendors. These providers work with the local phone companies and others to update end-user information in industry telephone databases such as E911 and directory listing services. Covad has built this service into its business-class managed VoIP product from the day it was introduced to the market.

Industry Standard Equipment

- Cisco 1700 and 2600 Series Routers
- Ethernet Switches
- Flexible Alternatives
- Cisco 7940 and 7960 VoIP Telephones
- Polycom 500 VoIP Telephones
- Swissvoice IP10S VoIP Telephones
- Toshiba Digital Business Telephones
- Analog Telephones
- Rapid Deployment for Employees with Standard Web Browsers:
 - Internet Explorer
 - Netscape Navigator
 - Mozilla Browser
- Cisco 2400 Series IAD (Integrated Access Device)
- PBX/KTS with standard analog/digital phones

Broadband Internet Access

- 1.54 Mbps service over managed T-1 line.
- Automatic dynamic bandwidth allocations to voice and data based on the number of calls in progress to provide the highest bandwidth possible.
- Bonded multiple T1 services available.
- Powered by Covad's state-of-the-art service office.

Web Hosting

- Up to 1.25GB web storage.
- Up to 30GB web traffic per month included.
- Support for MS Access, MySQL, MS SQL 2000 databases.
- Support for ASP, PHP and JAVA.
- Web traffic statistics

Email

- Up to 50 email accounts included.
- Additional bundles of 25 accounts available.
- Access methods include POP3, IMAP and WWW.
- Supports Microsoft Outlook and Outlook Express client applications.

Pricing

- Flat-rate pricing with unlimited local and long-distance calling ranges from \$36.95 to \$59.95 per phone per month, depending on the number of stations.
- Per-minute pricing ranges from \$26 to \$32 per station and 3 cents to 5 cents per minute, depending on call volume.
- Free Calling - With multiple locations, interoffice calls over the Covad network are free of

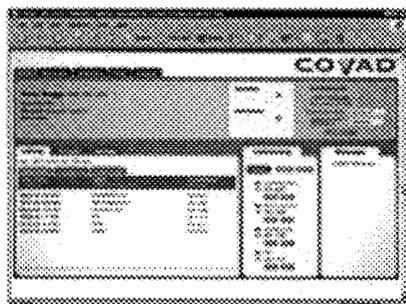
- charge at all times (with free minutes, ISP, broadband access are included).
- PBXi bundled pricing per site with the flexibility of add, move (with vPBX Voice Service) and change stations behind PBX/KTS.

These prices do not reflect the cost of Internet service or telephone equipment. For a complete review of pricing and to determine what kind of saving vPBX VoIP can give you, sign up for Covad's **Free Voice Assessment** - an evaluation of how Covad VoIP can save up to 40% off your company's actual telecom costs.

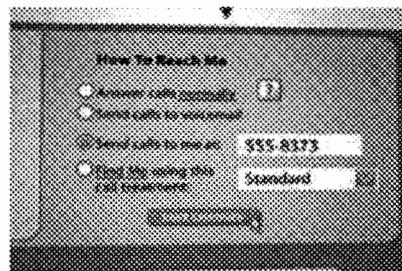
The Covad Dashboard

The Covad Dashboard is an award winning online management tool for all of your communication needs, accessible from anywhere via the Internet. It is your interface into the many productivity enhancing features that you get with vPBX VoIP service. In addition, there is the managers Dashboard which gives a view of employee call activity.

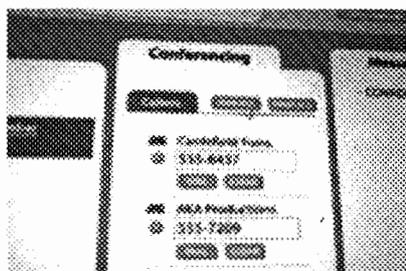
Check out the [Demonstration version of the Covad Dashboard](#).



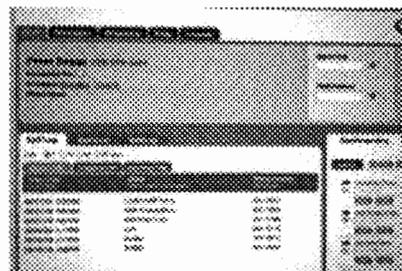
The Covad Dashboard Online Call Manager



Find Me/Follow Me is Easy to set up and Use



Conferencing with the Covad Dashboard is easy and quick



With Covad Dashboard Visual Voicemail, seeing your calls is easier than wading through them.

Customer Satisfaction Guarantee

- We guarantee you will be satisfied with your service or we will assist you with a transition to another service provider.
- Our voice-optimized high speed connection is a best in class broadband service designed to offer you the best quality of voice service while maintaining the service levels of your high speed connection.
- Complete customer care is available 24 hours a day, 7 days a week.
- Covad service is part of the Cisco Powered Network. Our customers enjoy the benefits that Cisco equipment and technology have brought to the majority of the world's business networks. That means unsurpassed reliability, scalability and overall performance.

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Covad VoIP

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vPBX Voice Service

For companies that:

- Have up to 250 employees per location
- Wish to lower capital expenditures by doing away with the expenses involved in the purchase, lease or maintenance of an on-premises PBX or KTS
- Are frustrated with managing different service providers for telephone, broadband, and Web hosting services
- Want to adopt advanced, next-generation VoIP service as well as the advance features afforded by a fully hosted VoIP solution

All-in-One Service

All vPBX Voice Service packages come as a 1-year contract with:

- Voice service
- 1.5 Mbps T1 or SDSL broadband access optimized for voice services

PBXi Voice Service

For companies that:

- Have between 5 and 100 employees per location
- Wish to leverage their current equipment investment while enjoying the cost-saving benefits of VoIP
- Use a PBX/KTS with PRI or analog trunks
- Are frustrated with managing different service providers for telephone, broadband, and Web hosting services
- Want to be poised to adopt advanced, next-generation VoIP service at a future time when their business is ready

All-in-One Service

All PBXi Voice Service packages come as a 2-year contract with:

- Voice service
- 1.5 Mbps T1 broadband access optimized for voice services

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Compare Your Service to Covad VoIP

Get a free analysis of your total communications costs and benefits. »

- Premium ISP and hosting services
- Advanced phone features such as Find Me/Follow Me, instant conference calling, and easy adds, moves and changes provided with Covad's award winning Dashboard (see below).
- The flexibility of choosing between a metered or unlimited calling plans
- With multiple locations, interoffice calls over the Covad network are free of charge at all times with 4-digit dialing.
- Automatic implementation of new features and upgrades.
- Emergency 911 (E-911), the system routing emergency calls to the 911 center closest to the caller AND automatically displaying the caller's phone number with address for expedited response.

The Covad Dashboard
Our award-winning web-based management tool:

- Visual Voicemail
- Call Logs
- Find Me/Follow Me
- Instant Conferencing
- Scheduled Conferencing
- Microsoft Outlook™ integration
- Instant Messaging
- Multiple ACD Queues
- Multiple Concurrent Administrator Accounts
- Administrator's view of employee Accounts

Customer Satisfaction Guarantee
»

We guarantee you will be satisfied with your service or we will assist you with a transition to another service provider.

 **vPBX Voice Service Brochure**
(in pdf format)

- Premium ISP and hosting services
- A set number of local and long distance minutes included each month
- With multiple locations, interoffice calls over the Covad network are free of charge at all times with 4-digit dialing.
- Cisco 2431 integrated access device (IAD).
- Emergency 911 (E-911), the system routing emergency calls to the 911 center closest to the caller AND automatically displaying the caller's phone number with address for expedited response.

Customer Satisfaction Guarantee
»

We guarantee you will be satisfied with your service or we will assist you with a transition to another service provider.

Important PBXi Information
Covad PBXi Voice Service does not provide telephony features (voice mail, call forwarding, etc.). While the telephony features provided through the your existing PBX or KTS equipment are supported, those features provided through the local phone company are not supported as voice connectivity is made through Covad and not the phone company. This means it is important to verify if the telephony features you rely on to run your business are provided by the PBX/KTS equipment or through the local phone company. If you depend on your local phone company for standard telephony features (e.g. call forwarding, caller ID blocking, voice mail, call waiting, etc.), PBXi Voice Service is not an appropriate option at this time.

 **PBXi Voice Service Brochure**
(in pdf format)

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Covad Gives Voice to Small Business In Houston, Las Vegas, Miami and Portland

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Businesses Say Hello to Covad VoIP Service

San Jose, Calif. (September 1, 2004) - Covad Communications Group, Inc. (OTCBB: COVD), a leading national provider of integrated voice and data communications, today announced the availability of business-class Covad VoIP (Voice over Internet Protocol) in four new markets: Houston, Las Vegas, Miami and Portland. Now launching nationwide, Covad VoIP is managed end-to-end, offering small and medium businesses an unparalleled suite of services and voice quality that businesses can rely on.

Covad VoIP will be available in all 113 major metropolitan statistical areas served by Covad's nationwide broadband network by the end of 2004.

"VoIP is the most significant alternative ever to traditional phone service, and Covad VoIP is a high quality, reliable communications service with features that, until now, have not been available at affordable prices for small businesses," said Charles Hoffman, president and chief executive officer of Covad. "Covad VoIP offers small businesses the opportunity to work with one provider for their voice and data needs on a national scale."

Patrick Hurley, Director of Research at telecommunications research firm, TeleChoice, Inc., said: "When businesses are considering Voice over IP services they shouldn't expect today's consumer VoIP services to keep up with their needs. However, when a provider like Covad adds Voice over IP onto its nationwide broadband network, they can provide these business customers a truly integrated voice and data service that offers customers the quality and reliability they need."

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Covad VoIP Media Kit

Click here for the latest information on Covad VoIP products and services. [» More](#)



Covad VoIP works by delivering voice information in digital electronic packets. This allows businesses to manage calls with a single broadband connection.

Covad currently offers two VoIP products custom-tailored for small- to medium-sized businesses, and for enterprises needing a virtual Private Branch Exchange (PBX). Covad PBXI is designed to work seamlessly with existing PBX equipment. Covad vPBX is designed as a full PBX alternative. Covad and Covad's dealer network install the service, train users and provide complete customer support.

Both Covad VoIP products feature the Covad Dashboard, which brings an array of capabilities into one common Web-based user interface, including: local and long-distance services, visual fax and voice mail, Instant Messaging, audio and web conferencing, call logs, directory services, "Find me/Follow me", and other features, all managed from one place using one phone number.

Features of Covad VoIP include:

- Local and Long Distance telephone service
- Nationwide coverage
- Automated provisioning capabilities
- Service backed by comprehensive service level agreements (SLAs)
- Covad Dashboard, an easy-to-use, award-winning Web-based user interface
- Call logs
- Find Me/Follow Me functionality that allows a user to receive calls on multiple devices from the user's VoIP phone number
- Unified visual voice and fax mail
- Voice and Web conferencing
- Automated Attendant

Covad VoIP can be ordered directly by calling 1-866-462-3269.

For more information on Covad VoIP visit Covad's website and schedule a free voice assessment with a Covad consultant at:
<http://www.covad.com/voip/howtoorder/index.shtml>.

About Covad

Covad is a leading nationwide provider of integrated voice and data communications. The company offers DSL, Voice Over IP, T1, Web hosting, managed security, IP and dial-up, and bundled voice and data services directly through Covad's network and through Internet Service Providers, value-added resellers, telecommunications carriers and affinity groups to small and medium-sized businesses and home users. Covad broadband services are currently available across the nation in 44 states and 235 Metropolitan Statistical Areas (MSAs) and can be purchased by more than 57 million homes and businesses, which represent over 50 percent of all US homes and businesses. Corporate headquarters is located at 110 Rio Robles San Jose, CA 95134. Telephone: 1-888-GO-COVAD. Web Site: www.covad.com.

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News Room



Transforming Communications through Broadband Innovation



Covad Introduces Enhanced VoIP Services for Businesses with PBX and Key Systems

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Covad PBXi Voice Service Delivers VoIP Advantages and Savings Without Abandoning Existing Telephone Equipment

San Jose, Calif. (July 13, 2005) - Covad Communications Group, Inc. (OTCBB: COVD), a leading nationwide provider of integrated voice and data services, today announced Covad VoIP PBXi Voice Service, a business-class Voice over Internet Protocol (VoIP) service that leverages existing on-premises phone equipment while providing significantly lower operating costs.

According to IDC, approximately 85 percent of small- and medium-sized businesses have invested in on-premises phone systems in order to support their growing employee base and expanding telecommunication needs. Covad VoIP PBXi Voice Service enables businesses to utilize their existing on-premises telephone system and gain significant cost advantages VoIP provides. By protecting their Private Branch Exchange (PBX) or key system investment, businesses have no up-front capital expenses to integrate Covad VoIP PBXi Voice Service.

"While a fully managed VoIP service may be ideal for many businesses, some business owners still want to retain their existing phone system and reduce their telecom operating expense by up to 25 percent," said Jeff Ahlquist, vice president, corporate development for Covad. "For those businesses, Covad VoIP PBXi Voice Service is an ideal fit. It allows them to retain their equipment investment, reduces monthly fees and positions them to easily adopt next-generation VoIP once they are ready."

Covad VoIP PBXi Voice Service seamlessly integrates into business phone

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systems because all the original handsets, phone numbers and equipment are retained. The business customer experiences the same sound quality and user model they are accustomed to, making usability simple.

"Installation and set-up of Covad PBXi Voice Service was simple, and there was no learning curve for my employees because we are using all the same phone equipment," said Ken Moss of Berkel Midwest, a Covad VoIP PBXi Voice Service customer. "Now that we have both voice and data traveling on a T1 line, we have experienced even more savings and fewer problems because we only have to work with one provider, Covad, for all our sites."

William Stofega, research manager of voice services for IDC, said: "Covad VoIP PBXi Voice Service allows businesses to keep their premises-based equipment while introducing them to the advantages of VoIP. Once the customers' PBX or key system reaches the end of its seven to nine year life-cycle, Covad has an excellent opportunity to easily migrate that customer to their hosted VoIP service that offers advanced communications features to keep their business efficient."

Covad VoIP PBXi Services are available in four bundles designed for businesses with five to 100 employees per location. A key enhancement of Covad VoIP PBXi is its ability to directly integrate with PBX or key systems using a Primary Rate Interface (PRI) or analog interface. This provides Covad the ability to reach a larger number of businesses with the cost advantages of VoIP.

The four Covad PBXi Service bundles are:

Covad PBXi Analog I - Supports up to 8 analog ports/trunks on the PBX. This package includes 5,000 local and long distance minutes per month. Typical number of employees per site is 5-30.

Covad PBXi Analog II - Supports up to 16 analog ports/trunks on the PBX. This package includes 10,000 local and long distance minutes per month. Typical number of employees per site is 30-60.

Covad PBXi Digital I - Supports one T1 and one PRI interface on the PBX. Package includes 15,000 local and long distance minutes per month. Typical number of employees per site is 60-100.

Covad PBXi Digital II - Supports two incoming T1's and one PRI interface on the PBX. Designed for businesses with high data bandwidth requirements. Great for locations that serve as a headquarters office supporting multiple branch offices/remote locations or that are planning to add more employees. Package includes 15,000 local and long distance minutes per month. Typical number of employees per site is 60-100.

Set-up costs for Covad VoIP PBXi Voice Service begin at \$300. All services are bundled with local and long distance minutes, a Cisco 2431 IAD and Covad Web hosting/email services. Each additional minute of usage is only 2.5 cents.

For more information on Covad VoIP PBXi Voice Service please call 1-877-268-2353 or go to www.covad.com.


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Voice & Internet Solutions

MCI Advantage

Make the most of your communications investment by combining voice and Internet services on one network. MCI Advantage offers Internet and voice over IP phone service through the same access link for one low monthly price. Let us provide you with the hardware and support you need to make switching from your current service even easier. One network through one provider means just one bill to pay and one source to turn to for technical support and advice.



- Local, long distance and Internet access through a single access link
- Unlimited local and long distance calling
- The phone features you'd expect, like Call Forwarding, Auto-Attendant and Attendant Console, along with new features such as Call Blast, Remote Office and Communication Manager
- Voice compression for great audio quality using limited bandwidth
- System administration, feature control, and cost control through the MCI Customer Center
- Enhanced voicemail, allowing message retrieval through the web and e-mail
- Easy access with DSL or Dedicated Internet
- Take the [MCI Advantage Virtual Tour](#).

Order MCI Advantage

Call us at (800) 465-7187 to order

Or Contact us to ask about how MCI Advantage can work for you.

For more information, please visit:

[Enhanced Features](#)
[FAQs](#)
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[Vendors](#)
[SIP at A Glance](#)
[FCC Emergency 911 Service Update](#)

A Technology Solution to Match Your Needs

Take advantage of leading technology equipment without having to be a technology expert. With MCI Advantage Bundled, we will provide you with the right hardware configuration. Or, use your own hardware with MCI Advantage Standard.

More Voice & Internet Solutions

- [See all Voice & Internet Solutions](#)
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Enterprise

MCI Advantage

[Contact Us](#)

MCI Advantage is an advanced network-based IP communications product serving enterprise and small business customers in the United States. It consolidates local and long distance for multiple business locations on a single data network.

By moving voice traffic onto your existing data network, you can maximize efficiency, simplify network management and save money at the same time. MCI's proven network handles the service load, limiting your technology risk and expense.

How Can Companies Use MCI Advantage?

- Streamline network connections with one connection for all voice, data, and Internet instead of using separate access loops
- Consolidate local and long distance services on one network and take advantage of robust features like IP phones, network voice mail, and Find Me
- Simplify communications management for IT Managers with Web-based management tools

Why MCI Advantage?

- Value and simplicity.** Streamline costs through competitive pricing plans; reduced costs of moves, adds, and changes; simplified network management; and a more efficient use of your wide-area network (WAN).
- Consolidation.** Consolidate local and long distance service over a new or existing MCI data network. Use your existing PBX or select a cost-efficient combination of equipment to support your specific needs.
- Convenience.** Enhanced features and call routing at all sites easily controlled via a Web browser. A complete suite of network-based voice services allows all offices in your enterprise to enjoy the same hosted network features and voice mail system.
- Flexibility.** Utilize existing telephony equipment, migrate to an all IP environment, or use a mixture of existing and IP interfaces. Migrate down the IP path at your own pace.
- Service and support.** All backed by exceptional service level agreements (SLAs).
- Availability.** Available in over 120 U.S. metropolitan service areas where MCI owns local service facilities.

[Contact Us](#)

Related Links

- Customer Brochure
- Enhanced Features
- Technical Diagram
- What is SIP?
- SIP White Paper
- Customer Stories
- Vendors
- FAQs

Related Resources

MCI Advantage
Virtual Tour

- Security
- Managed Network Services
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Enhanced Feature Functionality

MCI Advantage is more than just voice and data in one easy-to-use solution. It offers a full menu of productivity-enhancing features that aren't dependent on premises-based equipment -- because they are engineered right into the network.

These features can be implemented across locations, providing consistent functionality instead of a confusing mix of different features. To take the MCI Advantage virtual tour, [click here](#).

Following are details on a few selected features.

[View a full menu of Enhanced Features.](#)

Web Portal for Administrators and Subscribers

- Allows administrators to authorize and customize features for each location or a group of locations
- Supports management of features and calling plans
- Allows subscribers to customize their features
- Enables modification of subscriber features, such as Call Forwarding, Selective Call Acceptance, etc.

Benefits

- Enables administrators to manage move, add and change (MAC) requests with a simple point-and-click
- Enables subscribers to easily modify their personal information via a simple, easy-to-use web interface
- Allows administrators to establish features plans across multiple locations

Auto Attendant

- Answers the phone and provides the caller with options to transfer to another phone, voice mailbox or live operator
- Supports:
 - Dialing by extension or name using DTMF digits
 - Multiple tiers
 - Time of Day/Day of Week menu options
 - Flexibility to configure or change greeting options via the web

Benefits

- Enables service consistency across multiple locations
- Streamlines staffing
- Can eliminate costs associated with changes to traditional auto attendants

Remote Office

- Allows users to easily access MCI Advantage features from any end-point with a direct phone number (i.e., cell phone or home)

Benefits

- Ensures users have access to complete suite of corporate communications features
- Allows all inter-enterprise and external calling from the remote location to be billed directly to the enterprise

- Eliminates the need for paying varied residential long distance rates for telecommuters

Call Blast

- Allows subscribers to be contacted simultaneously through one telephone number at up to 10 phones.

Benefits

- Enhances accessibility by allowing subscribers to be contacted at virtually any number or location
- Eliminates the need for call forwarding and constant voice mail monitoring
- Allows mobile and traveling workers to establish easy and consistent contact points

For more information, please visit:

- [FAQs](#)
- [Technical Diagram](#)
- [Customer Stories](#)
- [Vendors](#)
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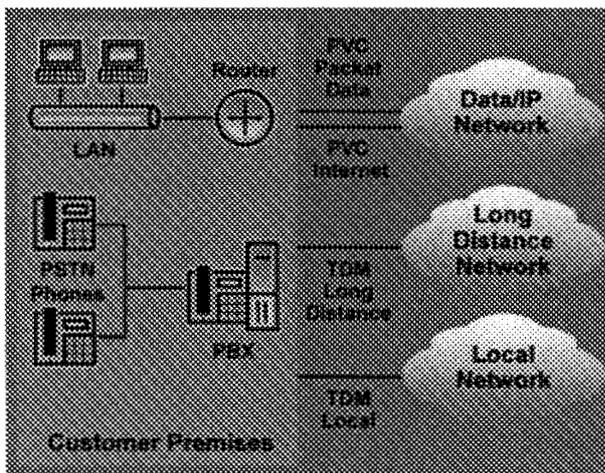
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Technical Diagram

MCI Advantage simplifies network communication for easy mobility, efficient communication, and a single source for voice and data services. The difference is visible in these network architecture diagrams. For additional information, please [Contact Us](#).

