

FILED<sup>4</sup>

FEB 16 2005

Missouri Public  
Service Commission

Exhibit No: 17  
Issues: Policy  
Witness: Craig A. Unruh  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: Southwestern Bell Telephone, L.P. d/b/a SBC  
Missouri  
Case No: TO-2005-0035  
Date Prepared: January 21, 2005

SOUTHWESTERN BELL TELEPHONE, L.P. d/b/a SBC MISSOURI  
CASE NO. TO-2005-0035

SURREBUTTAL TESTIMONY

OF

CRAIG A. UNRUH

St. Louis, Missouri  
January 21, 2005

Exhibit No. 17  
Date Prepared Case No. TO-2005-0035  
Reporter

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of the Second Investigation into the State of  
Competition in the Exchanges of Southwestern Bell ) Case No. TO-2005-0035  
Telephone, L.P., d/b/a/ SBC Missouri. )

AFFIDAVIT OF CRAIG A. UNRUH

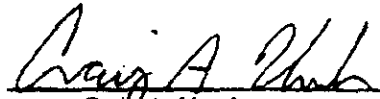
STATE OF MISSOURI

SS

CITY OF ST. LOUIS

I, Craig A. Unruh, of lawful age, being duly sworn, depose and state:

1. My name is Craig A. Unruh. I am presently Executive Director - Regulatory for Southwestern Bell Telephone, L.P., d/b/a/ SBC Missouri.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

  
Craig A. Unruh

Subscribed and sworn to before this 21<sup>st</sup> day of January, 2005

  
Notary Public

My Commission Expires 01/05/08

MARYANN PURCELL  
Notary Public - Notary Seal  
STATE OF MISSOURI  
City of St. Louis  
My Commission Expires: Jan. 5, 2008

**TABLE OF CONTENTS**

1		
2		
3	INTRODUCTION .....	2
4	PURPOSE AND MAIN POINTS OF TESTIMONY.....	2
5	STAFF AND OTHER PARTIES IMPROPERLY IGNORE UNE-P BASED	
6	COMPETITION .....	4
7	STAFF'S ANALYSIS IS FLAWED AND UNREASONABLE .....	12
8	CRITICISMS OF SBC MISSOURI'S APPROACH AND EVIDENCE ARE	
9	UNFOUNDED.....	15
10	STAFF IMPROPERLY IGNORED CLEC FACILITIES AND OTHER EVIDENCE	
11	DEMONSTRATING ABILITY TO SERVE .....	21
12	STAFF AND OTHER PARTIES IMPROPERLY IGNORE VOIP AS AN	
13	ALTERNATIVE.....	25
14	CLEC WITNESSES LARGELY RAISE IRRELEVANT ISSUES.....	32
15	OPC MISLEADS ON PRICING ISSUES.....	37
16	CONSUMERS ULTIMATELY BENEFIT FROM COMPETITIVE	
17	CLASSIFICATIONS.....	40
18	SUMMARY .....	44
19		

1 CASE NO. TO-2005-0035  
2 SOUTHWESTERN BELL TELEPHONE, L.P.  
3 D/B/A/ SBC MISSOURI  
4 SURREBUTTAL TESTIMONY OF CRAIG A. UNRUH  
5  
6

7 **INTRODUCTION**

8 Q. ARE YOU THE SAME CRAIG A. UNRUH THAT FILED DIRECT  
9 TESTIMONY IN THIS CASE?

10 A. Yes.  
11

12 **PURPOSE AND MAIN POINTS OF TESTIMONY**

13 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

14 A. The purpose of my testimony is to respond to the rebuttal testimony of  
15 Commission Staff (Staff) witnesses Bill Peters and Adam McKinnie; Office of  
16 Public Counsel (OPC) witness Barbara A. Meisenheimer; Socket Telecom  
17 witness R. Matthew Kohly; and NuVox witness Edward J. Cadieux.  
18

19 Q. WHAT ARE THE MAIN POINTS THE COMMISSION SHOULD  
20 UNDERSTAND ABOUT YOUR TESTIMONY?

21 A. The Commission should understand the following points about my surrebuttal  
22 testimony:

- 23 • The FCC created the unbundled network element – platform (UNE-P) and the  
24 Missouri Commission established the pricing for UNE-P which led to its wide-  
25 spread use by CLECs. The Commission cannot now simply ignore UNE-P  
26 competition, as Staff and others argue, based on the pure speculation that all the

- 1           UNE-P based competition will evaporate and the customers will return to SBC  
2           Missouri.
- 3           • While the FCC may be eliminating the obligation to provide unbundled switching  
4           under section 251 (c)(3) of the Federal Telecommunications Act of 1996, that  
5           does not mean that CLECs will not be able to use SBC Missouri's switching  
6           capacity.
- 7           • The FCC has found that CLECs are not impaired without section 251-based  
8           unbundled switching, which means they are capable of using their own, or other  
9           providers' switching capacity.
- 10          • The Commission should grant competitive classifications because consumers  
11          benefit from a more fully competitive market and the Commission has the  
12          "backstop" mechanism which minimizes any risk while the status quo is harmful  
13          to consumers and there is no way to undo the harm in the future.
- 14          • Consumers will benefit from the innovation, investment and competitive pricing  
15          that results when regulatory restrictions no longer influence and distort the  
16          market.
- 17          • Out of all the CLECs, wireless carriers, cable companies and VoIP providers in  
18          the marketplace, only two of these providers sponsored witnesses to oppose SBC  
19          Missouri's request in this case.
- 20          • The call for waiting to "see what happens" in the marketplace is unreasonable  
21          because the communications marketplace is rapidly changing and there is not  
22          likely to be a "stable" period for the foreseeable future.
- 23