Before MCI Advantage, a company might operate three or more different networks for data and IP, long distance calling, and local voice service. This model is inefficient and expensive, with a closed PBX architecture and extra charges for any moves, additions, or changes to the existing structure. Have a look at this familiar scenario:



Old World

- Three networks
- Duration/geography-based pricing
- Expensive moves, adds, and changes
- Standalone application
- Closed PBX architecture

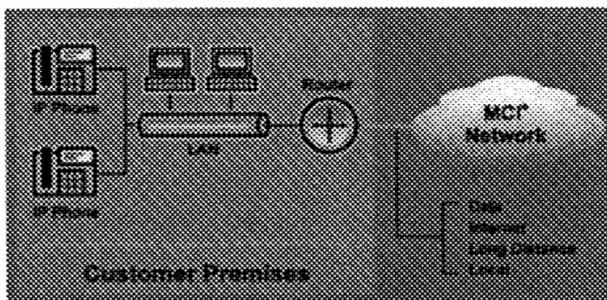
Why MCI Advantage?

A new world in communications management. Enter MCI Advantage, and the world of communications management gets a whole lot easier for IT managers and it can offer cost savings on the bottom line. As a premier network provider, MCI provides our services in the network - instead of at the customer's premises.

- First, by providing direct access to the PSTN, service is expanded beyond the local area network to the wide area network for more efficient use of your bandwidth.
- Second, enjoy the benefits of centralized intelligence. With MCI Advantage, all your locations can access the same features. System upgrades are rolled out seamlessly to all locations, eliminating awkward migration periods. And you can conveniently control and manage your voice application via the Web - without the headache of owning and managing the network infrastructure.
- Third, MCI Advantage means that you have less equipment to purchase and maintain at your premises. MCI incurs the costs of buying major equipment, limiting your capital investment and the risk of technology

obsolescence.

Now, have a look at the New World with MCI Advantage:



New World

- One network (with redundancy options)
- Unlimited local and domestic long distance calling plans
- Easy moves, adds and changes
- Integrated voice and data applications
- Standards-based architecture built on Session Initiation Protocol
- Network-based Quality of Service

Let us show you how we can streamline your company's network operations. For complete information and service availability, call us toll-free at 1-800-465-7187.

For more information, please visit:

- Enhanced Features
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- SIP at a Glance
- FCC Emergency 911 Service Update

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Voice & Internet Solutions

FCC Emergency 911 Service Update

How does Emergency 911 service work with MCI Advantage?

MCI ADVANTAGE is a broadband service that uses Voice over Internet Protocol (VoIP). Although your telephone equipment with your VoIP service may appear the same as traditional telephone service, there are certain differences in the ways that calls are routed which may affect your ability to reach 911 emergency services.

Emergency 911 service is a standard feature available to all MCI Advantage customers. The service currently enables users to access an appropriate public safety answering point ("PSAP") by dialing 911. MCI provides this service only in locations where such 911 calling is available and only under the limited circumstances described below.

What are the potential Emergency 911 Limitations when using MCI Advantage?

The ability to access an appropriate PSAP with MCI ADVANTAGE depends on the type, configuration and location of the phone used.

An MCI ADVANTAGE subscriber has the option of using three different types of phones:

- (a) SIP phone provisioned and used in a fixed, identified location (a Fixed SIP phone);
- (b) An IP phone provisioned and used as "Mobile", i.e., the phone can be used at a temporary location other than the primary service address (a Mobile SIP phone); and
- (c) A traditional non-SIP phone provisioned and used in a fixed, identified location (a non-SIP phone).

In particular, 911 emergency service currently is not accessible using a Mobile SIP phone. Furthermore, much like access to 911 emergency service via traditional PSTN local service, access to a PSAP will be unavailable if your access circuit or local gateway fails.

CURRENT MOBILE PROFILE SIP PHONE AND "REMOTE OFFICE"

LIMITATIONS: Because the location of a Mobile SIP phone user cannot reliably be determined from its billing telephone number primary service address (which is how 911 calls ordinarily are routed to the appropriate local PSAP), 911 calls from a Mobile SIP phone cannot be routed to the appropriate PSAP. As a result the call will be blocked when 911 is dialed on a Mobile SIP phone.

CURRENT FIXED PROFILE SIP PHONE LIMITATIONS: When 911 is dialed on a Fixed SIP phone, the call will be routed to the appropriate PSAP based on the billing telephone number primary service address assigned to the fixed SIP phone. Therefore, if moved to a new location, a MOVE/CHANGE Service Order must be submitted, and the phone may need to be reconfigured in order for a 911 call to be routed to the appropriate PSAP.

CURRENT TRADITIONAL NON-SIP PHONE CONNECTED TO ADVANTAGE

SERVICE LIMITATIONS: When 911 is dialed on a traditional, non-SIP (i.e., standard) phone used with MCI ADVANTAGE, the call will be routed to the appropriate PSAP if

911 service is available in that area, based on the billing telephone number primary service address assigned to the phone.

In addition to these current limitations, several scenarios could affect your ability to complete a call to 911. Below is a list of the more common events that could limit access to 911 emergency services. **Please distribute a copy of this list to all users of MCI ADVANTAGE service within your organization.** Later this month, MCI will provide you a VOIP 911 Fact Sheet along with stickers for your equipment that warn users of certain service limitations.

- **Loss of Electric Service.** Your MCI ADVANTAGE service would be interrupted if your electricity fails. We recommend you purchase a battery backup system for VoIP service.
- **Loss of Broadband Service.** Your MCI ADVANTAGE Service would be interrupted if your broadband connection is not available.
- **Failure of Equipment.** If equipment, software or hardware necessary for end-to-end Internet functionality (e.g., routers, IP phones, analog gateways, etc.) malfunction or fail, this could limit your access to 911 emergency service.
- **Failure to Register New Location of Equipment.** End users must notify MCI if they intend to use their VoIP equipment at a new street address location. Currently, MCI is not able to provide 911 emergency service except at the user's primary location.
- **Non-Recognition of Phone Number.** If the caller uses a non-native telephone number (a telephone number from a local exchange area different from where the caller is located) access to 911 emergency service may be limited.
- **Geographic Limitations.** MCI ADVANTAGE can only access 911 emergency service within the United States. Some countries have not implemented a 911 emergency service. While other countries have implemented a 911 emergency service, MCI ADVANTAGE cannot access those services. Check with local authorities for information on how to reach emergency services by dialing the international access country code and appropriate number.
- **Non-Payment for Service.** Failure to make timely payment for your VoIP service may result in suspension or disconnection of dial tone and loss of 911 emergency service access.

What do you do if emergency 911 service is not available?

If any attempt to dial 911 emergency service results in busy signals or ringing with no answer, hang up and immediately dial 0 and ask the Operator for assistance.

What enhancements will be made to improve the emergency 911 service with MCI Advantage?

MCI is actively working to establish procedures to allow you to update your registered location for 911 emergency service. This will enable MCI to accurately identify your location and automatically route the call the appropriate local PSAP, even if you use a Mobile SIP phone. MCI will send an additional notice confirming these enhancements and providing specific instructions on how to update a registered emergency service location.

What is your responsibility?

- It is of utmost importance that you notify all end users of your MCI ADVANTAGE service of the limitations of 911 emergency service described above.
- To be safe in an emergency, let other visitors know about any limitations in your VoIP 911 emergency service. We recommend keeping a list by each phone of important emergency numbers including: police, fire, ambulance, and poison control centers.
- If you are an existing MCI Advantage customer, the FCC requires that you acknowledge that you have read and understand the risks for using 911 emergency service risks with a VoIP service like MCI Advantage.

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- [View the product onesheet](#)
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**Internet & Data Services
Preferred AdvantageSM Dynamic
Integrated Access**

Affordable and reliable VoIP communications technology with the local calling features, cost-effective long distance and data capabilities your business demands. Dynamic Integrated Access is available in 37 markets across the McLeodUSA 25 Midwest, Southwest, Northwest and Rocky Mountain state footprint.

Preferred Advantage Dynamic Integrated Access combines your voice and data services utilizing Voice Over Internet Protocol (VoIP) technology, so you can gain greater efficiency and real-time control over your voice and data services.

With speeds up to 6.0 Mbps, site-to-site calling at no charge and the convenience of abbreviated dialing, Dynamic Integrated Access can suit the needs of the most demanding voice and data applications for businesses with single or multiple locations. It provides flexible, end-user control and web-based self-management features - without the upfront capital investment of a traditional communications system. This is the ideal solution for business locations that have been plagued by the distance limitations of DSL.

And if you choose McLeodUSA for local, long distance or other data services, you'll receive a single bill for all your services, with no fine print or hidden charges.

McLeodUSA Preferred AdvantageSM Dynamic Integrated Access features:

- Combined local, long distance and high-speed Internet service delivered over dedicated, digital T1 access in a line or trunk-based solution.
- The flexibility of additional bandwidths (up to 6.0 Mbps) with our Bonded T1 Services option.

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For more information about McLeodUSA products and services, call (800) 593-1177.

View pricing and availability.

Current customers

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Become a McLeodUSA Customer

[Click here >](#)

Products are available in most areas. Prices will vary by location.

- Eight (8) static IP addresses and up to 6.0 Mbps of high-speed Internet access that includes 20 branded email addresses.
- Extra static IP addresses available for advanced server applications or VPN needs. Easily add more branded email addresses for sites with a large number of employees.
- A robust trunk base package consisting of 23 (PRI) or 24 (T1) voice channels and from 1.544 Mbps to 4.5 Mbps of high-speed Internet access. This also includes 20 corporate branded email accounts.

- A pre-configured Integrated Access Device, provided with your service, that includes:
 - Ability to add NAT (Network Address Translation) protection for a Local Area Network or DHCP services to a Local Area Network
 - Affordable battery back-up options to protect critical applications
 - Professional on-site installation, maintenance and repair at no additional charge and without annual maintenance fees

- Real-time control of voice and data services via secure web-based control panel access to activate or deactivate features, remotely administer Speed Call 30 lists and configure call hunting sequences and call handling behavior such as Call Forward Busy and Do Not Disturb

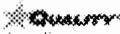
Click [here](#) to view a screenshot of the Dynamic Integrated Access Control Panel.

- Our line solution includes a robust package of popular local calling features, such as abbreviated dialing, included on every line - features can be configured, enabled or disabled remotely and instantly through the Dynamic Integrated Access web-based control panel. These features include:
 - Abbreviated Dialing
 - Anonymous Call Rejection
 - Call Forward Busy
 - Call Forward Don't Answer
 - Call Forward Variable
 - Call Transfer
 - Caller ID Name & Number
 - Do Not Disturb
 - Hunting (Basic and Circular)
 - Last Call Return
 - Loudspeaker Paging
 - Remote Access to Call Forward via Web
 - Speed Call 100

- 3-Way Calling
- Call Hold
- Consultation Hold
- Call Waiting
- With our trunk solution, you receive 24 CAS or 23 PRI trunks. DID numbers are available in blocks of 20 or individual numbers. Or, you may port your existing telephone numbers to McLeodUSA.
- Service Level Agreements that guarantee the reliability of your critical data and Internet services with 24/7 network monitoring and support via the McLeodUSA Network Management Center

For more details, contact McLeodUSA at 1-800-593-1177.

**McLeodUSA wins
2005 Stevie Award[®]...**

for Best HR Team.  **Quality**
Training & Certification Program
gains public recognition.

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from McLeodUSA!**



For a limited time,
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Preferred Advantage[®]
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**More features, faster
data, real-time control
and lower costs...**



with Dynamic
Integrated Access
(VoIP) from
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**Here's a new wireless
concept for business:**



only pay for the minutes
you actually use with
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(503) 232 - PORTLAND**

If your business needs reliable and affordable communication services, your business needs McLeodUSA. All of our local, long distance and Internet services are supported by our advanced fiber-optic network, and friendly and professional Customer Service, available 24/7. We believe in treating people better than a company has ever treated them before.

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Integrate your voice and data services over a single T1 with Voice Over IP (VoIP) technology.

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The simplest option for quality local service.

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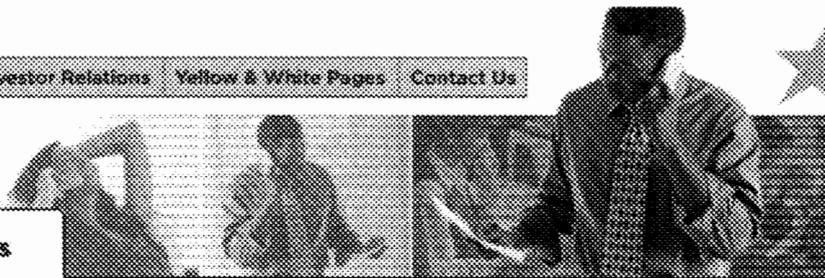
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 For more information about McLeodUSA products and services, call (800) 593-1177.

View pricing and availability.

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(503) 362 - SALEM**

If your business needs reliable and affordable communication services, your business needs McLeodUSA. All of our local, long distance and internet services are supported by our advanced fiber-optic network, and friendly and professional Customer Service, available 24/7. We believe in treating people better than a company has ever treated them before.

▶ Local Service

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Integrate your voice and data services over a single T1 with Voice Over IP (VoIP) technology.

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The simplest option for quality local service.

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Unlimited local calling, plus lots of features.

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Choose the local features your business needs most.

[Value Preferred[®] Select Package - *NEW!*](#)
The most economical local service plan, with the reliability and variety of features you need.

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A complete solution for your company.

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FOR IMMEDIATE RELEASE

McLeodUSA Expands Voice Over Internet Protocol (VoIP) Integrated Access Services to 37 Markets

Preferred AdvantageSM Dynamic Integrated Access Now Available for Sale to Business Customers Across McLeodUSA's 25 State Footprint

CEDAR RAPIDS, Iowa – February 10, 2005 – McLeodUSA Incorporated (Nasdaq: MCLD), one of the nation's largest independent competitive telecommunications services providers, today announced that its Preferred AdvantageSM Dynamic Integrated Access is now generally available for sale to business customers in 37 markets across the Company's 25 Midwest, Southwest, Northwest and Rocky Mountain state footprint, including the Denver, Dallas, Detroit and Chicago markets, which were launched late in 2004.

"Preferred Advantage Dynamic Integrated Access combines voice and data services along with high speed Internet on one broadband connection for business customers, eliminating the need for separate access lines," said Chris A. Davis, Chairman and CEO of McLeodUSA. "In addition to improved business efficiency, increased productivity and lower total cost of ownership, our dynamic integrated access customers can control the features and functionality of their business communications. By utilizing the web-based control panel, customers can easily add or change features, generate reports and perform administrative tasks, real-time. This multi-state expansion also lays the groundwork for McLeodUSA to offer additional VoIP based services, which we plan to roll out later this year."

Preferred Advantage Dynamic Integrated Access uses Voice-over-Internet Protocol (VoIP) on McLeodUSA's secure IP network to offer integrated voice and data communications services, over one single T-1 facility to each customer location. Customers receive up to 1.544 Mbps Internet access, high quality voice service, 17 local calling features, and the convenience of an easy-to-use web-based control panel. Multi-location customers will enjoy the benefits of abbreviated dialing and free site-to-site calling between all of their Dynamic Integrated Access served locations.

"We chose the Dynamic Integrated Access from McLeodUSA to increase our communications efficiencies. Our Internet access is faster than ever before, we have experienced no downtime and it has allowed us to be a more efficient store," said Keith Sanders, Owner, UPS Store.

"This product is great for companies that depend on Internet access to do their business. We are extremely impressed by the customer service provided to us and would consider McLeodUSA to help us solve communications challenges in the future."

“Having high-quality voice and data services, and network reliability is critical to our business. With confidence in McLeodUSA's ability to meet our needs, we signed up for Dynamic Integrated Access and have been extremely pleased with the service,” said Vincent J. Mattina Jr., Certified Public Accountant & Partner, Gofrank & Mattina, P.C.

“McLeodUSA's commitment to quality, their responsiveness, and overall value proposition really convinced us they were the smart choice. We look forward to a long relationship with McLeodUSA.”

McLeodUSA plans to expand its VoIP enabled services during 2005. The Company provides business customers with a smooth migration path as they make the transition from traditional telephony to VoIP enabled solutions, allowing multi-location business customers to enjoy the benefits of increased productivity, reduced operating cost, and improved control regardless of location size or the current technology being used.

Preferred Advantage Dynamic Integrated Access is now available for sale to business customers in Boise, Central Illinois, Chicago, Cleveland/Akron, Columbus, Dakotas, Dayton, Denver, Detroit, Flint/Saginaw, Grand Rapids, Green Bay, Gulf Coast (Houston), Indianapolis, Iowa, Kalamazoo, Kansas City, Lansing, Madison, Milwaukee, Minnesota, New Mexico, North Texas (Dallas), Northern CO, Omaha, Phoenix, Portland/Vancouver, Racine, Salt Lake City, Seattle, Southern CO, Spokane, Springfield, MO, St Louis, Tacoma, West Texas (Austin, San Antonio), Western CO. The Company expects all of these markets to be installation-ready for full service activation over the next few months.

For general information on Dynamic Integrated Access and other McLeodUSA Preferred Advantage services, please contact a McLeodUSA Customer Care Representative at 1-800-593-1177 or visit the Company's website at www.mcleodusa.com.

###

About McLeodUSA

McLeodUSA provides integrated communications services, including local services, in 25 Midwest, Southwest, Northwest and Rocky Mountain states. The Company is a facilities-based telecommunications provider with, as of September 30, 2004, 38 ATM switches, 39 voice switches, 696 collocations, 435 DSLAMs and 2,474 employees. As of April 16, 2002, Forstmann Little & Co. became a 58% shareholder in the Company. Visit the Company's Web site at www.mcleodusa.com

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What is Packet8?

A broadband telephone and videophone service like no other

Packet8 is an affordable and easy-to-use broadband telephone and videophone service. Designed with both residential and business customers in mind, Packet8 allows anyone with broadband (high-speed) Internet access to use their regular phone to make UNLIMITED calls to anywhere in the U.S. and Canada for as little as \$19.95 per month. Packet8 subscribers with videophones can make video calls for as little as \$29.95 per month. All Packet8 subscribers get world wide UNLIMITED calling to other Packet8 subscribers at no extra charge. Calls to non-Packet8 international numbers (outside the U.S. and Canada) are charged at a very low per minute rate. [Check our international rates.](#)

Signing up for Packet8 is simple. Setting up and using Packet8 is even easier.

Join Now

What are the options?

Several residential and business offerings

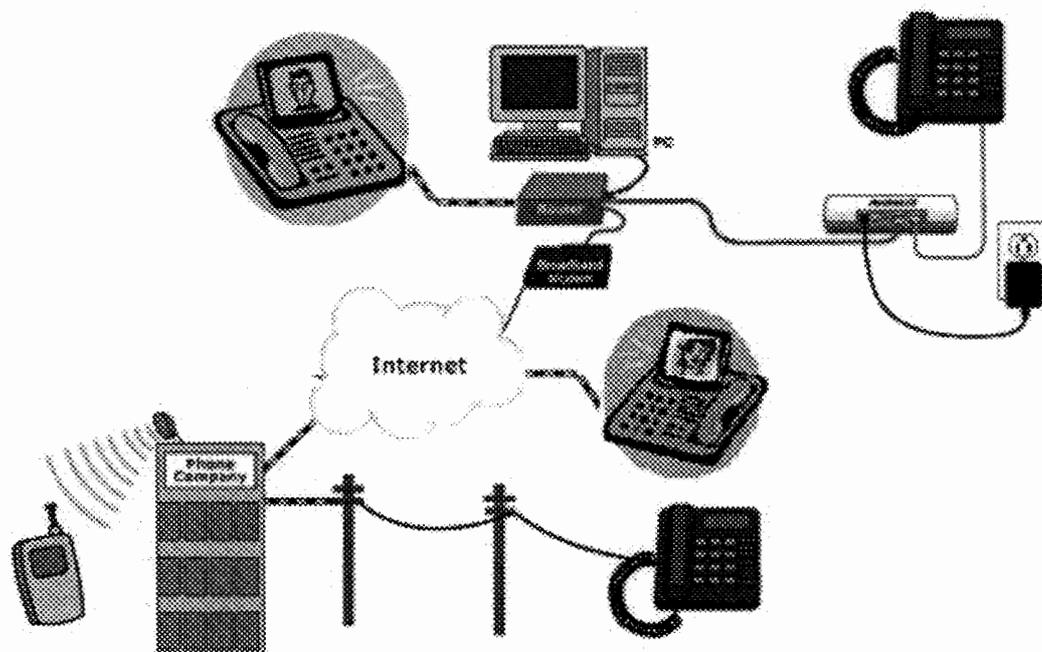
When you subscribe to a Packet8 plan using our online store, you will be shipped a broadband phone service adapter (at no extra cost) or a standalone videophone (at a greatly discounted price) depending upon the plan. Along with the equipment, you will receive a 10-digit activation code. Packet8 will transfer your existing number or give you a new telephone number from the area code of your choice.

Packet8 offers several residential and business plans that are feature rich and include unlimited calling options. All plans include more cool features than are available from your old telephone company. Our retailer sellers may offer different packages, including free service months and rebates.

How does it work?

Packet8 routes your calls over the Internet

By taking advantage of a technology called VoIP (voice over internet protocol), high-speed Internet connections and 8x8's expertise in designing videophones, Packet8 is the complete voice and video communication service. Packet8 sends all calls to and from you through the broadband phone service adapter or the videophone which then route the calls over the Internet, instead of using the traditional public telephone network. There are no extra numbers to dial, no special instructions and no talking through your computer. Just pick up your phone, hear a dial tone and dial any phone number. Incoming calls ring your phone the same as any traditional phone.



To sum it up: with Packet8 you make and receive calls as you always have, but we route your calls more efficiently to save you money. Your phone call will have the same quality and your calling experience will be identical to what you have always had. Only your phone bill for local and long distance calling will be a lot less. And there's NO EXTRA CHARGES for features like voicemail, caller ID, call waiting, three-way calling, or long-distance calls to anywhere in the U.S., Canada or to other Packet8 subscribers worldwide.

What do I need?

High-speed Internet access

To start enjoying Packet8 broadband phone service, you need:

- A broadband Internet connection such as cable or DSL
- A home router that allows you to share your Internet connection with multiple computers or Internet devices. (Many home routers cost as little as \$30.00 and take just minutes to set up.)
- A Packet8 plan and some hardware (either a broadband phone service adapter or a VideoPhone.)

[For more frequently asked questions please click here](#)



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PACKETS DELIVERS THE GOODS!

Packet8 uses your existing high-speed internet connection to deliver unlimited calling from a regular analog telephone.

Accounts include the following calling features at no extra charge

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- [Unlimited In-Network Calling](#)
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- [Caller ID Blocking](#)
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CustomerFirst™ service program

- 30 day no risk trial period
- Friendly and professional toll free telephone support
- Email support
- Real-time Packet8 service announcements
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Business Services

Packet8 Broadband Phone Service offers two VoIP business plans:

Virtual Office, our most comprehensive business platform, is a hosted Internet PBX solution comprised of powerful business class features including a customizable auto-attendant, 3-digit extension to extension dialing, 3-way conferencing, conference bridge, multiple call handling, business-class voicemail, hunt groups, that come with a superior business-quality phone with feature rich controls and unlimited calling plans to the United States and Canada. [Learn More](#)

Business 2000, a VoIP telephone service that includes a single direct-inbound-dial line, has a basic business feature set including voicemail, 3-way calling, call forwarding, caller ID and call waiting.

Virtual Office Service Plans

Plan	PSTN Minutes*	Packet8 IP Minutes	Monthly Service Charge	Additional Minutes
Join Now Virtual Office	Unlimited	Unlimited	\$39.95	N/A
Metered Extension	250	Unlimited	\$19.95	0.039
Virtual Extension	N/A	Unlimited	\$9.95	0.039

Business Phone Service Plans

Plan	PSTN Minutes*	Packet8 IP Minutes	Monthly Service Charge	Additional Minutes**
Join Now Business 2000	2000	Unlimited	\$34.95	0.035

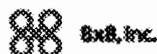
* Minutes and additional minutes rates apply to calls made to non-Packet8 phone numbers in the United States, including Alaska, Hawaii, and Canada. For international and other rates, [click here](#).

** Talk time over the included minutes to the US. and Canada will be billed at \$0.035 per minute

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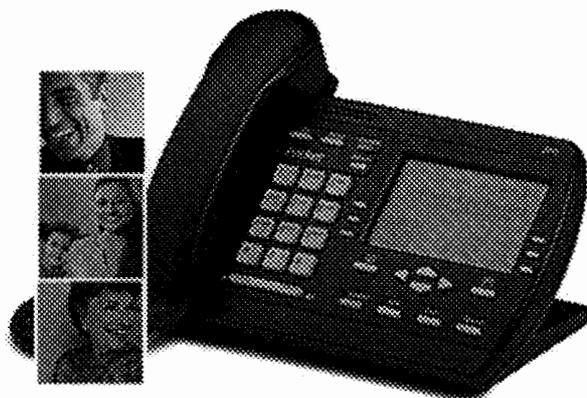
Virtual Office

Get your first month and activation free on Switchboard orders for a limited time! A \$29.90 value.

Hosted PBX with a Powerful Feature Set for Small/Medium-Sized Organizations

Sound big at any size! That's the power and appeal of Packet8 Virtual Office, the broadband Internet-based PBX service for small and mid-sized organizations with big ambitions.

Virtual Office allows Packet8 subscribers anywhere in the world to employ a hosted PBX that permits an unlimited number of extensions for staff located in the same building or spread far and wide around the world. In addition to enjoying unlimited calls anywhere in the United States and Canada for a flat monthly fee, as well as rock bottom per-minute international rates, Virtual Office provides smaller enterprises with numerous corporation-class PBX features.



Sounding gigantic while paying puny! Virtual Office gives your small organization geographic independence and flexibility, providing you with feature-rich telephones that bring together dispersed staff to sound like one office location or to appear as satellites offices located all over the world. Virtual Office virtually eliminates large long-distance telephone costs for intra-organization phoning.

Virtual Office service costs:

- \$39.95 per extension, per month, plus 3% FET.
- \$99 for the equipment (special business telephone and broadband adapter),
- \$39.00 for activation
- \$1.50 Regulatory Recovery Fee
- \$18.95 for shipping

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A few of the many impressive Virtual Office features are:

Unlimited Calling - using the Internet backbone for routing telephone calls substantially reduces phone bills

- extension-to-extension anywhere in the world
- to any telephone number in the United States and Canada
- from any telephone anywhere worldwide
- to and from any other Packet8 subscriber anywhere worldwide

Auto-Attendant - a powerful automated system that can replace the need for a receptionist

- available to callers 24-hours-a-day
- transfers calls (dial by extension, name, company directory, or workgroup)
- if call is not answered or the line is busy, automatically will send the caller to voicemail
- customizable

Full Featured Conference Bridge - an audio conferencing system that provides a way to hold meetings involving participants at multiple sites

- saves travel time and expense for meetings
- use with Virtual Office extensions and outside callers
- up to 20 sites can participate
- administrator mode allows for making outbound calls and dropping parties from the conference
- password protected
- automatic email confirmation of conference bridge reservation

Business-class Voicemail - a powerful tool when you cannot answer the phone

- up to 8 pre-recorded greeting options (full name, internal, external, after-hours, lunch, meeting, weekend, vacation)
- password protected
- message forwarding capability

Optional Services/Features

Virtual Numbers are secondary numbers with the same or different area codes that ring a organization's primary number(s) and costs just \$4.95 per number, plus 3% FET, \$1.50 Regulatory Recovery Fee per month with an activation fee of \$9.95. In addition to making it easier for callers to phone a number in their same area code, even if you or your business reside thousands of miles away. Virtual numbers can also enhance a small organization's ability to manage incoming calls. Virtual phone numbers are useful for frequent callers of your company, providing them with the ability to call directly into voicemail, conference bridges and auto-attendant without human intervention.

As an example of a business application for a virtual phone number consider the three colleagues of ABC Company who have Virtual Office with one extension for each of them as well as a direct dial number for outside callers. When ABC Company added a virtual number to their service as their "main number" it could be configured to ring the different ABC Company extensions at different points of time, giving them the flexibility of not having the same individual responsible for answering all incoming calls, all the time.

Having direct access to conference bridges or announcement lines are other applications for virtual numbers. ABC Company can set up conference calls using Virtual Office and with a virtual number connected directly to the conference extension. A virtual number can also be pointed at a voicemail box where announcements and instructions can be heard 24/7, again all without any human intervention.

A virtual number can also be used to route calls to ABC Company's Virtual Office auto-attendant so that their regular business associates do not need to talk to a receptionist and their calls can follow voice prompts and get to A, B or C's phones by

entering their extension numbers or their names or their departments or whatever criteria ABC Company programs into the auto-attendant.

Virtual Office's Switchboard is a software application to assist your organization's receptionist or operator in call management and only costs \$19.95 a month.

Get your first month and activation free on Switchboard orders for a limited time! A \$29.90 value.

Toll-free numbers in conjunction with our unlimited calling plans, provide your callers the ability to phone you for no charge regardless of their location inside the US or your location worldwide. Packet8's toll-free service costs a fraction of what traditional telephone service providers charge. Our toll-free number plan offers you a flat monthly fee that includes 100 minutes of inbound toll-free calls and an industry low 4.5 cents a minute thereafter for inbound calls, plus 3% FET, \$1.50 Regulatory Recovery Fee.

Virtual Office Metered Extension is just like our current unlimited extension for Virtual Office differing only in price and the minutes included. The new metered extension includes 250 minutes of calling to the US and Canada, + 3.9 cents a minute thereafter, any international tolls plus FET. A metered extension includes voicemail, a DID, auto-attendant routing and switchboard viewing.

Metered Extensions cost:

- \$19.95 including 250 outbound minutes to the US and Canada and 3.9 cents after, plus international tolls, and 3% FET
- \$99 equipment + sales tax California
- \$39 activation and
- \$1.50 Regulatory Recovery Fee
- \$18.95 for shipping

Virtual Extension is an extension that can be reached from the auto-attendant, by an extension call and by a DID. The extension is not associated with a physical Virtual Office telephone but can be forwarded out to remote numbers for 3.9 cents per minute to the US and Canada per minute, plus 3% FET, and any applicable international rates. The virtual extension is great for information only mail boxes for such information as addresses, driving directions, promotional offers and product tips. The virtual extension includes a mailbox, auto-attendant routing, limited switchboard viewing and a DID for direct and outbound forwarding with no phone or adapter.

Virtual Extensions cost:

- \$9.95 plus 3.9 cents to the US and Canada, plus international rates and 3% FET
- Activation is \$19.95
- \$1.50 Regulatory Recovery Fee
- No equipment fees
- No shipping fees

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For more information on Virtual Office go to [Features & Benefits](#).





Communication for the Broadband Generation

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In the News

About Packet8 Enhanced 911 Service

Over the past few decades, public safety agencies throughout the country have invested hundreds of millions of dollars upgrading their 911 systems to Enhanced 911 (E911).

E911 service delivers address-specific (versus phone number-only) call-back information to public service answering points (PSAPs) whenever someone makes an emergency call. This enables emergency personnel to be dispatched to the scene even if the caller is unable to speak or if the call is suddenly disconnected.

In June 2004, Packet8 became the first major broadband Internet telephone service provider to offer E911 service to consumers. Packet8's E911 service, developed in partnership with Level3 Communications, automatically routes emergency calls, along with computer-based "screen pops" of caller information, to dispatch operators at local PSAPs.

Since Packet8 E911 calls are routed as emergency traffic, callers should expect to receive the same response from emergency personnel that they would receive from traditional 911 service, subject to the capabilities of the local PSAP. Packet8's E911 service eliminates the need for operators to ask Packet8 callers their location, which could be vital in cases where the caller may not be able to verbally communicate.

The FCC Mandate

On June 3rd, the Federal Communications Commission (FCC) mandated that all Internet phone service providers interconnected to the public switched telephone network offer E911 as a standard element of their residential and business offerings. Currently, Packet8 E911 support is an optional service for which subscribers register and pay nominal fees, however, we are in the process of provisioning this service to all customers.

The FCC has also required Internet phone service providers to inform subscribers that, under certain circumstances, when 911 is dialed from a phone connected to an Internet phone service, E911 service may not be available, or the E911 service may be in some way be limited by comparison to traditional E911 service. These circumstances include:

- When the location of your Packet8 device is at a physical address other than the one you listed when you activated your account.
- When a subscriber's broadband phone device fails or is not configured properly.
- When there is an electrical power outage, service outage or suspension/disconnection of Packet8 service due to billing or other issues.
- When there is a delay in the provision of Packet8 service ("dial tone") at the physical address provided at the time of account activation.
- When a change of address has been reported, but not yet been updated on the Packet8 account.
- When the local PSAP receiving Packet8 E911 emergency service calls does not have a system configured for E911 services that enables the operator to capture and/or retain automatic number or location information.
- When due to technical factors in network design and/or in the event of network congestion on the Packet8 network, a Packet8 E911 call may produce a busy signal or experience unexpected answering wait times and/or take longer to answer than 911 calls placed via traditional telephone networks.

Packet8 is committed to meeting the demands of our subscribers for E911 as well as the FCC's requirements with the same diligence and seriousness with which we have always approached this important telecommunications issue.

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UNICOM

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MY UNICOM

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WEB MAIL

EMAIL ADDRESS:

PASSWORD:

UNICOM VoIP (Voice over Internet Protocol)

The technology of transmitting voice traffic over a data network using the Internet, corporate intranet or managed network is fast evolving into a realistic and economical option for small to medium-sized businesses, with fewer hardware requirements and more efficient bandwidth usage. Contact a UNICOM representative to find out how VoIP can help your business grow.

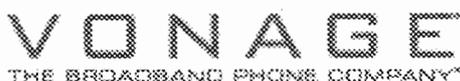
What Are the Benefits Over Traditional Phone Networks?

- ✦ **Lower Cost.** Reducing long distance telephone costs is a good reason for implementing VoIP. Today flat rate long distance pricing is available with the Internet and can result in savings for both voice and facsimile. And voice and data users share the equipment and operations costs.
- ✦ **Improve Network Efficiency.** VoIP allows excess bandwidth on one network to be used by another, creating economies of scale for voice when data traffic is growing exponentially.
- ✦ **Simplification.** A single, integrated infrastructure that supports both voice and data communication reduces both hardware and maintenance requirements.
- ✦ **One Transparent Network.** Employees in every location are connected as though they are all in the same building. And all phones share the enhanced features of a single system.
- ✦ **Portability and Advanced Applications.** VoIP phones work on any broadband connection and receive calls using the same phone number, so employees can be reached at their work number whether they are in the office, at home, on the road, or visiting a remote site. VoIP phone features can be combined with data applications, enabling voice and email directory integration.



CONTACT US ABOUT VoIP

Name:	<input type="text"/>	E-mail:	<input type="text"/>
Phone:	<input type="text"/>	Address:	<input type="text"/>
City:	<input type="text"/>	State:	OR <input type="checkbox"/> Zip: <input type="text"/>
Notes:	<input type="text"/>		
<input type="button" value="Contact"/>			



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500 minutes anywhere in the US & Canada
- 49¢** **Small Business Unlimited**
Calls to anywhere in the US & Canada
- 39¢** **Small Business Basic**
1500 local & long distance minutes anywhere in the US & Canada
- Sign Up Now**
First Month **FREE!**

Save Money on Your Phone Service.

Use Vonage and your Broadband Internet connection to call anywhere

What's Vonage? [▶](#)

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Great International Rates ▶

Rome	4¢ /min	
Barcelona	6¢ /min	
Sao Paulo	6¢ /min	

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Check Out These Great Features!

Vonage SoftPhone can put a phone on your PC or turn your laptop into a phone that you can take with you.



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To Place an Order Call

1-877-4VONAGE

or [Click Here to Sign Up Online](#)

Already Bought Your Box?

RETAIL ACTIVATION

[Click Here to Activate](#)

Vonage Today

07.26.2005 Motorola and Vonage Team Up to Bring New Full-Featured Voice-over-IP Solution to Consumers

What's Hot? ▶

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Now Puerto Rico is included!
- Woo Hool**
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Vonage The Broadband Phone Company service is redefining communications by offering consumers and small business - VoIP internet phones, an affordable alternative to traditional telephone service. Vonage America Inc. provides VOIP services, including account subscription, maintenance, billing and customer care, and is a wholly owned subsidiary of Vonage Holdings Corp.

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Small Business Basic Plan



\$39.99



Sign Up
First Month
FREE!

The Plan:

Vonage's Small Business Basic Plan provides your company with the following for the low price of \$39.99 a month:

- 1500 anytime minutes a month to anywhere in the US (including Puerto Rico) & Canada
- Only 3.9 cents for each additional minute
- Free dedicated fax line
- Free features such as:

Fax Service	Caller ID with Name	Voicemail Plus
Call Waiting	Call Forwarding	911 Dialing
- Free phone adapter if you sign up directly from Vonage
- Competitive international rates
- No annual contracts
- 30-day Money Back Guarantee

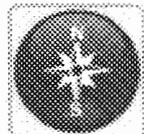
Added Benefits

- Switch to Vonage and keep your phone number
- Vonage has area codes available across the US and in other countries
- Telecommute? Travel a lot? Vonage's phone adapter is small and fully portable, and can be used anywhere there's a broadband Internet connection
- Real time billing information anytime through your online web account
- Quick access to local emergency services with Vonage's 911 Dialing feature

Requirements

- You must have a broadband Ethernet Internet connection
- You need a US shipping address (no PO boxes) and a US credit/debit card

Once you sign up, we will ship your startup package within 5 business days. To start saving, simply connect your telephone to your high-speed Internet connection using the Vonage phone adapter. Pick up the phone, and use it just like you do today!



Take the Tour



Get Your First Month
FREE!

To Place a Small Business Order Call
1-877-4VON-001
or Click Here to Sign Up Online

Get a Spare Line for \$12.99

You can get 500 anytime minutes to use anywhere in the US (including Puerto Rico) and Canada for only \$12.99 per month. Each additional minute is 3.9 cents.

Note: This plan is for additional business lines ONLY.

Savings Calculator

The greatest benefit of Vonage is simple. For less money, we can provide the same or better telephone service as your current telephone company.



By answering a few simple questions, we can estimate the amount of money you can save as a Vonage subscriber.

If you don't have your phone bill or check-book handy, make your best guess.

Start

Click here to calculate the start-up costs.



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Small Business Unlimited Plan



The Plan:

Vonage's Small Business Unlimited Plan gives your company everything you need to maximize your savings and productivity for \$49.99 a month, including:

- Unlimited calls anywhere in the US (including Puerto Rico) & Canada
- Free dedicated fax line
- Free features such as:

Fax Service	Caller ID with Name	Voicemail Plus
Call Waiting	Call Forwarding	911 Dialing
- Free phone adapter if you sign up directly from Vonage
- Competitive international rates
- No annual contracts
- 30-day Money Back Guarantee

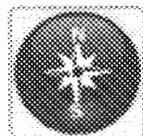
Added Benefits

- Switch to Vonage and keep your phone number
- Vonage has area codes available across the US and in other countries
- Telecommute? Travel a lot? Vonage's phone adapter is small and fully portable, and can be used anywhere there's a broadband Internet connection
- Real time billing information anytime through your online web account
- Quick access to local emergency services with Vonage's 911 Dialing feature

Requirements

- You must have a broadband Ethernet Internet connection
- You need a US shipping address (no PO boxes) and a US credit/debit card

Once you sign up, we will ship your startup package within 5 business days. To start saving, simply connect your telephone to your high-speed Internet connection using the Vonage phone adapter. Pick up the phone, and use it just like you do today!



Take the Tour



Get Your First Month
FREE!

To Place a Small Business Order Call

1-877-486-6001

or Click Here to Sign Up Online

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Start

Click here to calculate the start-up costs.



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Features



Free Features

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- ▶ [Ring Lists](#)
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Stay in control at no extra charge.
Transfer calls anywhere in the
U.S. and Canada.



To Place an Order Call
1-877-4VON-001
or [Click Here to Sign Up Online](#)

Cool Options

- ▶ [Add a Line](#)
Add multiple phone numbers to your Vonage account.
- ▶ [Virtual Phone Number](#)
Virtual phone numbers are secondary numbers from any available area code for your primary Vonage line.
- ▶ [SoftPhone](#)
Give your laptop its own phone number and get 500 local and long distance minutes included.
- ▶ [Toll Free Plus](#)
Have your own toll free number for only \$4.99 per month. 100 incoming minutes included.
- ▶ [Fax Service](#)
Customers can get a dedicated fax line for only \$9.99 per month. Business customers get a FREE fax line with each business account.
- ▶ [Enhanced 411 Dialing](#)
For just 99¢ per call, you get access to any listings in the US, Canada and Puerto Rico.

Great Benefits

- ▶ [Keep Your Phone Number](#)
- ▶ [Great International Rates](#)
- ▶ [Billing Information](#)
- ▶ [Online Account Management](#)
- ▶ [Money-Back Guarantee](#)
- ▶ [Live Customer Support](#)
- ▶ [Special Customer Deals](#)
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911 Dialing



- » Vonage Pioneers E911 VoIP Rollout- Some Cities are Live Today and More Will Launch Later This Year!
- » 911 Dialing Requires Activation
- » 911 Dialing is Free and Available Throughout the 50 US States
- » 911 Dialing and Vonage Service Do Not Function During a Power or Broadband Outage
- » [Learn More About Vonage 911 Dialing](#)

Free Features

911 Dialing

- Voicemail Plus
- Caller ID with Name
- Call Waiting
- Call Forwarding
- 3-Way Calling
- In-Network Calls
- Take Vonage With You
- Area Code Selection
- Call Transfer
- Click-2-Call
- Call Return
- Caller ID Block
- Repeat Dialing
- International Call Block
- Ring Lists
- Call Hunt

Cool Options

Great Benefits

Vonage Provides 911

Because Your Safety Is Important

At Vonage, we want you to have a safe and reliable means of communication in times of emergency. Because your safety is important to us, Vonage's 911 Dialing feature must be activated. To activate 911 Dialing, you'll just have to fill out a short form during the sign up process that tells us your street address. If you are an existing customer, you can activate 911 Dialing from the features section in your [web account](#).

With Vonage's 911 Dialing feature, we use the address you provide to determine the nearest emergency response center and then send your 911 calls to a general number at that center. When the center receives your call, the operator will not have your address and may not have your phone number on hand, so you must provide that information in order to get help. Some local emergency response centers may not have live operators 24 hours a day. If Vonage learns that this is the case, we will send your call to a national emergency calling center instead and a trained agent will contact an emergency center near you to dispatch help.

Also note that if you move your device to a different location you must update your 911 Dialing information with your new address. If you add a line to your account you will need to activate 911 Dialing and register each new location, for that line as well. You will not be able to reach your local emergency response center until we confirm that your location has been registered or updated. You will receive a confirmation email once 911 Dialing has been activated for your initial location or for a newly registered location.

E911 Coming Soon

Vonage has already begun our nationwide rollout of Enhanced 911 (E911), a service some of our customers already benefit from. E911 service gives us the capability to deliver your location and callback number automatically to local 911 emergency services personnel. This feature will improve the effectiveness and reliability of our 911 Dialing service by providing additional information automatically to better route your call.

In the upcoming months, we will roll out E911 to many more states and communities. If you are a customer, we will notify you when we are able to offer E911 in your area.

Traveling with 911

Unlike traditional phone lines, you can use Vonage anywhere. Vonage service is portable to any location with broadband Internet access. Vonage uses the address you provide to determine the nearest emergency response center and then sends your call to a general number at that center. When you move or travel with your phone

adapter, you must update your new location - it's easy - just log into the features section of your [web account](#) and follow the instructions. You will receive an email confirming your service is activated for 911 Dialing.

Please note that it can take up to several hours before your new settings take effect.

Service Outages Can Prevent 911 Dialing

911 Dialing and Vonage service do not function during an electrical power or broadband provider outage. Please see our [Terms of Service](#) for more information about our 911 Dialing feature.

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Terms of Service

PLEASE READ THE IMPORTANT INFORMATION BELOW

VONAGE TERMS OF SERVICE

These Terms of Service constitute the agreement ("Agreement") between Vonage America Inc. ("we," "us" or "Vonage") and the user ("you," "user" or "Customer") of Vonage's residential and small business communications services and any related products or services ("Service"). This Agreement governs both the Service and any devices, such as an IP phone, Multimedia Terminal Adapter, Analog Telephone Adapter or any other IP connection device ("Device" or "Equipment"), used in conjunction with the Service. If you purchased Equipment from a retail store, dealer or other provider other than Vonage, you are a "Retail Customer" for purposes of this Agreement. **BY ACTIVATING OR USING THE SERVICE, YOU REPRESENT THAT YOU ARE OF LEGAL AGE TO ENTER INTO THIS AGREEMENT AND THAT YOU HAVE READ AND UNDERSTAND FULLY THE TERMS AND CONDITIONS OF THIS AGREEMENT.**

1. EMERGENCY SERVICES - 911 DIALING

1.1 Non-Availability of Traditional 911 or E911 Dialing Service. The Service does not support traditional 911 or E911 access to emergency services in all locations. Where we do not offer traditional 911 or E911 access, we offer a feature known as "911 Dialing" which is a limited emergency calling service available only on Vonage-certified Devices or Equipment. The 911 Dialing feature cannot be used in conjunction with a Vonage Soft Phone or Virtual Numbers. Our 911 Dialing feature is not automatic; you must separately take affirmative steps, as described in this Agreement and on our website, to register the address where you will use the Services in order to activate the 911 Dialing feature. You must do this for each Vonage phone number that you obtain. The 911 Dialing feature of the Service is different in a number of important ways from traditional 911 or E911 service as described on our website page for 911 Dialing under "Features," and below. You shall inform any household residents, guests and other third persons who may be present at the physical location where you utilize the Service of (i) the non-availability of traditional 911 or E911, and (ii) the important differences in and limitations of the Vonage 911 Dialing feature as compared with traditional 911 or E911 dialing. The documentation that accompanies each Device that you purchase should include a sticker concerning the potential non-availability of traditional 911 or E911 dialing (the "911 Sticker"). It is your responsibility, in accordance with the instructions that accompany each Device, to place the 911 Sticker on each Device that you use with the Service. If you did not receive a 911 Sticker with your Device, or you require additional 911 Stickers, please contact our customer care department at 1-VONAGE-HELP.

1.2 Registration of Physical Location Required. For each phone number that you use for the Service, you must

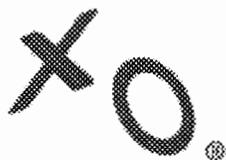
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Vonage The Broadband Phone Company service is redefining communications by offering consumers and small business - VoIP internet phones, an affordable alternative to traditional telephone service. Vonage America Inc. provides VOIP services, including account subscription, maintenance, billing and customer care, and is a wholly owned subsidiary of Vonage Holdings Corp.

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XOptions® Flex

Overview

XOptions® Flex is the next-generation integrated services solution for businesses from the market leader in bundled services. XO® simplifies the purchase and maintenance of local, long distance, Internet, and Web hosting services in one efficient and flexible solution. Designed to satisfy customers with a wide range of business needs and office locations, XOptions Flex gives you:

Simplicity:

- 23 standard voice features for each phone line, including voice messaging
- Expanded basic phone functionality to make services simple to deploy and use
- Compatible with existing analog phones or Key systems - no new equipment to purchase

Flexibility:

- [Dynamic Bandwidth Allocation](#)
- [Advanced IP-based voice and data services leveraged by the award-winning national XO IP network](#)
- [Optional features & applications](#) - including a private voice network that simplifies dial plans among multiple offices - can be added à la carte.

Value:

- [Unlimited local and domestic long distance inbound & outbound calling*](#) to reduce expenses and expand productivity.
- [Web-based Administrative Portal](#) to self-administer functional changes.
- [90-day service guarantee](#) to ensure your complete satisfaction.

Designed for both growing businesses and those with critical Internet, data and voice applications, XOptions Flex delivers it all on a [single bill](#) - from one vendor with one invoice for one flat rate* XOptions Flex utilizes our national local network - something the RBOC's can't offer - so all voice calls travel securely over a dedicated IP connection rather than the public Internet.

Features



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Try the A-Z Product Index



- Each XOptions® Flex base package includes
 - Five phone lines with unlimited local calling*
 - Unlimited Long distance outbound calling*
 - One Toll Free number with unlimited inbound calling*
 - [Dynamic Bandwidth Allocation](#)
 - High-speed Internet access up to 1.544 Mbps
 - Voice Messaging with a variety of mailbox options and features
 - [Web Basics](#) hosting package with Junk Mail & Virus Filtering
 - [Web-based Administration Portal](#)
 - 23 standard voice features

- [Additional Optional Features & Applications](#) can be added à la carte:
 - Additional phone lines - up to 24 lines can be provisioned per XOptions Flex bundle.
 - [Voice Virtual Private Network \(VPN\)](#)
 - Additional DIA circuit to increase dynamic bandwidth up to 3 Mbps
 - [Auto Attendant](#) with a host of routing options
 - [Business Call Center](#)
 - Larger Web Hosting plans
 - Additional Toll Free numbers
 - Conferencing services

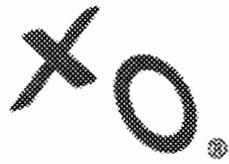
* Flat rates vary by location. 100,000 minute cap on voice usage for a single location. Overage charges apply.

Pricing and Availability

XOptions® Flex packages are available in most XO markets. Call your XO Sales Representative today at **1.866.963.9696** to help you determine which package of services is best for you, or to put together a proposal based on the services, features, and length of contract your business needs.

See Also

- [XOptions® Flex Support Center](#)
- [XOptions® Flex Availability Map](#)
- [XOptions® Flex National Print Campaign](#)
- [XOptions® Flex Portal](#) (login via [Business Center](#))



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XOptions® Flex

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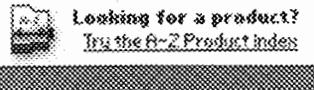
XOptions® Flex

Standard Features

Optional Features

Web Basics

Support Center



Optional features are available à la carte:

Optional Feature	Function / Benefit
Local Phone Line	Additional local phone lines provisioned with the standard feature set available for customers that require more than the 5 lines included in the base package. Up to 24 lines can be provisioned per IP Integrated Access bundle.
High Speed Option	An additional DIA circuit (T1) can be ordered to increase maximum dynamic bandwidth from 1.5 Mb to 3.0 Mb.
Voice VPN (private voice network)	Enables multi-location enterprises to configure their private dial plan on-net call routing with increased security and performance. XO will provision the dial plans and this will be determined at initial ordering of service as subsequent locations are added. Users within an enterprise can communicate with each other by dialing the appropriate location code and extension.
Auto Attendant	Auto Attendant provides enterprises with a powerful and flexible tool to handle inbound calls and deliver them to the intended destination through interactions with the caller.

The Auto Attendant is reached by dialing an associated phone number and an extension. Once connected to the Auto Attendant, the caller is prompted with a greeting that provides a menu of options to complete call routing.

The menu should provide the following options:

One-Key Dialing - The caller presses a pre-defined DTMF key to reach a particular phone number or extension within the group.

Operator Dialing - The caller presses a pre-defined DTMF (push button or Touchtone dialing) key to reach an operator.

Name Dialing - The caller spells the name of the intended party using the numerical DTMF keypad. Upon identifying a unique match, the caller is played the name of the called party and is then transferred.

Extension Dialing - The caller enters the extension of the intended party through the numerical DTMF keypad. Upon collecting the full extension, the caller is played the name of the called party and is then transferred.

Immediate Extension Dialing - The First-Level Extension Dialing option allows the administrator to enable or disable immediate extension dialing for a given auto attendant. When the feature is enabled, the caller to the auto attendant can dial the desired extension right away on the first level of the auto attendant without having to first navigate to the second-level of the AA menu.

Dial by First Name - may allow name dialing from a combined

FirstName-LastName in addition to the current LastName-FirstName

Holiday Schedule - may define a holiday schedule that can be associated with an auto attendant. More than one holiday schedule maybe created.

Enhanced Business Hour Support - define time schedules for a group. Multiple time schedules can be created. Time schedules can be business hours, call center hours, after business hours, and so on. Time schedules created by the group are visible to groups and users.

Basic Call Center

Provides support for basic call centers, allowing business agents to receive incoming calls from a central phone number. Using this service business can establish technical assistance lines, customer support numbers, or order-taking centers. Incoming calls to a call center are presented to the next available agent.

Basic Call Center service builds on the basic Hunt Group service to provide a complete, business-ready application. Hence, call centers inherit all of the characteristics of the Hunt Group service and are also provided with sophisticated call-handling features like queuing, music hold, and so on.

Web Hosting Packages

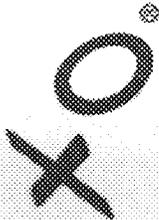
Customers requiring a more robust hosting package than Web Basic can order XO hosting packages, as required, to support their business.

Additional Toll-Free Numbers

Customers are entitled to one Toll-Free number per location with associated usage free of charge as part of the XOptions Flex offer. Additional numbers billed at standard rates can be ordered as well.

See Also

- [XOptions® Flex Support Center](#)
- [XOptions® Flex Availability Map](#)
- [XOptions® Flex National Print Campaign](#)
- [XOptions® Flex Portal \(login via Business Center\)](#)



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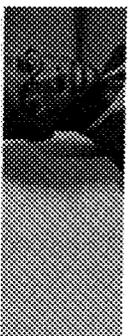
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XOptions® Flex

XOptions Flex Standard Local Voice Feature Set

XOptions Flex includes a suite of traditional standard features with each telephone number. Customers can invoke the use of traditional phone features such as call forwarding by dialing feature access codes using their telephone sets.

Standard Features

Function / Benefit

Mailbox (per line)

This service enables users to record messages from callers for calls that are not answered within a specified number of rings or for calls that receive a busy condition.

XOptions Flex provides all of the features of a traditional voice messaging solution:

Deposit

Incoming calls to the user are sent to voice mail upon reaching a busy or no-answer condition. The caller is then played a greeting. There can be different greetings for busy and no-answer conditions and all greetings can be partially or fully customized by the user:

- Default busy greeting
- Default busy greeting with name
- Custom busy greeting
- Default no-answer greeting
- Default no-answer greeting with name
- Custom no-answer greeting

The caller can then leave a message or press "0" to transfer to an attendant. The attendant is configurable by the user and can be any valid phone number. If the caller leaves a message, they have access to the following functions:

- Set the message status to urgent and/or confidential
- Review the message and erase, record it again or deposit it
- Long message warning tone

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Users can also configure their voice mail service to serve other phones, such as a cell phone. With this capability, users can forward any phone to the voice portal phone number and have calls be sent directly to their mailbox greeting. This functionality is referred to as Voice Messaging Aliasing.

Message Waiting Notification

When the user receives new messages, they can be notified by a standard message waiting indication mechanism (stutter dial tone and message waiting lamp).

Enables users to dial extensions to call another member of their business group.

Enables a user to redirect incoming calls to another phone number. End user has the option to activate and deactivate the service by dialing a feature code. If activated, a user must specify the forwarding number.

Enables a user to redirect incoming calls to another phone number when the call is not answered within a specified number of rings. If activated, user must specify the forwarding number and number of rings.

Enables a user to redirect incoming calls to another phone number when the call encounters a busy condition. If activated, a user must specify the forwarding number.

This service allows a user to activate, deactivate, and program the Call Forwarding Variable service through an interactive voice response interface from any phone.

This service enables a user to make a three-way call with two other parties, whereby all parties can communicate with each other. The user can have a private conversation with the add-on party before conferencing all three parties. This phase is known as consultation.

This service enables a user to put a caller on hold for any length of time.

This service enables a user to put a caller on hold and then make a consultation call to another party.

Allows a person to answer incoming calls to another station within the same Call Pickup group by dialing a feature activation code.

This service enables a user to make a three-way call with the original caller and an add-on party before transferring the caller to the add-on party.

This service enables a user to consult with an add-on party before transferring the caller to the add-on party.

This service is a terminating service that delivers the identity of the calling party name to the user if they have a capable device to receive this information.

This service enables a user to call the last party that called, whether or not the call was answered. To call back the last party that called, the user dials a recall feature access code. The system stores the number of the last party that called and attempts to connect the user to that party.

This service enables a user to answer a call while already engaged in

Extension Dialing

Forward Types:

- call forwarding - variable

- call forward - don't answer

- call forward - busy line

- call forward - remote access

3-way calling

Call hold

Consultative Hold

Call pickup

transfer (3 way)

Call transfer (3rd party consultation)

(name and number)

Call Return

Call Waiting

another call. When an incoming call is received while a user is already engaged in a call, the user is informed of the new call via a call waiting tone. To answer the waiting call, the user presses the flash hook, which connects the user with the waiting party and holds the original party. Subsequent use of the flash hook allows the user to toggle between the two parties.

- Last Number Redial
This service enables users to redial the last number they called by dialing a feature access code.
- Do Not Disturb
When a user activates the Do Not Disturb (DND) service, all calls to the user are processed as if the user is busy and cannot receive calls.
- Hunt Groups
The Hunt Group service allows incoming calls to a central phone number to be distributed among the members of that group according to a hunting policy.

The following hunting policies should be supported:

Sequential - Incoming calls to the group start hunting on the first user in the list and hunt all the provisioned users sequentially until an idle user is found or the end of the list is reached.

Circular - The incoming calls to the group start hunting with the user following the last user to receive a call. When the end of the list is reached, the hunting circles back to the first user in the list. The hunting ends when an idle user is found or all the users have been visited.

Uniform - The incoming calls to the group are presented with the user that has been idle for the longest time.

Simultaneous - The incoming calls alert all idle users in the group. The call is connected to the first user to answer the call.

This service enables a user to reject calls from anonymous parties who have explicitly restricted their identity. By activating the service, callers who have restricted their identity are informed that the user is not accepting calls from restricted callers. The user's phone does not ring and the user does not see or hear any indication of the attempted call. This service does not apply to calls from within a group.

This service enables a user to block delivery of their identity to the called party.

This service enables a user to define criteria that allows incoming calls. All calls not meeting the specified criteria are rejected.

This service enables a user to define criteria that causes certain incoming calls to be rejected. All other calls terminate as usual.

This service enables a user to define criteria that causes certain incoming calls to be redirected to a user specified destination.

Value-Add Services

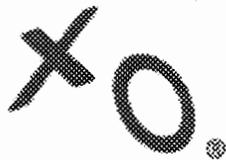
The following services are included with each XOptions Flex bundle and may incur additional charges outside of the flat rate.

Function / Benefit

Service / Feature	Function / Benefit
Directory Assistance	Local directory assistance whereby the end user can dial either 411 or NPA- 555-1212 to be connected to an operator to find a published telephone number.
Directory Listings	White Pages Directory Listings consist of XO placing the names, addresses, and telephone numbers of our Local Service customer's in directory listing databases, and providing those listings to the RBOC's official directory publisher (and to other white pages directory publishers) for publishing in white pages directories. These listings are based on information the customer provides to XO.
Enhanced 911 (E-911)	Proper routing to the appropriate PSAP based on where the service is provisioned is a key responsibility of XO as a local service provider. XO will continue to meet this obligation as a certified service provider.
Intercept Referral Service	This a service used when a customer disconnects XO Local Telephone service or changes their telephone number. Calls to the intercepted number are referred to a recorded message. The caller is provided with either the status of the telephone number or a new telephone number.
Local Number Portability	The ability to port numbers from other carriers to XO when acquiring new customers on this product, and the ability to port to other carriers when customers disconnect XO service and go to another carrier.
Operator Assistance	The ability for end users to dial zero "0" and reach an XO-branded operator (auto and/or live) to assist with the following type of calls: <ul style="list-style-type: none"> ■ Calling Card / Credit Card ■ Third Number Billed ■ Collect ■ Person to Person ■ Station to Station
Service Level Agreement (SLA)	An SLA is a guarantee of system performance. XO Dedicated Internet Access includes an SLA with 100% Network Availability, 65ms round trip Latency and Packet loss less than 1%.

See Also

- [XOptions@ Flex Support Center](#)
- [XOptions@ Flex Availability Map](#)
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XO Communications Launches Business VoIP Services Bundle Nationwide



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4/18/05

Now Available in 45 Major Markets, Including More Than 1,000 Cities Nationwide; Combines Unlimited Local and Long Distance Calling with Dynamic Bandwidth Allocation for a Flat Monthly Rate

RESTON, VA - XO Communications, Inc. (OTCBB: XOCM.OB) today announced the nationwide rollout of XOptions® Flex, its industry-leading Voice over Internet Protocol (VoIP) services bundle for businesses. XOptions Flex is now available in 45 major metropolitan markets, which includes more than 1,000 cities nationwide.

XOptions Flex is an integrated VoIP services solution that gives business customers enhanced features, functionality and value for their voice and Internet services, all in one simple package. It is the industry's first VoIP services bundle for businesses that combines unlimited local and long distance calling, dedicated Internet access and web hosting services for a flat monthly price.

"XOptions Flex offers businesses across the country the most comprehensive and flexible VoIP services bundle," said Craig Collins, vice president of product management at XO Communications. "VoIP is truly revolutionizing the telecommunications industry, and XOptions Flex leverages the power of the Internet to provide a high quality and reliable communications solution that integrates voice and data over a single broadband connection with more valuable features for small and medium-sized businesses that save them time and money."

The service leverages the latest in VoIP technology to provide customers with next generation communications capabilities, such as unlimited voice calling, dynamic bandwidth allocation, voice virtual private networking (VPN), and a simple Administrative Web Portal. With a broadband connection on the XO IP network, it utilizes XO's award-winning national IP network and softswitch technology to carry customers' voice calls more efficiently and cost-effectively than traditional services that rely on the public switched telephone network. In addition, businesses can take full advantage of all of these IP-enabled capabilities and features without having to replace their existing analog phone systems.

"Businesses are ready to adopt VoIP and take advantage of its ability to more cost-effectively improve communications with customers and among employees," said William Stofega, Research Manager with IDC's Voice over Internet Protocol (VoIP) Services Program. "The providers that will differentiate themselves are those that offer more features with the flexibility to deliver true business benefits. XOptions Flex provides that flexibility with a simple, integrated VoIP solution that can expand as businesses' voice and data needs grow."

"We are very pleased with the features, performance and value of XOptions Flex," said Wendi Westbrook, office manager of Alpha Biosciences, a Baltimore-based business specializing in the production of culture media for the biological sciences industries. "The quality of our phone calls is excellent and, with unlimited local and long distance calling, dynamic bandwidth allocation and a toll

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free number at no additional charge, we are getting more capabilities and value for our telecommunications budget. As a business that expects to grow substantially over the next two years, XOptions Flex has the flexibility to grow with us as our business needs expand."

Features XOptions Flex includes more than twenty standard voice features for each phone line including call forward, three-way calling, and voice mail. Key features of the service include:

- Dedicated Internet Access up to 3 Mbps
- Dynamic bandwidth allocation
- Unlimited local calling
- Unlimited inbound and outbound domestic long distance calling
- An easy-to-use Administrative Web Portal for making real-time changes to services
- Web Basic Hosting Package
- Additional voice lines, hosting and other applications can also be added on an a la carte basis.

XOptions Flex is now available in major metropolitan areas across the United States, including Akron, Allentown, Atlanta, Austin, Baltimore, Boston, Chicago, Cleveland, Columbus, Dallas, Denver, Detroit, Fort Lauderdale, Fort Worth, Harrisburg, Houston, Jersey City, Las Vegas, Los Angeles, Miami, Memphis, Nashville, New York, Newark, Oakland, Orange County, CA, Orlando, Philadelphia, Phoenix, Portland, Sacramento, St. Louis, St. Petersburg, Salt Lake City, San Diego, San Francisco, San Jose, Scranton, Seattle, Spokane, Tampa, Trenton, Washington, DC, West Palm Beach, and Wilmington, DE.

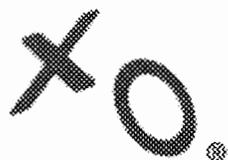
To support the national rollout of XOptions Flex, XO plans a national print advertising campaign that will highlight how businesses will benefit from the service.

For more information about XOptions Flex visit www.xo.com/flex or contact an XO sales representative by calling (866) 963-9696.

About XO Communications XO Communications is a leading provider of national and local telecommunications services to businesses, large enterprises and telecommunications companies. XO offers a complete portfolio of services, including local and long distance voice, dedicated Internet access, private networking, data transport, and Web hosting services as well as bundled voice and Internet solutions. XO provides these services over an advanced, national facilities-based IP network and serves more than 70 metropolitan markets across the United States. For more information, visit www.xo.com.

FOR MORE INFORMATION CONTACT:

Chad Couser / XO Communications
703-547-2746
chad.couser@xo.com



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XO Communications Signs 1,000th VoIP Services Bundle Customer

August 01, 2005

Major Milestone Highlights Demand for Simple, Flexible VoIP Solutions by Small and Medium-Sized Businesses

RESTON, VA - XO Communications, Inc. (OTCBB: XOCM.OB) today announced that it has more than 1,000 customers of XOptions Flex, its industry-leading voice over Internet Protocol (VoIP) services bundle for businesses. In just three months after launching the service nationwide, XO signed its 1,000th XOptions Flex customer, demonstrating the strong demand by small and medium-sized businesses for VoIP solutions that are simple, flexible and cost-effective.

The 1,000th XOptions Flex customer is CueStix International (www.cuestixint.com), a wholesale distributor of billiard supplies, which is deploying the service at its Denver-area headquarters. "With the benefits of unlimited calling and dynamic bandwidth allocation, XOptions Flex gives us greater flexibility to meet increased voice and data usage, providing us with a greater overall value for our telecommunications budget," said Eric Weber, vice president of CueStix International.

"Customer acceptance is the best measure of success, and the demand we have seen demonstrates that XOptions Flex offers businesses the most comprehensive and flexible VoIP services bundle available today," said Craig Collins, vice president of product management and marketing communications at XO Communications. "We are extremely pleased to have reached this milestone, and we expect this trend to continue and expand as we plan additional enhancements for XOptions Flex."

In addition to CueStix International, other XOptions Flex customers include:

- Humanscale (www.humanscale.com), a leading designer and manufacturer of ergonomic products for the workplace based in New York City, has deployed the service at three locations.
- Keenan Auto Body (www.keenanauto.com), a Philadelphia-based auto collision repair services company with offices across the Delaware Valley, has deployed the service at seven locations.
- Neighborhood Assistance Corporation of America (www.naca.com), a non-profit community advocacy and housing services organization, will deploy the service at 15 locations.
- Rack N Road Truck & Vehicle Outfitters (www.racknroad.com), the largest vehicle outfitter in the U.S. for over 15 years specializing in car racks, hitches, truck racks, truck accessories and equipment installations, has deployed the service at 10 locations.
- Spencer Winston Securities (www.spencerwinston.com), a full-service discount brokerage firm, has deployed the service at two locations.
- Wold Architects and Engineers (www.woldae.com), a national architecture and engineering firm based in St. Paul, Minnesota with offices in Elgin, Illinois and Troy, Michigan, has deployed the service at three locations.



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XOptions Flex is an integrated VoIP services solution that provides business customers enhanced features, functionality and value for voice and Internet services, all in one simple package. It is the industry's first VoIP services bundle for businesses that combines unlimited local and long distance calling, dedicated Internet access and web hosting services for a flat monthly price.

The XO service leverages the latest in VoIP technology to provide customers with next generation communications capabilities, such as unlimited voice calling, dynamic bandwidth allocation, voice virtual private networking (VPN), and a simple Administrative Web Portal as well as enhanced 911 service. With a broadband connection on the XO IP network, XOptions Flex utilizes the XO award-winning national IP network and softswitch technology to carry customers' voice calls more efficiently and cost-effectively than traditional services that rely on the public switched telephone network. In addition, businesses can take full advantage of all of these IP-enabled capabilities and features without having to replace their existing analog phone systems.

XOptions Flex Features

XOptions Flex includes more than twenty standard voice features for each phone line including call forward, three-way calling, and voice mail. Key features of the service include:

- Dedicated Internet Access up to 3 Mbps
- Dynamic bandwidth allocation
- Unlimited local calling
- Unlimited inbound and outbound domestic long distance calling
- An easy-to-use Administrative Web Portal for making real-time changes to services
- Web Basic Hosting Package
- Additional voice lines, hosting and other applications can also be added on an a la carte basis.

XOptions Flex is available in major metropolitan areas across the United States, including Akron, Allentown, Atlanta, Austin, Baltimore, Boston, Chicago, Cleveland, Columbus, Dallas, Denver, Detroit, Fort Lauderdale, Fort Worth, Harrisburg, Houston, Jersey City, Las Vegas, Los Angeles, Miami, Memphis, Nashville, New York, Newark, Oakland, Orange County, CA, Orlando, Philadelphia, Phoenix, Portland, Sacramento, St. Louis, St. Petersburg, Salt Lake City, San Antonio, San Diego, San Francisco, San Jose, Scranton, Seattle, Spokane, Tampa, Trenton, Washington, DC, West Palm Beach, and Wilmington, DE.

For more information about XOptions Flex visit www.xo.com/flex or contact an XO sales representative by calling (866) 963-9696.

About XO Communications

XO Communications is a leading provider of national and local telecommunications services to businesses, large enterprises and telecommunications companies. XO offers a complete portfolio of services, including local and long distance voice, dedicated Internet access, private networking, data transport, and Web hosting services as well as bundled voice and Internet solutions. XO provides these services over an advanced, national facilities-based IP network and serves more than 70 metropolitan markets across the United States. For more information, visit www.xo.com.

FOR MORE INFORMATION CONTACT:

CHAD COUSER / XO COMMUNICATIONS
703-547-2746
CHAD.COUSER@XO.COM

3

CONNECT

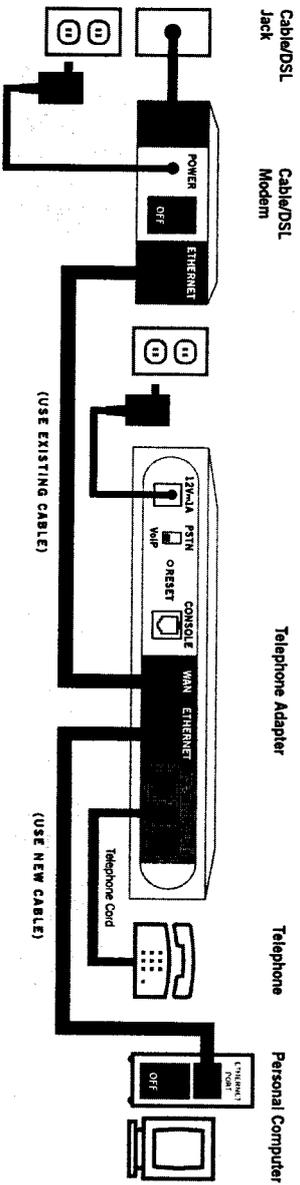


FOR SINGLE COMPUTER CONNECTED DIRECTLY TO CABLE/DSL MODEM

NOTE The connection between the cable/DSL modem and the cable/DSL jack should remain unchanged.



IMPORTANT! Your existing Ethernet cable should be between your cable/DSL modem and your TA. This will ensure any special cabling you received from your Internet Service Provider is between your modem and your TA.



- A** Set up your cabling as shown in the diagram above.
- B** Make sure the PSTN/VoIP switch on the back of the TA is set to "VoIP."
- C** Proceed to Step 4, page 10.

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TELECOMMUNICATIONS REVISIONS

2005 GENERAL SESSION

STATE OF UTAH

Sponsor: Curtis S. Bramble

LONG TITLE

General Description:

This bill amends and repeals portions of Title 54, Public Utilities, relevant to pricing and competition by telecommunications corporations.

Highlighted Provisions:

This bill:

- ▶ defines terms;
- ▶ exempts certain activities of telecommunications corporations from compliance with rate schedules;
- ▶ exempts certain activities of telecommunications corporations from prohibitions on rate or service preferences;
- ▶ expands pricing flexibility for certain telecommunications corporations and services;
- ▶ addresses the methods of filing price lists;
- ▶ eliminates the requirement that a telecommunications corporation petition the Public Service Commission for pricing flexibility;
- ▶ requires an incumbent telephone corporation to provide basic residential service throughout its service area;
- ▶ requires an incumbent telephone corporation to maintain basic residential service rates at July 1, 2004 levels, except under certain circumstances;
- ▶ allows the Public Service Commission to review basic residential service by an incumbent and others;
- ▶ allows the Public Service Commission to exempt an incumbent telephone corporation from basic residential service provisions if comparable services exist at

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comparable prices;

- ▶ provides for certain disclosures of competitive contracts;
- ▶ allows small incumbent telephone corporations to petition the Public Service

Commission for regulation by price, rather than traditional rate of return regulation;

▶ allows the Public Service Commission to exempt small incumbent telephone corporations from certain pricing provisions under certain circumstances;

▶ allows the Public Service Commission to adjust rates for telephone corporations not subject to price regulation; and

- ▶ makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

54-3-7, Utah Code Annotated 1953

54-3-8, as last amended by Chapter 265, Laws of Utah 1998

54-8b-2, as last amended by Chapter 320, Laws of Utah 2002

54-8b-2.3, as last amended by Chapter 291, Laws of Utah 2000

54-8b-3.3, as last amended by Chapter 291, Laws of Utah 2000

54-8b-4.5, as enacted by Chapter 88, Laws of Utah 1997

REPEALS:

54-8b-2.4, as last amended by Chapter 291, Laws of Utah 2000

54-8b-2.5, as last amended by Chapter 279, Laws of Utah 2004

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **54-3-7** is amended to read:

54-3-7. Charges not to vary from schedules -- Refunds and rebates forbidden --

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Exceptions.

Except as provided in this chapter [~~otherwise provided~~] or Chapter 8b, Public Telecommunications Law, no public utility shall charge, demand, collect or receive a greater or less or different compensation for any product or commodity furnished or to be furnished, or for any service rendered or to be rendered, than the rates, tolls, rentals and charges applicable to such products or commodity or service as specified in its schedules on file and in effect at the time; nor shall any such public utility refund or remit, directly or indirectly, in any manner or by any device, any portion of the rates, tolls, rentals and charges so specified; nor extend to any person any form of contract or agreement, or any rule or regulation, or any facility or privilege except such as are regularly and uniformly extended to all corporations and persons; provided, that the commission may, by rule or order, establish such exceptions from the operation of this prohibition as it may consider just and reasonable as to any public utility.

Section 2. Section **54-3-8** is amended to read:

54-3-8. Preferences forbidden -- Power of commission to determine facts.

(1) [~~No~~] Except as provided in Chapter 8b, Public Telecommunications Law, a public utility [shall,] may not:

(a) as to rates, charges, service, facilities or in any other respect, make or grant any preference or advantage to any person, or subject any person to any prejudice or disadvantage[~~: No public utility shall~~]; and

(b) establish or maintain any unreasonable difference as to rates, charges, service or facilities, or in any other respect, either as between localities or as between classes of service.

(2) The commission shall have power to determine any question of fact arising under this section.

Section 3. Section **54-8b-2** is amended to read:

54-8b-2. Definitions.

As used in this chapter:

(1) (a) "Aggregator" means any person or entity that:

(i) is not a telecommunications corporation;

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(ii) in the ordinary course of its business makes operator assisted services available to the public or to customers and transient users of its business or property through an operator service provider; and

(iii) receives from an operator service provider by contract, tariff, or otherwise, commissions or compensation for calls delivered from the aggregator's location to the operator service provider.

(b) "Aggregator" may include any hotel, motel, hospital, educational institution, government agency, or coin or coinless telephone service provider so long as that entity qualifies under Subsection (1)(a).

(2) "Basic residential service" means a local exchange service for a residential customer consisting of:

(a) a single line with access to the public switched network;

(b) touch-tone or the functional equivalent;

(c) local flat-rate unlimited usage, exclusive of extended area service;

(d) single-party service;

(e) a free phone number listing in directories received for free;

(f) access to operator services;

(g) access to directory assistance;

(h) access to lifeline and telephone relay assistance;

(i) access to 911 and E911 emergency services;

(j) access to long-distance carriers;

(k) access to toll limitations services;

(l) other services as may be determined by the commission; and

(m) no feature.

~~[(2)]~~ (3) "Certificate" means a certificate of public convenience and necessity issued by the commission authorizing a telecommunications corporation to provide specified public telecommunications services within a defined geographic service territory in the state.

~~[(3)]~~ (4) "Division" means the Division of Public Utilities established in Section 54-4a-1.

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[~~(4)~~] (5) "Essential facility or service" means any portion, component, or function of the network or service offered by a provider of local exchange services:

- (a) that is necessary for a competitor to provide a public telecommunications service;
- (b) that cannot be reasonably duplicated; and
- (c) for which there is no adequate economic alternative to the competitor in terms of quality, quantity, and price.

(6) (a) "Feature" means a custom calling service available from the central office switch, including call waiting, call forwarding, three-way calling, and similar services.

(b) "Feature" does not include long distance calling.

[~~(5)~~] (7) "Federal Telecommunications Act" means the Federal Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56.

[~~(6)~~] (8) "Incumbent telephone corporation" means a telephone corporation, its successors or assigns, which, as of May 1, 1995, held a certificate to provide local exchange services in a defined geographic service territory in the state.

[~~(7)~~] (9) "Intrastate telecommunications service" means any public telecommunications service in which the information transmitted originates and terminates within the boundaries of this state.

[~~(8)~~] (10) "Local exchange service" means the provision of telephone lines to customers with the associated transmission of two-way interactive, switched voice communication within the geographic area encompassing one or more local communities as described in maps, tariffs, or rate schedules filed with and approved by the commission.

[~~(9)~~] (11) "Mobile telecommunications service" means a mobile telecommunications service:

(a) that is defined as a mobile telecommunications service in the Mobile Telecommunications Sourcing Act, 4 U.S.C. Sec. 124; and

(b) in which the information transmitted originates and terminates in one state.

[~~(10)~~] (12) (a) "New public telecommunications service" means a service offered by a telecommunications corporation which that corporation has never offered before.

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(b) "New public telecommunications service" does not include:

(i) a tariff, price list, or competitive contract that involves a new method of pricing any existing public telecommunications service;

(ii) a package of public telecommunications services that includes an existing public telecommunications service; or

(iii) a public telecommunications service that is a direct replacement for:

(A) a fully regulated service;

(B) an existing service offered pursuant to a tariff, price list, or competitive contract; or

(C) an essential facility or an essential service.

~~[(11)]~~ (13) "Operator assisted services" means services which assist callers in the placement or charging of a telephone call, either through live intervention or automated intervention.

~~[(12)]~~ (14) "Operator service provider" means any person or entity that provides, for a fee to a caller, operator assisted services.

~~[(13)]~~ (15) "Price-regulated service" means any public telecommunications service governed by Section 54-8b-2.3.

~~[(14)]~~ (16) "Public telecommunications service" means the two-way transmission of signs, signals, writing, images, sounds, messages, data, or other information of any nature by wire, radio, lightwaves, or other electromagnetic means offered to the public generally.

~~[(15)] "Same or substitutable" with reference to a public telecommunications service means that the service is comparable to another service in terms of function, price, and quality to an end-user customer.]~~

~~[(16)]~~ (17) "Substantial compliance" with reference to a rule or order of the commission means satisfaction of all material obligations in a manner consistent with the rule or order.

~~[(17)]~~ (18) "Telecommunications corporation" means any corporation or person, and their lessees, trustees, receivers, or trustees appointed by any court, owning, controlling, operating, managing, or reselling a public telecommunications service.

~~[(18)]~~ (19) (a) "Total service long-run incremental cost" means the forward-looking

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incremental cost to a telecommunications corporation caused by providing the entire quantity of a public telecommunications service, network function, or group of public telecommunications services or network functions, by using forward-looking technology, reasonably available, without assuming relocation of existing plant and equipment.

(b) The "long-run" means a period of time long enough so that cost estimates are based on the assumption that all inputs are variable.

Section 4. Section **54-8b-2.3** is amended to read:

54-8b-2.3. Pricing flexibility.

(1) (a) A telecommunications corporation that obtains a certificate to compete with the incumbent telephone corporation in a defined geographic area pursuant to Section 54-8b-2.1 may price any public telecommunications services it is authorized to offer, or any new public telecommunications service, by means of a price list or competitive contract.

(b) Before the telecommunications corporation begins providing any authorized public telecommunications service, it shall notify the commission of:

(i) its intent to begin providing the service; and

(ii) the defined geographic area in which it will provide the service.

(2) (a) Notwithstanding other requirements of this chapter relating to pricing flexibility, beginning on May 2, 2005, an incumbent telephone corporation may offer retail end user public telecommunications services by means of a price list or competitive contract in the same manner as a competing telecommunications corporation as provided in [Subsections (2)(b) and (c)].

Subsection (1):

(i) if the incumbent telephone corporation:

(A) is in substantial compliance with rules and orders of the commission issued under Section 54-8b-2.2; and

(B) has more than 30,000 access lines; and

(ii) except as provided in Subsection (2)(b).

~~[(b) (i) An incumbent telephone corporation may petition the commission for pricing flexibility in:]~~

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~~[(A) any proceeding in which another telecommunications corporation has petitioned the commission for a certificate to provide specified public telecommunications services in a defined geographic area that is within the incumbent telephone corporation's service territory; or]~~

~~[(B) an independent proceeding after the other telecommunications corporation has been certificated to provide specified public telecommunications services in a defined geographic area that is within the incumbent telephone corporation's service territory.]~~

~~[(ii) In the proceeding, the commission shall, by order, grant pricing flexibility to the incumbent telephone corporation for the same or substitutable public telecommunications services in the same defined geographic area.]~~

~~[(iii) Pricing flexibility for any public telecommunications service shall become effective in accordance with the procedure in Subsection (2)(b)(iv) when the following conditions are met:]~~

~~[(A) the commission has issued a certificate to the competing telecommunications corporation;]~~

~~[(B) the competing telecommunications corporation has begun providing the authorized public telecommunications service in the defined geographic area;]~~

~~[(C) the incumbent telephone corporation, by written agreement, stipulation, or pursuant to an order of the commission, has allowed the competing telecommunications corporation to interconnect with the essential facilities and to purchase essential services of the incumbent telephone corporation; and]~~

~~[(D) the incumbent telephone corporation is in substantial compliance with the rules and orders of the commission adopted or issued under Section 54-8b-2.2.]~~

~~[(iv) (A) The commission shall enter its final order either granting or denying a petition for pricing flexibility under Subsection (2)(b) within 90 days of the date the incumbent telephone corporation files its petition seeking pricing flexibility.]~~

~~[(B) If the commission has not entered an order within 90 days of the date the petition is filed, the petition shall be considered granted.]~~

~~[(C) Pricing flexibility shall be effective 45 days following the granting of a petition for~~

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~~pricing flexibility under Subsection (2)(b) unless the commission orders an earlier effective date.]~~

~~[(c) An incumbent telephone corporation may price any new public telecommunications service by means of a price list or competitive contract.]~~

~~[(3) The commission may review any new public telecommunications service offered by an incumbent telephone corporation after the applicable tariff, price list, or competitive contract has taken effect.]~~

(b) (i) The incumbent telephone corporation's pricing flexibility shall be the same as a competing telecommunications corporation's pricing flexibility for all public telecommunications services except basic residential service.

(ii) The incumbent telephone corporation shall offer basic residential service throughout the area in which the incumbent telephone corporation is authorized by certificate to provide basic residential service.

(iii) Except as provided in Subsections (2)(b)(iv) and (v), and (2)(c), the incumbent telephone corporation may not increase the price of basic residential service above the price as of July 1, 2004.

(iv) The incumbent telephone corporation may make revenue neutral adjustments to the price of basic residential service to reduce or eliminate differences in the price of basic residential service in different portions of its service area.

(v) The incumbent telephone corporation may increase the price of basic residential service based:

(A) on changes in local calling areas approved by the commission;

(B) on changes in access charges approved by the commission; or

(C) on other changes affecting basic residential service approved by the commission.

(c) (i) Upon request by the incumbent telephone corporation, but in any event no later than May 2, 2007, the commission shall review whether any person is offering a service that includes the essential components of basic residential service at a price comparable to the incumbent telephone corporation's price for basic residential service in the area served by a central office of the incumbent telephone corporation.

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(ii) If, under Subsection (2)(c)(i), the commission determines that any person is offering a service that includes the essential components of basic residential service at a price comparable to the incumbent telephone corporation's price for basic residential service in the area served by a central office of the incumbent telephone corporation, Subsection (2)(b) does not apply in the area served by that central office.

~~[(4)]~~ (3) Each price list shall:

(a) be filed with the commission~~[-];~~

(i) electronically; or

(ii) by paper copies only if permitted by commission rule;

(b) describe the public telecommunications service;

(c) set forth the basic terms and conditions upon which the public telecommunications service is offered; and

(d) list the prices to be charged for the public telecommunications service or the basis on which the services will be priced.

~~[(5)]~~ (4) Prices, terms, and conditions offered under price lists or competitive contracts that are different from tariff prices, terms, and conditions for the same services are not considered discriminatory under Section 54-3-8 and Subsection 54-8b-3.3(2).

~~[(6)]~~ (5) A price list filed with the commission under this section shall take effect five days after it is filed with the commission.

~~[(7)]~~ (6) (a) ~~[The]~~ Except as provided in Subsection (6)(b), the prices, terms, and conditions of a public telecommunications service offered by a telecommunications corporation pursuant to a competitive contract with a retail customer ~~[shall]~~ need not be filed with the commission.

(b) Notwithstanding Subsection (6)(a), a copy of a competitive contract shall be provided to the commission or division of public utilities if the commission or division of public utilities, pursuant to general investigatory powers, requests a copy of the competitive contract.

~~[(8)]~~ (7) (a) ~~[The]~~ Subject to Subsection (7)(b), the commission may, as determined necessary to protect the public interest, set an upper limit on the price that may be charged by

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telecommunications corporations for public telecommunications services that may be priced by means of a price list or competitive contract in a defined geographic area.

(b) The upper limit on price imposed under Subsection (7)(a) shall be applied to all telecommunications corporations holding a certificate to provide the public telecommunications services in the defined geographic area in a competitively neutral manner.

~~[(9)]~~ (8) (a) The commission may revoke the authority of a telecommunications corporation to offer a public telecommunications service pursuant to a price list or competitive contract or the commission may adopt conditions or restrictions on the telecommunications corporation's pricing flexibility if the commission finds:

(i) (A) the telecommunications corporation has materially violated statutes or rules applicable to the specific service;

(B) there has been or there is an imminent threat of a material and substantial ~~[change]~~ diminution in the level of competition; or

(C) competition has not developed; and

(ii) revocation or conditions or restrictions on the telecommunications corporation's pricing flexibility is in the public interest.

(b) The party asserting that revocation or conditions or restrictions on the telecommunications corporation's pricing flexibility should ~~[occur]~~ be imposed shall bear the burden of proof.

~~[(10)]~~ (9) The commission shall establish rules or procedures to protect confidential, proprietary, and competitively sensitive information provided to the commission or the division pursuant to this section.

(10) (a) An incumbent telephone corporation serving fewer than 30,000 access lines in the state may petition the commission to be regulated under price regulation rather than traditional rate of return regulation.

(b) In implementing price regulation for an incumbent telephone corporation serving fewer than 30,000 access lines, the commission may modify the requirements of any provision of this section if necessary to the individual circumstances of the incumbent telephone corporation.

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Section 5. Section **54-8b-3.3** is amended to read:

54-8b-3.3. Services that must be offered on a nondiscriminatory basis -- Public telecommunications to be cost-based -- Packaged services -- Quality of service standards.

(1) (a) As used in this section, "cost-based" means that the prices for the telecommunications services shall be established after taking into consideration the total service long-run incremental cost of providing the service.

(b) The term "cost-based" does not prevent the establishment of prices:

(i) that promote the universal availability of service in the state~~[-]; or~~

(ii) that are offered by a telecommunications corporation for a public telecommunications service in a promotional offer, or market trial, or to meet competition.

(2) ~~[Notwithstanding]~~ Except with respect to a price regulated service offered in a promotional offer, or market trial, or to meet competition and notwithstanding any other provision of this chapter:

(a) ~~[no]~~ a telecommunications corporation with more than 30,000 access lines in the state [and which] that provides a [tariffed] public telecommunications service [or a price-regulated service shall] may not:

(i) as to the pricing and provisioning of the ~~[tariffed]~~ public telecommunications service ~~[or price-regulated service]~~, make or grant any undue or unreasonable preference or advantage to any person, corporation, or locality; or

(ii) in providing services ~~[which]~~ that utilize the local exchange network:

(A) make or give any undue or unreasonable preference or advantage to any person, corporation, or locality; or

(B) subject any person, corporation, or locality to any undue or unreasonable prejudice or disadvantage;

(b) ~~[tariffed]~~ public telecommunications services ~~[and price-regulated services]~~ provided by a telecommunications corporation with more than 30,000 access lines in the state shall be nondiscriminatory, cost-based, and subject to resale as determined by the commission; and

(c) ~~[tariffed]~~ public telecommunications services ~~[and price-regulated services]~~ may be

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packaged with other services, so long as they are also offered on a separate, unbundled basis.

~~[(3) An incumbent telephone corporation may not price any public telecommunications service at a level which is less than the sum of:]~~

~~[(a) the total service long-run incremental cost of nonessential facilities used to provide the public telecommunications service in a particular geographic area; and]~~

~~[(b) the price of essential facilities used to provide the public telecommunications service in a particular defined geographic area.]~~

~~[(4) Subsection (3) does not require that the price of residential telephone service which is priced below its total service long-run incremental cost on May 1, 1995, be increased. However, the price of any service that is below its total service long-run incremental cost may be increased annually as provided in Section 54-8b-2.4.]~~

~~[(5) The commission shall examine the total service long-run incremental cost studies of an incumbent telephone corporation's public telecommunications services as needed to insure compliance with this section.]~~

~~[(6) (3) (a) In order to promote continued investment in the public telecommunications network [by incumbent telephone corporations] and to improve the quality of service for end users [in areas where competition has not developed, by September 30, 2000], the commission [shall] may adopt rules governing service quality standards to end users for all [tariffed] public telecommunications services.~~

~~(b) The commission shall have the authority to enforce the rules adopted under this Subsection [(6) (3)] by granting billing credits to the affected end user where the noncompliance is for reasons within the [incumbent telephone] telecommunications corporation's control.~~

~~[(c) The commission shall report annually to the Legislature concerning investment by incumbent telephone corporations in the public telecommunications network in their service areas and the quality of service to end users of tariffed public telecommunications services.]~~

~~(c) Rules adopted under this Subsection (3) on or after January 1, 2005, shall impose no greater requirements or obligations on any telecommunications corporation:~~

~~(i) than were applicable to that telecommunications corporation under rules adopted~~

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before January 1, 2005; or

(ii) than were imposed on telecommunications corporations that were not incumbent telephone corporations, if the telecommunications corporation is not an incumbent telephone corporation.

(d) An incumbent telephone corporation with less than 30,000 access lines in the state is exempt from this Subsection [~~(6)~~] (3).

Section 6. Section **54-8b-4.5** is amended to read:

54-8b-4.5. Commission order -- Negotiated provisions of services -- Contracts under this section.

(1) (a) The commission may enter an order partially or wholly exempting any public telecommunications service from any requirement of this title relating to rates, tariffs, or fares.

(b) The commission may authorize the provision of all or any portion of a public telecommunications service under stated or negotiated terms to any person that is committed to the acquisition of comparable telecommunications services from an alternative source of supply through construction, lease, or any other form of acquisition.

(2) An incumbent telephone corporation may negotiate with the person or entity within the incumbent telephone corporation's service territory for the provision of retail end user public telecommunications services without regard to the provisions of any tariffs on file and approved by the commission, or any price list or competitive contract filed under Section 54-8b-2.3 with the commission but any rate, toll, fare, rental, charge, or classification of service in such contracts shall comply with [~~Subsection~~] Section 54-8b-3.3[~~(3)~~].

(3) (a) Within ten days after the conclusion of the negotiations and prior to the execution of a contract under this section, the incumbent telephone corporation shall file with the commission the proposed final agreements and other evidence of the public telecommunications services to be provided, together with the charges and other conditions of the service.

(b) (i) The commission may approve or deny an application, or begin adjudicative proceedings to consider approval of a contract under this section within 30 days of the filing of the application by the incumbent telephone corporation.

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(ii) If the commission begins adjudicative proceedings, the contract is effective when the commission orders that it is effective.

(iii) If the commission fails to approve a contract under this section, or fails to begin adjudicative proceedings within 30 days, the final contract is effective.

(c) In determining whether or not to approve a contract under this section, the commission shall consider all relevant factors, including, whether or not the contract for any rate, toll, fare, rental, charge, or classification of service:

(i) complies with [~~Subsection~~] Section 54-8b-3.3~~(3)~~;

(ii) provides for adequate service at just and reasonable rates.

(d) After a contract under this section has become effective, [~~if the incumbent telephone corporation is not subject to maximum price regulation for tariffed public telecommunications services under Section 54-8b-2.4,~~] the commission shall in the next general rate case for that incumbent telephone corporation:

(i) review the contract for consistency with the factors stated in this Subsection (3); and

(ii) make any adjustment in its rate order, including retroactive adjustments, that are necessary to avoid cross subsidization from other regulated intrastate telecommunications services.

(e) Subsection (3) does not apply to an incumbent telephone corporation subject to price regulation for public telecommunications services under Section 54-8b-2.3.

(4) Any incumbent telephone corporation that provides public telecommunications services pursuant to a contract under this section may not offer the services under contract in a manner that unfairly discriminates between similarly situated customers.

(5) Subject to Subsection (4), terms and conditions offered in contracts under this section that are different from tariff terms and conditions for the same services are not considered discriminatory under Section 54-3-8 and Subsection 54-8b-3.3(2).

Section 7. Repealer.

This bill repeals:

Section 54-8b-2.4, Price regulation -- Price index -- Maximum prices.

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Section **54-8b-2.5, Report to governor and Legislature.**

House File 277

PAG LIN

10 MARGINS F

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HOUSE FILE 277

30

40 MARGINS C

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AN ACT

60 MARGINS F

70 RELATING TO THE DEREGULATION OF COMMUNICATIONS SERVICES

80 INCLUDING CONSIDERING MARKET FORCES, ELIMINATING ACCOUNTING

90 PLAN REQUIREMENTS, ESTABLISHING ANTITRUST PROCEDURES AND

100 REMEDIES, ELIMINATING REPORTING REQUIREMENTS, ELIMINATING THE

110 IOWA BROADBAND INITIATIVE, AND PROVIDING A PENALTY.

120

130 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

140

150 MARGINS L

160 Section 1. Section 476.1D, subsections 1, 2, and 3, Code

170 2005, are amended to read as follows:

180 1. Except as provided in this section, the jurisdiction of

190 the board as to the regulation of communications services is

200 not applicable to a service or facility that is provided or is

210 proposed to be provided by a telephone utility that is or

220 becomes subject to effective competition, as determined by the

230 board.

240 a. In determining whether a service or facility is or

250 becomes subject to effective competition, the board shall

260 consider, among other factors, whether a comparable service or

270 facility is available from a supplier other than the telephone

280 utility in the geographic market being considered by the board

290 and whether market forces in that market are sufficient to

300 assure just and reasonable rates without regulation.

310 b. When considering market forces in the market proposed320 to be deregulated, the board shall consider factors including330 but not limited to the presence or absence of all of the340 following:350 (1) Wireless communications services.360 (2) Cable telephony services.370 (3) Voice over internet protocol services.380 (4) Economic barriers to the entry of competitors or390 potential competitors in that market.400 c. In addition to other services or facilities previously410 deregulated, effective July 1, 2005, and at the election of420 each telephone utility subject to rate regulation, the430 jurisdiction of the board is not applicable to the retail rate440 regulation of business and retail local exchange services450 provided throughout the state except for single line flat-460 rated residential and business service rates provided by a470 telephone utility subject to rate regulation on January 1,480 2005. For each such telephone utility, the initial single490 line flat-rated residential and business service rates shall500 be the corresponding rates charged by the utility as of510 January 31, 2005. The initial single flat-rated residential520 monthly service rates may be increased by an amount not to530 exceed one dollar per twelve-month period beginning July 1,540 2005, and ending June 30, 2008. The initial single flat-rated550 business monthly service rates may be increased by an amount

560 not to exceed two dollars per twelve-month period beginning
 570 July 1, 2005, and ending June 30, 2008. However, the single
 580 line flat-rated residential service rate shall not exceed
 590 nineteen dollars per month and the single line flat-rated
 600 business service rate shall not exceed thirty-eight dollars
 610 per month prior to July 1, 2008, not including charges for
 620 extended area service, regulatory charges, taxes, and other
 630 fees. Each telephone utility's extended area service rates
 640 shall not be greater than the corresponding rates charged by
 650 the telephone utility as of January 31, 2005. The board shall
 660 determine a telephone utility's extended area service rates
 670 for new extended area service established on or after July 1,
 680 2005. If a telephone utility fails to impose the rate
 690 increase during any twelve-month period, the utility shall not
 700 impose the unused increase in any subsequent year. In
 710 addition to the rate increases permitted pursuant to this
 720 section, the telephone utility may adjust its single line
 730 flat-rated residential and business service rates by a
 740 percentage equal to the most recent annual percentage change
 750 in the gross domestic product price index as published by the
 760 federal government. The board may also authorize additional
 770 changes in the monthly rates for single line flat-rated
 780 residential and business services to reflect exogenous factors
 790 beyond the control of the telephone utility.

800 A telephone utility that elects to increase single line
 810 flat-rated residential or business service rates pursuant to
 820 this paragraph "c" shall offer digital subscriber line
 830 broadband service in all of the telephone utility's exchanges
 840 in this state within eighteen calendar months of the first
 850 rate increase made pursuant to this paragraph "c" by the
 860 telephone utility. The board may extend this deadline by up
 870 to nine calendar months for good cause. The board may assess
 880 a civil penalty or require a refund of all incremental revenue
 890 resulting from the rate increase initiated pursuant to this
 900 paragraph "c" if the telephone utility fails to offer digital
 910 subscriber line broadband service within the time period
 920 required by this unnumbered paragraph.

930 Effective July 1, 2008, the retail rate jurisdiction of the
 940 board shall not be applicable to single line flat-rated
 950 residential and business service rates unless the board during
 960 the first six calendar months of 2008 extends its retail rate
 970 jurisdiction over single line flat-rated residential and
 980 business service rates provided by a previously rate-regulated
 990 telephone utility. The board may extend its jurisdiction
 1000 pursuant to this paragraph for not more than two years and may
 1010 do so only after the board finds that such action is necessary
 1020 for the public interest. The board shall provide the general
 1030 assembly with a copy of any order to extend its jurisdiction
 1040 and shall permit any telephone utility subject to the
 1050 extension to increase single line flat-rated residential and
 1060 business monthly service rates by an amount up to two dollars
 1070 during each twelve-month period of the extension. If a
 1080 telephone utility fails to impose such a rate increase during
 1090 any twelve-month period, the utility may not impose the unused
 1100 increase in any subsequent year.

1110 2. ~~Deregulation~~ Except as provided in subsection 1,
 1120 paragraph "c", deregulation of a service or facility for a
 1130 utility is effective only after ~~all of the following~~:
 1140 ~~a. A finding of effective competition by the board.~~
 1150 ~~b. Election by a utility providing the service or facility~~

~~1160 to file a deregulation accounting plan.~~

~~1170 c. Approval of a utility's deregulation accounting plan by
1180 the board.~~

1190 3. If the board ~~determines~~ finds that a service or
1200 facility is subject to effective competition ~~and approves the~~
~~1210 utility's deregulation accounting plan~~, the board shall

1220 deregulate the service or facility within a reasonable time.

1230 Sec. 2. Section 476.55, Code 2005, is amended to read as
1240 follows:

1250 476.55 COMPLAINT OF ANTITRUST ACTIVITIES.

1260 1. An application for new or changed rates, charges,
1270 schedules or regulations filed under this chapter, or an
1280 application for a certificate or an amendment to a certificate
1290 submitted under chapter 476A, by an electric transmission line
1300 utility or a gas pipeline utility or a subsidiary of either
1310 shall not be approved by the board if, upon complaint by an
1320 Iowa electric or gas utility, the board finds activities which
1330 create or maintain a situation inconsistent with antitrust
1340 laws and the policies which underlie them. The board may
1350 grant the rate or facility certification request once it
1360 determines that those activities which led to the antitrust
1370 complaint have been eliminated. However, this subsection does
1380 not apply to an application for new or changed rates, charges,
1390 schedules or regulations after the expiration of the ten=
1400 month limitation and applicable extensions.

1410 2. Notwithstanding section 476.1D, the board may receive a
1420 complaint from a local exchange carrier that another local
1430 exchange carrier has engaged in an activity that is
1440 inconsistent with antitrust laws and the policies which
1450 underlie them. For purposes of this subsection, "local
1460 exchange carrier" means the same as defined in section 476.96
1470 and includes a city utility authorized pursuant to section
1480 388.2 to provide local exchange services. If, after notice
1490 and opportunity for hearing, the board finds that a local
1500 exchange carrier has engaged in an activity that is
1510 inconsistent with antitrust laws and the policies which
1520 underlie them, the board may order any of the following:

1530 a. The local exchange carrier to adjust retail rates in an
1540 amount sufficient to correct the antitrust activity.

1550 b. The local exchange carrier to pay any costs incurred by
1560 the complainant for the pursuit of the complaint.

1570 c. The local exchange carrier to pay a civil penalty.

1580 d. Either the local exchange carrier or the complainant to
1590 pay the costs of the complaint proceeding before the board,
1600 and the other party's reasonable attorney fees.

1610 This subsection shall not be construed to modify, restrict,
1620 or limit the right of a person to bring a complaint under any
1630 other provision of this chapter.

1640 Sec. 3. Section 476.97, subsection 12, Code 2005, is
1650 amended by striking the subsection.

1660 Sec. 4. Section 476.98, Code 2005, is repealed.

1670 MARGINS F

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CHRISTOPHER C. RANTS

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Speaker of the House

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Qwest/22
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JEFFREY M. LAMBERTI
President of the Senate

I hereby certify that this bill originated in the House and
is known as House File 277, Eighty-first General Assembly.

MARGARET THOMSON
Chief Clerk of the House

Approved _____, 2005

THOMAS J. VILSACK
Governor

Fifty-ninth
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2216

Introduced by

Senators Epegard, Heitkamp

Representative Carlson

1 A BILL for an Act to create and enact section 49-21-10.3 of the North Dakota Century Code,
2 relating to complaints against telecommunications companies; to amend and reenact sections
3 49-02-01.1, 49-21-01, 49-21-01.1, 49-21-01.3, 49-21-01.7, 49-21-02.2, and 49-21-10.2 of the
4 North Dakota Century Code, relating to telecommunications regulation; and to repeal sections
5 49-21-04.1, 49-21-08, 49-21-14, 49-21-15, 49-21-17, 49-21-18, and 49-21-20 of the North
6 Dakota Century Code, relating to telecommunications regulation.

7 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

8 **SECTION 1. AMENDMENT.** Section 49-02-01.1 of the North Dakota Century Code is
9 amended and reenacted as follows:

10 **49-02-01.1. Jurisdiction of commission limited as to certain utilities.** Nothing in
11 this chapter or in chapter 49-21 authorizes the commission to make any order affecting rates,
12 contracts, services rendered, adequacy, or sufficiency of facilities, or the rules or regulations of
13 any public utility owned and operated by the state or by any city, county, township, or other
14 political subdivision of the state or any public utility, that is not operated for profit, that is
15 operated as a nonprofit, cooperative, or mutual telecommunications company or is a
16 telecommunications company having fewer than eight thousand local exchange subscribers.
17 However, any telecommunications utility that is operated as a nonprofit, cooperative, or mutual
18 telecommunications company or has fewer than eight thousand local exchange subscribers is
19 subject to sections 49-21-01.4, 49-21-02.4, ~~49-21-08~~, 49-21-23, 49-21-24, and 49-21-25,
20 subsections 6 through 14 of section 49-21-01.7, and to sections 49-21-01.2, 49-21-01.3,
21 49-21-06, 49-21-07, 49-21-09, and 49-21-10, regarding rates, terms, and conditions of access
22 services or connection between facilities and transfer of telecommunications between two or
23 more telecommunications companies. Nothing in this section limits the authority of the
24 commission under chapter 49-03.1 or sections 49-04-05 and 49-04-06.

1 **SECTION 2. AMENDMENT.** Section 49-21-01 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **49-21-01. Definitions.** As used in this chapter, unless the context otherwise ~~clearly~~
4 requires:

- 5 1. "Access" means telecommunications services to connect a telecommunications
6 customer or end user with a telecommunications company that allows for the
7 origination or the termination, or both, of WATS, 800, and message toll
8 telecommunications services and private line transport services.
- 9 2. "Competitive local exchange company" means any telecommunications company
10 providing local exchange service, other than an incumbent local exchange carrier,
11 whether by its own facilities, interconnection, or resale.
- 12 3. "Eligible telecommunications carrier" means a telecommunications company
13 designated under section 214(e) of the federal act as eligible to receive universal
14 service support in accordance with section 254 of the federal act.
- 15 4. "Essential telecommunications service" means the following services:
 - 16 a. Switched access;
 - 17 b. ~~The transmission service line for a coin or pay telephone;~~
 - 18 e. Installation of the service connection for other essential services from the end
19 user's premises to the local exchange network; and
 - 20 e. c. ~~Flat Primary flat rate or measured residence, business and combination~~
21 ~~business and~~ residence basic telephone service including the following
22 service elements:
 - 23 (1) Billing and collecting of the telecommunications company's charges for
24 the service.
 - 25 (2) Primary directory listing, ~~including nonlisted and nonpublished service.~~
 - 26 (3) Access to directory assistance.
 - 27 (4) Access to emergency 911 service and emergency operator assistance
28 in local exchange areas in which emergency 911 service is not
29 available.
 - 30 (5) Except as provided in section 49-02-01.1, mandatory, flat-rate
31 extended area service to designated nearby local exchange areas.

1 (6) Transmission service necessary for the connection between the end
2 user's premises and the local exchange central office switch including a
3 trunk connection that has inward dialing and necessary signaling
4 service such as touchtone used by end users for the service.

5 5. "Federal act" means the federal Communications Act of 1934, as amended by the
6 federal Telecommunications Act of 1996 [47 U.S.C. 151 et seq.].

7 6. "Incumbent local exchange carrier" means a telecommunications company that
8 meets the definition of section 251(h) of the federal act.

9 7. "Inside wire" and "premise cable" mean the telecommunications wire on the
10 customer's side of a demarcation point or point of interconnection between the
11 telecommunications facilities of the telecommunications company and the
12 customer or premise owner established under title 47, Code of Federal
13 Regulations, part 68, section 68.105.

14 8. "Interexchange telecommunications company" means a person providing
15 telecommunications service to end users located in separate local exchange
16 areas.

17 9. "Local exchange area" means a geographic territorial unit established by a
18 telecommunications company for the administration of telecommunications
19 services as approved and regulated in accordance with chapter 49-03.1.

20 10. "Management costs" means the reasonable direct actual costs a political
21 subdivision incurs in exercising its police powers over the public rights of way.

22 11. "Mutual telephone company" means a telephone cooperative organized and
23 operating subject to the provisions of this chapter, and such a cooperative shall
24 also be subject to the general law governing cooperatives, except where such
25 general law is in conflict with this chapter.

26 12. "Nonessential telecommunications service" means any telecommunications
27 service, other than those essential telecommunications services listed in
28 subsection 4 that a customer has the option to purchase either in conjunction with
29 or separate from any essential telecommunications service. ~~Nonessential~~
30 ~~telecommunications services include, but are not limited to:~~

31 a. ~~InterLATA and intraLATA message toll service;~~

- 1 ~~b. Calling features and information or enhanced services such as call waiting,~~
2 ~~call forwarding, three way calling, intracall, speed calling, call transfer, voice~~
3 ~~or data store and forward, message delivery, or caller identification;~~
4 ~~e. Centrex services and features;~~
5 ~~d. Installation of service connections in addition or supplementary to that~~
6 ~~described in subdivision c of subsection 4 which also provides transmission~~
7 ~~service between the end user's premises and the local exchange central~~
8 ~~office switch;~~
9 ~~e. Mobile telecommunications services using radio spectrum or cellular~~
10 ~~technology; and~~
11 ~~f. Packet switched services.~~
- 12 13. "Price" means any charge set and collected by a telecommunications company for
13 any telecommunications service offered by it to the public or other
14 telecommunications companies.
- 15 14. "Private line transport service" means a telecommunications service to a customer
16 over a circuit dedicated to the customer's exclusive use, within a local exchange
17 area, or between or among local exchanges. Private line transport service
18 includes services to customers who are end users and services to
19 telecommunications companies.
- 20 15. "Public right of way" means the area on, below, or above a public roadway,
21 highway, street, bridge, cartway, bicycle lane, or public sidewalk in which a political
22 subdivision has a legal interest, including other dedicated rights of way for travel
23 purposes, utility easements, and all the area within seventy-five feet [22.86 meters]
24 of the centerline of any county or township highway right of way over which a
25 board of county commissioners or a board of township supervisors has control
26 under section 24-01-42. The term does not include the airwaves above a public
27 right of way with regard to cellular or other wireless telecommunications or
28 broadcast service or utility poles owned by a political subdivision or a municipal
29 utility or a telecommunications company, in whole or part.
- 30 16. "Rural telephone company" means a telecommunications company that meets the
31 definition of section 153(37) of the federal act.

- 1 17. "Service element" means a telecommunications function or service component that
2 is not useful to the user unless it is combined with one or more other
3 telecommunications functions or service components.
- 4 18. "Switched access" means access to include:
5 a. Local exchange central office switching and signaling;
6 b. Operator and recording intercept of calls;
7 c. Termination of end user lines in the local exchange central office;
8 d. The carrier common line charge for the line between the end user's premises
9 and the local exchange central office;
10 e. Billing and collection recording for interexchange carriers to which the local
11 exchange carrier provides ~~feature group C~~ access service; and
12 f. Telecommunications service, including connections, provided to allow
13 transmission service and termination between an interexchange company's
14 premises and the local exchange central office switch for the origination or
15 termination of the interexchange company's switched telecommunications
16 services.
- 17 19. "Telecommunications company" means a person engaged in the furnishing of
18 telecommunications service within this state.
- 19 20. "Telecommunications service" means the offering for hire of telecommunications
20 facilities, or transmitting for hire telecommunications by means of such facilities
21 whether by wire, radio, lightwave, or other means.

22 **SECTION 3. AMENDMENT.** Section 49-21-01.1 of the North Dakota Century Code is
23 amended and reenacted as follows:

24 **49-21-01.1. Inapplicability of provisions of chapter.** Telecommunications service
25 does not include and the provisions of this title do not apply to:

- 26 1. The one-way transmission of radio or television signals for broadcast purposes,
27 including the one-way transmission of video programming or other programming
28 service by a cable system as well as subscriber interaction, if any, which is
29 required for the selection of such video programming or other programming
30 service.

- 1 2. A hospital, hotel, motel, or similar place of temporary accommodation owning or
2 operating message switching or billing equipment solely for the purpose of
3 reselling telecommunications services to its patients or guests.
- 4 3. Telegraph service.
- 5 4. Except as provided in section 49-21-01.5, home, business, and coinless or
6 coin-operated public or semipublic telephone terminal equipment and the use of
7 such equipment.
- 8 5. The lease of telecommunications equipment by a telecommunications company
9 from a person whose business is the leasing or sale of such equipment.
- 10 6. Billing and collection services.
- 11 7. Inside wire and premise cable installation and maintenance.
- 12 8. Directory services ~~which that are not essential, such as "yellow pages" advertising~~
13 ~~and bold faced or color listings in "white pages".~~
- 14 9. Private line transport service.
- 15 10. Services or facilities provided by a system or institution of higher education to:
 - 16 a. Institution employees or students at institution facilities or housing owned or
17 leased by the institution;
 - 18 b. Affiliated organizations, including alumni operations and research
19 foundations, formed for the purpose of supporting the institution or leased by
20 the institution and offering products and services intended primarily for the
21 benefit of institution employees, students, or guests;
 - 22 c. Other persons or entities located on property owned or leased by the
23 institution and offering products and services intended primarily for the benefit
24 of institution employees, students, or guests;
 - 25 d. Casual users using the institution's facilities for conferences, seminars and
26 other similar special events, and broadcasters of athletic events;
 - 27 e. Occupants of technology parks, or business incubators receiving secretarial
28 or business startup support in facilities owned or leased by the institution
29 during a business startup phase for a term not to exceed four years or until
30 August 1, 2005, whichever is later; and

- 1 f. Educational, governmental, and nonprofit users of system or institution
2 interactive video conferencing site facilities and associated network services.
3 Institutions may not unreasonably restrict access by a telecommunications
4 company to institution facilities for the purpose of furnishing telecommunications
5 services to residents in institution housing or to other persons or entities leasing
6 institution facilities, except institutions may limit access to residence halls.
7 Institutions may require reasonable payment for and adopt reasonable restrictions
8 on the use of institution telecommunications infrastructure to avoid service
9 interruptions or increased maintenance or administrative burdens.

10 **SECTION 4. AMENDMENT.** Section 49-21-01.3 of the North Dakota Century Code is
11 amended and reenacted as follows:

12 **49-21-01.3. Certain price increases prohibited - Essential telecommunications**
13 **services.** Changes in essential telecommunications services prices are prohibited except as
14 specifically provided for in chapter 49-21 and section 49-02-01.1.

- 15 1. All increases or decreases in governmentally imposed surcharges and any
16 financial impact on cost of essential telecommunications services caused by
17 governmentally imposed changes in taxes, accounting practices, or separations
18 procedures must be fully reflected in any price for those services within thirty days
19 of the effective date of the surcharge or change.
- 20 2. Nothing in this section prohibits the lowering of a price of an essential service
21 based on reasonable business practices in a competitive environment provided
22 that no price change may be anticompetitive or otherwise in violation of antitrust or
23 unfair trade practice laws.
- 24 3. Whenever a price change provided for in this section is less than three percent of
25 the existing price, notwithstanding any time limitations in this section, a
26 telecommunications company may accumulate such changes in price subject to
27 the following conditions:
- 28 a. Price increases may be accumulated up to a percentage total of five percent.
29 b. Price decreases may be accumulated only to the extent that there is an
30 offsetting accumulated price increase of an equal or greater percentage.

- 1 Accumulated price decreases may never exceed accumulated price
2 increases.
- 3 c. Price decreases may be accumulated only for two years beginning January
4 first of the year in which the change is allowed.
- 5 d. Accumulated price increases may be implemented at the discretion of the
6 telecommunications company.
- 7 e. The effective date of implementation of an accumulated price change may be
8 prospective only, and in accordance with the filing requirements of section
9 49-21-04.
- 10 4. The monthly price of residence service for telecommunications companies with
11 over fifty thousand subscribers may be ~~increased after July 31, 1999, up to fifteen~~
12 ~~dollars and fifty cents and may be increased after June 30, 2000, up to eighteen~~
13 dollars. ~~A telecommunications company increasing prices under this subsection~~
14 ~~must submit a report to the commission reasonably demonstrating that it reduced~~
15 ~~the prices of its intrastate intraLATA message toll service and intrastate switched~~
16 ~~access, as such prices existed on January 1, 1999, in aggregate by an annual~~
17 ~~amount not less than the annual revenue increase resulting from the service price~~
18 ~~increases under this subsection. Reductions in message toll and switched access~~
19 ~~prices attributable to the price increases under this section must be made by~~
20 ~~similar percentages as to be accomplished in a competitively neutral manner. The~~
21 ~~commission may review the report and may set aside pursuant to section 49-21-06~~
22 ~~the prices of intraLATA message toll service and intrastate switched access if the~~
23 ~~reductions have not been made in a revenue neutral manner and by similar~~
24 ~~percentages. Prices set aside pursuant to this section remain effective until the~~
25 ~~effective date of revised prices filed by the telecommunications company within~~
26 ~~forty five days of the commission's order.~~
- 27 5. ~~The commission may investigate an increased price allowed pursuant to~~
28 ~~subsection 4 and may set aside all or part of the increase if it finds the price is~~
29 ~~unfair or unreasonable, provided a price for residence service at or below the price~~
30 ~~in effect on January 1, 1999, may not be set aside under this subsection or section~~
31 ~~49-21-06. The commission may not set aside all or part of an increased price as~~

1 ~~unfair or unreasonable if the commission determines after notice and opportunity~~
2 ~~for hearing the average cost of providing residence service, as calculated under~~
3 ~~either representative embedded or forward-looking economic cost methodologies,~~
4 ~~including shared and common costs, exceeds the price resulting from the increase.~~

5 6- Subject to the limitations of this section, nothing in this chapter prohibits an
6 incumbent local exchange carrier from deaveraging local exchange service prices
7 provided the incumbent local exchange carrier agrees to amend its commission
8 approved interconnection agreements to allow for deaveraged interconnection
9 prices effective concurrently with the deaveraged retail prices.

10 **SECTION 5. AMENDMENT.** Section 49-21-01.7 of the North Dakota Century Code is
11 amended and reenacted as follows:

12 **49-21-01.7. Powers in general.** The commission has the power to:

- 13 1. Investigate all methods and practices of telecommunications companies.
- 14 2. Require telecommunications companies to conform to the laws of this state and to
15 all rules, regulations, and orders of the commission not contrary to law.
- 16 3. Require ~~copies of~~ reports as to rates, prices, and terms and conditions of service in
17 effect and used by the company, and all other information deemed relevant and
18 necessary by the commission in the exercise of its authority.
- 19 4. Compel obedience to its lawful orders by proceedings of mandamus or injunction
20 or other proceedings, in the name of the state, in any court having jurisdiction of
21 the parties or of the subject matter.
- 22 5. Hold hearings on good cause being shown, upon notice and subject to the
23 provisions of chapter 28-32.
- 24 6. Employ and fix the compensation of experts, engineers, auditors, attorneys, and
25 other such assistance for complaints, investigations, and other proceedings
26 relating to telecommunications companies. The expense of any hearings, and the
27 compensation and actual expenses of any employees of the commission while
28 engaged upon any such hearings must, upon the order of the commission, be paid
29 by the telecommunications company involved in such hearings. The commission
30 shall ascertain the exact cost and expenditure. After giving the
31 telecommunications company notice and opportunity to demand a hearing, and

- 1 after a hearing, if any, is held, the commission may render a bill and make an order
2 for payment. The bill and order must be delivered by certified mail or personal
3 delivery to the managing officer of the telecommunications company. Upon receipt
4 of the bill and order for payment, the telecommunications company has thirty days
5 within which to pay the amount billed. All amounts not paid within thirty days after
6 receipt of the bill and order for payment thereafter draw interest at the rate of six
7 percent per annum. Amounts collected by the commission under this subsection
8 ~~relating to expenses of the regulatory reform review commission must be~~
9 ~~deposited in the general fund of the state treasury. All other amounts collected by~~
10 ~~the commission under this subsection~~ must be deposited in a special account
11 within the public service commission.
- 12 7. Act upon an application for a certificate of public convenience and necessity under
13 chapter 49-03.1 consistent with section 253 of the federal act, provided a
14 telecommunications company is not required to obtain a certificate of public
15 convenience and necessity to resell telecommunications services.
- 16 8. Mediate or arbitrate agreements for interconnection, services, or network elements
17 under sections 251 and 252 of the federal act.
- 18 9. Approve or reject agreements for interconnection, services, or network elements
19 under sections 251 and 252 of the federal act.
- 20 10. Receive and approve or reject a statement of generally available terms under
21 section 252(f) of the federal act.
- 22 11. Determine whether to terminate a rural telephone company's exemption under
23 section 251(f) of the federal act.
- 24 12. Designate telecommunications companies as eligible telecommunications carriers
25 to receive universal service support under sections 214 and 254 of the federal act.
- 26 13. Designate geographic service areas for the purpose of determining universal
27 service obligations and support mechanisms under the federal act.
- 28 14. Investigate and resolve numbering issues relating to assignment of NII dialing
29 codes.
- 30 15. Adopt rules consistent with state law as are necessary to carry out the powers in
31 subsections 7 through 13 provided the rules may not impose obligations on a

1 telecommunications company that are greater than obligations imposed under the
2 act.

3 **SECTION 6. AMENDMENT.** Section 49-21-02.2 of the North Dakota Century Code is
4 amended and reenacted as follows:

5 **49-21-02.2. Cross-subsidization prohibited.** Revenues obtained from regulated
6 telecommunications services, including essential and nonessential telecommunications
7 services, may not be used to subsidize or otherwise give advantage to a telecommunications
8 company in its unregulated services, and revenues from essential telecommunications services
9 may not be used to subsidize or otherwise give advantage to a telecommunications company in
10 its nonessential telecommunications services. ~~The commission may require a~~
11 ~~telecommunications company to keep separate books of account, to allocate costs in~~
12 ~~accordance with procedures established by rule or order of the commission, and to perform~~
13 ~~other acts that will assist the commission in enforcing this section. The price charged for an~~
14 ~~unregulated telecommunications service or a nonessential telecommunications service must~~
15 ~~cover the cost of providing that service.~~

16 **SECTION 7. AMENDMENT.** Section 49-21-10.2 of the North Dakota Century Code is
17 amended and reenacted as follows:

18 **49-21-10.2. Quality of service –~~Procedure and remedies.~~** Any customer, and the
19 commission on its own motion, may complain concerning the quality of service provided by a
20 telecommunications company providing telecommunications services in the state. ~~Any person,~~
21 ~~and the commission on its own motion, may complain concerning any violation of law or rule or~~
22 ~~order of the commission. The commission, pursuant to chapter 28-32, will provide notice of the~~
23 ~~complaint and the time and place of hearing. Whenever the commission finds, after notice and~~
24 ~~hearing in accordance with chapter 28-32, that the services of a telecommunications company~~
25 ~~are inadequate, or the company is in violation of a law, rule, or order, the commission may, in~~
26 ~~addition to the penalties prescribed in chapter 49-07, direct the telecommunications company to~~
27 ~~take whatever remedial actions are reasonable and necessary to provide adequate service or~~
28 ~~to bring the company into compliance with the applicable law, rule, or order. The commission~~
29 may not adopt any rule or order under this section applicable to retail services unless the
30 standards of service required by the rule or order are applicable to all telecommunications
31 companies providing similar service in the relevant market area.

1 **SECTION 8.** Section 49-21-10.3 of the North Dakota Century Code is created and
2 enacted as follows:

3 **49-21-10.3. Complaints.** A person, and the commission on its own motion, may
4 complain concerning any violation of law, rule, or order of the commission. In accordance with
5 chapter 28-32, the commission shall provide notice of the complaint and the time and place of
6 hearing. After hearing under chapter 28-32, if the commission finds that a service of a
7 telecommunications company is inadequate or a company is in violation of a law, rule, or order,
8 the commission may direct the telecommunications company to take reasonable and necessary
9 remedial action to provide adequate service or to bring the company into compliance with the
10 applicable law, rule, or order. The remedies of this section are in addition to the penalties
11 under chapter 49-07.

12 **SECTION 9. REPEAL.** Sections 49-21-04.1, 49-21-08, 49-21-14, 49-21-15, 49-21-17,
13 49-21-18, and 49-21-20 of the North Dakota Century Code are repealed.

HOUSE BILL NO. 224Qwest/24
Brigham/1[View Bill Status](#)[View Bill Text](#)[View Statement of Purpose / Fiscal Impact](#)

Text to be added within a bill has been marked with Bold and Underline. Text to be removed has been marked with Strikethrough and Italic. How these codes are actually displayed will vary based on the browser software you are using.

This sentence is marked with bold and underline to show added text.

~~*This sentence is marked with strikethrough and italic, indicating text to be removed.*~~

Bill Status

H0224.....by STATE AFFAIRS
TELECOMMUNICATIONS - Amends and adds to existing law to authorize a telephone corporation to elect to have all or part of its telecommunications services excluded from regulation pursuant to Title 61, Idaho Code, and to be subject to regulation pursuant to Chapter 6, Title 62, Idaho Code; to authorize the Public Utilities Commission to regulate telephone corporations for the purpose of implementing the Federal Communications Act of 1966; to provide the Public Utilities Commission with authority to determine noneconomic regulatory requirements for telephone corporations providing basic local exchange service; to prohibit certain rate increases for basic local exchange service during the period of three years following the effective date of the election; to authorize the Public Utilities Commission to extend the transition period for an additional two years; to establish the rates for basic local exchange service to be used to determine eligibility of certain telephone companies to draw funds from the state universal service fund; to prohibit a telephone corporation from requiring a basic local exchange service customer to purchase or subscribe to telecommunication services other than basic local exchange services; to prohibit any increase in the stand-alone basic local exchange service rate to an amount that is higher than the rate for such service for basic local exchange customers in the local exchange calling area having the highest number of basic local exchange customers served by the telephone corporation; to define "stand-alone basic local exchange rate"; to provide certain duties relating to unauthorized charges by third-party service providers; to provide an exception to the exemption from the antitrust liability of a telephone corporation; and to provide the Public Utility Commission authority to establish a minimum price for basic local exchange service upon complaint by another telephone corporation relating to below variable cost pricing for such services by certain telephone corporations.

02/16 House intro - 1st rdg - to printing
02/17 Rpt prt - to St Aff
02/24 Rpt out - rec d/p - to 2nd rdg
02/25 2nd rdg - to 3rd rdg
03/04 3rd rdg - PASSED - 48-22-0

AYES -- Anderson, Andrus, Barraclough, Bastian, Bayer, Bedke, Bell, Bilbao, Black, Block, Bolz, Cannon, Chadderdon, Clark, Collins, Crow, Deal, Edmunson, Eskridge, Field(18), Field(23), Garrett, Hart, Henderson, Jones, Kemp, Lake, Mathews, McKague, Miller, Nielsen, Nonini, Raybould, Ring, Roberts, Rydalch, Sali, Schaefer, Shepherd(2), Shepherd(8), Shirley, Skippen, Smith(30), Smylie, Snodgrass, Stevenson, Wills, Mr. Speaker
NAYS -- Barrett, Boe, Bradford, Denney, Ellsworth, Harwood, Henbest, Jaquet, LeFavour, Loertscher, Martinez, McGeachin, Mitchell, Moyle,

Pasley-Stuart, Pence, Ringo, Rusche, Sayler, Smith(24), Trail, Wood
Absent and excused -- None

Floor Sponsor - Deal

Title apvd - to Senate

03/07 Senate intro - 1st rdg - to St Aff

03/17 Rpt out - rec d/p - to 2nd rdg

03/18 2nd rdg - to 3rd rdg

03/21 3rd rdg - PASSED - 18-17-0, 1 vacancy

Tie vote - President voted AYE

AYES -- Andreason, Brandt, Bunderson, Cameron, Compton, Darrington,
Davis, Goedde, Hill, Jorgenson, Keough, Little, Lodge, McGee,
McKenzie, Stegner, Sweet

NAYS -- Broadsword, Burkett, Burtenshaw, Coiner, Corder, Gannon,
Geddes, Kelly, Langhorst, Malepeai, Marley, Pearce, Richardson,
Schroeder, Stennett, Werk, Williams

Absent and excused -- (District 21 seat vacant)

Floor Sponsor - McKenzie

Title apvd - to House

Bill Text

|||| LEGISLATURE OF THE STATE OF IDAHO ||||
Fifty-eighth Legislature First Regular Session - 2005

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 224

BY STATE AFFAIRS COMMITTEE

AN ACT

1 RELATING TO TELECOMMUNICATION REGULATION; AMENDING SECTION 62-604, IDAHO CODE,
2 TO AUTHORIZE A TELEPHONE CORPORATION TO ELECT TO HAVE ALL OR PART OF ITS
3 TELECOMMUNICATION SERVICES EXCLUDED FROM REGULATION PURSUANT TO TITLE 61,
4 IDAHO CODE, AND TO BE THEREAFTER SUBJECT TO REGULATION PURSUANT TO CHAPTER
5 6, TITLE 62, IDAHO CODE, AND TO MAKE TECHNICAL CORRECTIONS; AMENDING SEC-
6 TION 62-605, IDAHO CODE, TO REVISE THE PROCEDURE FOR THE NOTICE OF ELEC-
7 TION, TO AUTHORIZE THE PUBLIC UTILITIES COMMISSION TO REGULATE TELEPHONE
8 CORPORATIONS FOR THE PURPOSE OF IMPLEMENTING THE FEDERAL COMMUNICATIONS
9 ACT OF 1996, TO PROVIDE THE PUBLIC UTILITIES COMMISSION WITH CONTINUING
10 AUTHORITY TO DETERMINE NONECONOMIC REGULATORY REQUIREMENTS FOR TELEPHONE
11 CORPORATIONS PROVIDING BASIC LOCAL EXCHANGE SERVICE, PROHIBITING CERTAIN
12 RATE INCREASES FOR BASIC LOCAL EXCHANGE SERVICE DURING THE PERIOD OF THREE
13 YEARS FOLLOWING THE EFFECTIVE DATE OF THE ELECTION, TO AUTHORIZE THE PUB-
14 LIC UTILITIES COMMISSION TO EXTEND THE TRANSITION PERIOD FOR TWO ADDI-
15 TIONAL YEARS AND TO ESTABLISH THE RATES FOR BASIC LOCAL EXCHANGE SERVICE
16 TO BE USED TO DETERMINE ELIGIBILITY OF CERTAIN TELEPHONE CORPORATIONS TO
17 DRAW FUNDS FROM THE STATE UNIVERSAL SERVICE FUND; AMENDING CHAPTER 6,
18 TITLE 62, IDAHO CODE, BY THE ADDITION OF A NEW SECTION 62-607A, IDAHO
19 CODE, TO PROHIBIT A TELEPHONE CORPORATION FROM REQUIRING A BASIC LOCAL
20 EXCHANGE SERVICE CUSTOMER, AS A CONDITION OF RECEIVING BASIC LOCAL
21 EXCHANGE SERVICE, TO PURCHASE OR SUBSCRIBE TO TELECOMMUNICATION SERVICES
22 OTHER THAN BASIC LOCAL EXCHANGE SERVICES, TO PROHIBIT ANY INCREASE IN THE
23 STAND-ALONE BASIC LOCAL EXCHANGE SERVICE RATE TO AN AMOUNT THAT IS HIGHER
24 THAN THE RATE FOR SUCH SERVICE FOR BASIC LOCAL EXCHANGE CUSTOMERS IN THE
25 LOCAL EXCHANGE CALLING AREA HAVING THE HIGHEST NUMBER OF BASIC LOCAL
26 EXCHANGE CUSTOMERS SERVED BY THE TELEPHONE CORPORATION AND TO DEFINE
27 "STAND-ALONE BASIC LOCAL EXCHANGE RATE"; AMENDING CHAPTER 6, TITLE 62,
28 IDAHO CODE, BY THE ADDITION OF A NEW SECTION 62-616A, IDAHO CODE, TO PRO-
29 VIDE FOR THE DUTY OF A TELEPHONE CORPORATION TO CUSTOMERS RELATING TO
30

31 UNAUTHORIZED CHARGES BY A THIRD-PARTY SERVICE PROVIDER; AMENDING SECTION
32 62-617, IDAHO CODE, TO PROVIDE AN EXCEPTION TO THE EXEMPTION FROM THE
33 ANTITRUST LIABILITY OF A TELEPHONE CORPORATION; AND AMENDING CHAPTER 6,
34 TITLE 62, IDAHO CODE, BY THE ADDITION OF A NEW SECTION 62-622A, IDAHO
35 CODE, TO PROVIDE PUBLIC UTILITY COMMISSION AUTHORITY TO ESTABLISH A MINI-
36 MUM PRICE FOR BASIC LOCAL EXCHANGE SERVICE UPON COMPLAINT BY ANOTHER TELE-
37 PHONE CORPORATION RELATING TO BELOW VARIABLE COST PRICING FOR SUCH SER-
38 VICES BY TELEPHONE CORPORATIONS NOT SUBJECT TO TITLE 61, IDAHO CODE.

39 Be It Enacted by the Legislature of the State of Idaho:

40 SECTION 1. That Section 62-604, Idaho Code, be, and the same is hereby
41 amended to read as follows:

42 62-604. APPLICABILITY OF CHAPTER.

43 (1) (a) Any telephone corporation, except any mutual nonprofit or cooper-

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1 ative telephone corporation, which did not, on January 1, 1988, hold a
2 certificate of public convenience and necessity issued by the commission
3 and, which does not provide basic local exchange service, shall, on and
4 after the effective date of this act, be subject to the provisions of this
5 chapter and shall be exempt from the provisions of title 61, Idaho Code.

6 (b) All telephone corporations, as set forth in ~~subparagraph~~ subsection
7 (1)(a) of this section, shall file a notice with the commission, which
8 notice shall set forth the following information:

9 (i) the name of the telephone corporation and the address of its
10 principal place of business within the state;

11 (ii) a description of the telecommunication services offered by such
12 telephone corporation and the area served by it or in which it offers
13 telecommunication services.

14 (c) Such notice shall be filed on or before the 1st day of January of
15 each year following the effective date of this act.

16 (2) Any telephone corporation holding a certificate of public convenience
17 and necessity on January 1, 1988, issued by the commission pursuant to title
18 61, Idaho Code, may, pursuant to section 62-605, Idaho Code:

19 (a) elect to exclude all, or part of its telecommunication services,
20 ~~other than basic local exchange service including recurring and nonrecur-~~
21 ~~ring charges therefor,~~ from regulation pursuant to title 61, Idaho Code,
22 and such excluded telecommunication services shall thereafter be subject
23 to the provisions of this chapter, except for the provisions of section
24 62-622(1) through (3), Idaho Code;

25 (b) notwithstanding any other provision of this chapter, a telephone cor-
26 poration which, pursuant to section 61-538, Idaho Code, was, prior to the
27 effective date of this chapter, subject to the provisions of such section,
28 shall continue to be subject to the provisions of section 61-538, Idaho
29 Code, notwithstanding such telephone corporation is subject to the provi-
30 sions of this chapter.

31 SECTION 2. That Section 62-605, Idaho Code, be, and the same is hereby
32 amended to read as follows:

33 62-605. PROCEDURE FOR NOTICE OF ELECTION -- COMMISSION CONTINUING AUTHOR-
34 ITY. (1) A telephone corporation which held a certificate of public conve-
35 nience and necessity on January 1, 1988, may file with the commission a notice
36 that such telephone corporation elects to be subject to the provisions of this
37 chapter for all, or part of its telecommunication services, ~~other than basic~~
38 ~~local exchange service,~~ which notice shall include the following:

39 (a) The name and address of the telephone corporation;

40 (b) A narrative description of the telecommunication services provided by
41 the telephone corporation and the geographic area and market served by the
42 telephone corporation and a description of the telecommunication services
43 for which the election is made.

44 (2) Upon the expiration of thirty (30) days from the filing of such
45 notice of election, said telephone corporation shall, as to telecommunication
46 services ~~other than basic local exchange service set forth in the notice of~~
47 election, be exempt from the provisions of title 61, Idaho Code, and such
48 telecommunication services shall thereafter be subject to the provisions of
49 this chapter with the exception of the provisions of section 62-622(1) through
50 (3), Idaho Code.

51 (3) Nothing contained in the provisions of this chapter or title 61,
52 Idaho Code, shall be construed to prevent any person or entity from providing
53 telecommunication services in competition with a telephone corporation as to

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1 those services which have been excluded from regulation under title 61, Idaho
2 Code, pursuant to the provisions of this chapter, or with a telephone corpora-
3 tion, other than a mutual, nonprofit or cooperative telephone corporation,
4 which was not, on the effective date of this act, subject to regulation by the
5 commission pursuant to title 61, Idaho Code.

6 (4) Nothing contained in the provisions of this chapter shall be con-
7 strued to prevent any telephone corporation from maintaining on file with the
8 commission a tariff or price list describing the details of its services.

9 (5) (a) For any telecommunication service which was subject, on ~~the~~
10 ~~effective date of this act July 1, 1988,~~ to title 61, Idaho Code, and
11 which at the election of the telephone corporation became subject to this
12 chapter, the commission shall have continuing authority to ~~review the~~
13 ~~quality of such service, its general availability, and terms and condi-~~
14 ~~tions under which it is offered. Upon complaint to the commission and~~
15 ~~after notice to the telephone corporation providing such service and hear-~~
16 ~~ing, the commission finds that the quality, general availability or terms~~
17 ~~and conditions for such service are adverse to the public interest, the~~
18 ~~commission shall have authority to negotiate or require changes in how~~
19 ~~such telecommunication services are provided regulate the telephone corpo-~~
20 ~~ration to the extent necessary to implement the federal communications act~~
21 ~~of 1996, in accordance with section 62-615, Idaho Code.~~

22 (b) The commission shall have the continuing authority to determine the
23 noneconomic regulatory requirements relating to basic local exchange ser-
24 vice for all telephone corporations providing basic local exchange service
25 including, but not limited to, such matters as service quality standards,
26 provision of access to carriers providing message telecommunication ser-
27 vice, filing of price lists, customer notice and customer relation rules,
28 and billing practices and procedures, which requirements shall be
29 technologically and competitively neutral.

30 (c) In addition, if ~~the commission finds that such corrective action is~~
31 ~~inadequate, it shall have the authority to require that such telecommuni-~~
32 ~~cation services be subject to the requirements of title 61, Idaho Code,~~
33 ~~rather than the provisions of this chapter a telephone corporation has~~
34 ~~made an election pursuant to section 62-604, Idaho Code, and this section~~
35 ~~with reference to basic local exchange service, the maximum price the~~
36 ~~telephone corporation may charge for stand-alone basic local exchange ser-~~
37 ~~vice, as defined in section 62-607A, Idaho Code, during the transition~~
38 ~~period, shall, in the first year of the transition period, be capped at a~~
39 ~~rate ten percent (10%) above the rate in effect at the time of the elec-~~
40 ~~tion. Thereafter, in each succeeding year of the transition period, the~~
41 ~~price cap shall be increased by an additional amount that is equal to the~~
42 ~~difference between the rate at the time of the election and the price cap~~
43 ~~established hereunder for the first year of the transition period. How-~~
44 ~~ever, during the transition period, the price cap established herein shall~~
45 ~~in no event exceed the maximum basic local exchange rate that was in~~
46 ~~effect and authorized or approved by the commission for any telephone cor-~~
47 ~~poration regulated pursuant to title 61, Idaho Code, or section 62-622(1),~~
48 ~~Idaho Code, for residence and business basic local exchange service rates,~~
49 ~~respectively, on the date the telephone corporation made the election pur-~~
50 ~~suant to section 62-604, Idaho Code, and this section with reference to~~
51 ~~basic local exchange service.~~

52 (d) The term "transition period," as used in this section, means a period
53 of three (3) years from the effective date of the election by a telephone
54 corporation to exclude basic local exchange services from regulation pur-
55 suant to title 61, Idaho Code, or section 62-622(1), Idaho Code. Provided

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1 however, the commission may, during the one hundred eighty (180) day
2 period prior to the expiration of the initial three (3) year transition
3 period, by order, extend the transition period for a period of two (2)
4 additional years if the commission finds that such action is necessary to
5 protect the public interest. The commission shall, if the transition
6 period is extended, as herein provided, file a copy of the commission's
7 order with the governor and the legislature.

8 (e) For the purpose of calculating the weighted statewide average rates
9 for residence and business basic local exchange service rates to enable
10 the commission to determine eligibility for distributions to eligible
11 telecommunications carriers from the universal service fund established
12 pursuant to chapter 6, title 62, Idaho Code, the residence and business
13 basic local exchange rates in effect on July 1, 2005, shall constitute the
14 basis for such calculation, unless the commission determines that changes
15 in basic local exchange rates subsequent to July 1, 2005, should be used
16 for such calculation for the purpose of determining the eligibility of
17 telecommunications carriers for distributions from the universal service
18 fund.

19 SECTION 3. That Chapter 6, Title 62, Idaho Code, be, and the same is
20 hereby amended by the addition thereto of a **NEW SECTION**, to be known and des-
21 ignated as Section 62-607A, Idaho Code, and to read as follows:

22 62-607A. PROHIBITED ACTIVITIES BY A TELEPHONE CORPORATION. (1) No incum-
23 bent telephone corporation, or eligible telecommunications carrier as defined
24 in section 62-610B(1), Idaho Code, shall require a residential or small busi-
25 ness customer, as a condition of receiving basic local exchange service, to
26 purchase or subscribe to telecommunication services other than one (1) access
27 line for the provision of basic local exchange service.

28 (2) A telephone corporation that has made the election provided in sec-
29 tions 62-604 and 62-605, Idaho Code, with reference to basic local exchange
30 service, shall not increase its stand-alone basic local exchange rate to resi-
31 dential or small business customers in any local exchange calling area to an
32 amount that is higher than that telephone corporation's stand-alone basic
33 local exchange rate for residential or small business customers in the local
34 exchange calling area having the highest number of basic local exchange ser-
35 vice residential or business customers served by the telephone corporation
36 within the state.

37 (3) "Stand-alone basic local exchange rate," as used herein, means the
38 monthly charge made by a telephone corporation to a residential or small busi-
39 ness basic local exchange service customer for a single line that is not
40 included in a package of services or price discounted in a promotional offer-
41 ing. "Stand-alone basic local exchange rate" does not include any charges
42 resulting from action by a federal agency or taxes or surcharge imposed by a
43 governmental body that are separately itemized and billed by a telephone cor-
44 poration to its customers.

45 SECTION 4. That Chapter 6, Title 62, Idaho Code, be, and the same is
46 hereby amended by the addition thereto of a **NEW SECTION**, to be known and des-
47 ignated as Section 62-616A, Idaho Code, and to read as follows:

48 62-616A. DUTY OF TELEPHONE COMPANY TO CUSTOMERS RELATING TO UNAUTHORIZED
49 CHARGES BY A THIRD-PARTY SERVICE PROVIDER. If a customer of a telephone corpo-
50 ration, whether subject to the provisions of this chapter or title 61, Idaho
51 Code, notifies the telephone corporation that an unauthorized charge from a

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1 third-party service provider has been included on the telephone customer's
2 bill by the telephone corporation, the telephone corporation shall remove the
3 disputed charge from the bill and shall credit to the customer any amounts for
4 unauthorized charges, whether paid or unpaid, that were billed by the tele-
5 phone corporation on behalf of the third-party service provider during the
6 period of six (6) months prior to the customer's notification to the telephone
7 corporation that unauthorized charges from a third-party service provider have
8 been included on the telephone corporation customer's bill. Nothing contained
9 herein shall restrict the right of the telephone corporation to recover cred-
10 ited charges from the third-party service provider.

11 SECTION 5. That Section 62-617, Idaho Code, be, and the same is hereby
12 amended to read as follows:

13 62-617. TELEPHONE CORPORATION ANTITRUST LIABILITY. No action under the
14 antitrust laws or any other provision or doctrine of law of the state of Idaho
15 shall lie against a telephone corporation for providing service in compliance
16 with any order of the commission. Provided however, this section shall not
17 apply to the provision of any service for which the commission has approved or
18 acknowledged an election pursuant to section 62-605(1), Idaho Code, except to
19 the extent such service thereafter is the subject of a specific commission
20 order pursuant to title 62, Idaho Code.

21 SECTION 6. That Chapter 6, Title 62, Idaho Code, be, and the same is
22 hereby amended by the addition thereto of a NEW SECTION, to be known and des-
23 ignated as Section 62-622A, Idaho Code, and to read as follows:

24 62-622A. COMMISSION AUTHORITY TO ESTABLISH MINIMUM PRICING OF BASIC LOCAL
25 EXCHANGE SERVICE. A telephone corporation may file a petition with the commis-
26 sion alleging that another telephone corporation, not subject to regulation
27 pursuant to title 61, Idaho Code, is offering basic local exchange service to
28 customers in a local exchange calling area at a price below its average vari-
29 able cost of providing such service in the local exchange calling area. The
30 commission shall, if after hearing it finds by a preponderance of the evidence
31 that the allegations contained in the petition are true, establish a minimum
32 price for basic local exchange service of the telephone corporation in the
33 local exchange calling area, which minimum price shall reflect the telephone
34 corporation's average variable cost of providing such service.

Statement of Purpose / Fiscal Impact

STATEMENT OF PURPOSE

RS 14965

This proposal will permit currently regulated telephone companies, to transition into a technologically and competitively neutral communications market environment and away from a state-created monopoly regulatory environment, created by the state in 1913.

Changes in federal and state law eliminated the monopoly status of Idaho's regulated telephone companies by opening the previously protected territories to all competitors and mandating "network-sharing" with their unregulated competitors. In addition, the digital revolution has made possible the dramatic growth in wireless usage, the steady increase in cable telephony, the rise of Voice-Over-Internet Protocol (VOIP) services, and the explosion of electronic messaging, none of which are regulated by the state. A dynamic and contestable marketplace now exists in Idaho.

This legislation will allow Idaho's regulated telephone

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companies to forego the former monopoly based regulation, and, following a transition period of up to five years, be a full participant in the competitive communications marketplace. The legislation also addresses the following consumer issues:

During a transition period of up to five years, the legislation caps basic local exchange rates at the maximum rate set by for regulated companies within the state during the overall transition period, with an annual cap not exceeding an amount equal to 10% of the company rate in effect at the time of the election to come under the provisions of the Act.

The legislation prohibits rural rate increases above the rate established in the company's most populous urban area, thus giving the rural customer the benefit of the competition that now exists and will continue to grow, in the urban areas. This provision does not sunset or end with the conclusion of the transition period.

No price increase after June 30, 2005, will affect the eligibility of rural companies to draw from the Universal Service Fund.

Guarantees that a customer will always have the option of "plain old telephone service" (POTS), without having to take package plans or services the customer does not want.

Provides customer remedy for unauthorized third-party service provider billings on customer telephone bill.

Provides the Public Utilities Commission with continuing authority over basic local exchange service quality standards, billing practices and procedures, and customer notice and customer-relations rules.

Does not interfere with the continued availability of the Idaho Telecommunications Service Assistance Plan (ITSAP) to assist low-income persons to obtain lower cost telephone service within the state. [I.C. Chapter 9, Title 56]

FISCAL NOTE

There is no fiscal impact on the General Fund.

Contact:
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Bill Roden
Phone: (208) 866-8113
(208) 336-7930

STATEMENT OF PURPOSE/FISCAL NOTE

H 224

CERTIFICATE OF SERVICE

UX-29

I hereby certify that on the 5th day of August, 2005, I served the foregoing **QWEST CORPORATION'S DIRECT TESTIMONY OF ROBERT H. BRIGHAM** in the above entitled docket on the following persons via U.S. Mail (or via e-mail if so indicated), by mailing a correct copy to them in a sealed envelope, with postage prepaid, addressed to them at their regular office address shown below, and deposited in the U.S. post office at Portland, Oregon.

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DATED this 5th day of August, 2005.

QWEST CORPORATION



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