1    **Q.    AFTER REVIEWING THE REBUTTAL TESTIMONY, DO YOU HAVE**  
2           **SOME GENERAL COMMENTS ABOUT THE PARTIES' POSITIONS?**

3    A.    Perhaps I am reading into their testimony, but I would summarize the parties  
4           positions as follows: the two CLECs say "no" because they want to maintain  
5           their regulatorily-created pricing advantage; OPC says "no" because it mistakenly  
6           believes all price increases must be avoided, even though such a position may in  
7           fact be harmful to consumers and may reflect a bias toward worrying about the  
8           few at the expense of the many; Staff says "no" because it wants the Commission  
9           to continue to regulate prices (apparently thinking it can do better than the  
10          market) and presents a series of "heads I win, tails you lose" arguments designed  
11          to lead to a "no" answer rather than evaluating the issue in a manner consistent  
12          with the legislature's direction.

13

14    **STAFF AND OTHER PARTIES IMPROPERLY IGNORE UNE-P BASED**  
15    **COMPETITION**

16    **Q.    STAFF AND THE CLEC WITNESSES ARGUE THAT UNE-P BASED**  
17           **COMPETITION SHOULD BE IGNORED BECAUSE THE FCC HAS**  
18           **ANNOUNCED THAT IT HAS REACHED THE DECISION THAT CLECS**  
19           **ARE NOT IMPAIRED WITHOUT UNBUNDLED SWITCHING (SEE FOR**  
20           **EXAMPLE, PETERS, PP. 13-15, KOHLY, PP. 8-11). DO YOU AGREE**  
21           **WITH THIS ARGUMENT?**

22    A.    Certainly not. While the text of the FCC's Order has not yet been released as of  
23           the time this testimony is being prepared, the FCC has in a press release

1           announced its finding that CLECs are no longer impaired without access to  
2           unbundled switching provided by companies like SBC Missouri. This means the  
3           FCC has found that CLECs can effectively compete without unbundled pricing  
4           obtained from the incumbent LEC at TELRIC based prices. The assertion that  
5           competition will cease to exist is without merit and should be summarily  
6           dismissed. The FCC has established a transition period under which UNE-P will  
7           continue to be available to serve existing customers. In addition, both during the  
8           transition and afterwards, CLECs can use their own switching, purchase  
9           switching capacity from other providers, as well as continue to utilize SBC  
10          Missouri's switching capacity. I would also add that, as Dr. Aron points out,  
11          customers served via UNE-P have already established their willingness to  
12          purchase their local service from an alternative provider so these customers are  
13          well aware they have choices even if a particular customer's carrier decides to  
14          leave the marketplace. I believe it is unfair to require SBC Missouri to provide  
15          below-cost UNEs that the CLECs could provide themselves, but it is even more  
16          unfair to hamper SBC Missouri's ability to compete under equal regulatory rules  
17          on the basis that such competition should be ignored. This presents the worst of  
18          all worlds. We are forced to provide UNEs at prices so low they incent carriers to  
19          purchase UNEs rather than invest in their own networks in Missouri and then  
20          SBC Missouri is prohibited from competing on equal terms based on the  
21          argument that competitors are not using their own facilities. I would also note  
22          that while Staff makes the unsupported claim that competition might cease  
23          because TELRIC-based UNE-P is going away, it does not mention that the

1 Commission has a "backstop" mechanism to re-impose price caps in the event  
2 that competition really did fail in an exchange. It is inconsistent with the statute  
3 to argue that the Commission cannot grant a competitive classification today  
4 because at some future time competition "might" fail.

5

6 **Q. WHAT TRANSITION PERIOD FOR UNE-P HAS THE FCC**  
7 **ANNOUNCED?**

8 A. The FCC has announced a 12 month transition period in which time the CLECs  
9 will be able to continue their use of UNE-P.

10

11 **Q. YOU MENTION THAT CLECS CAN USE THEIR OWN SWITCHING**  
12 **CAPACITY. DID YOU PROVIDE EVIDENCE IN DIRECT TESTIMONY**  
13 **SHOWING THAT CLECS HAVE THEIR OWN SWITCHES FOR**  
14 **SERVING CUSTOMERS IN MISSOURI?**

15 A. Yes. I provided evidence indicating that there are 30 traditional switches and  
16 another 38 alternative switches/switch-like equipment in Missouri. (See pp. 22-23  
17 and Unruh - Schedule 5 of my Direct Testimony).

18

19 **Q. YOU ALSO MENTION THAT CLECS CAN USE SWITCHING**  
20 **CAPACITY PROVIDED BY OTHER CARRIERS SUCH AS OTHER**  
21 **CLECS. IS THERE EVIDENCE THAT THIS IS ALREADY OCCURRING**  
22 **SINCE THE FCC HAS ANNOUNCED ITS NON-IMPAIRMENT**  
23 **DECISION?**



1     A.     Yes. There are at least two CLECs that are now actively offering their switching  
2           and other facilities on a wholesale basis to other CLECs. And current UNE-P  
3           arrangements that SBC Missouri has with various CLECs could migrate off of  
4           SBC Missouri's network onto facilities of these or other wholesale switching  
5           providers. For example, McLeod USA has announced agreements with AT&T  
6           and MCI under which AT&T and MCI will move services from SBC Missouri's  
7           UNE-P to a similar arrangement provided through McLeod's network. It appears  
8           from press accounts that McLeod plans to purchase unbundled loops from the  
9           incumbent, like SBC Missouri, and then provide switching functions for other  
10          carriers like AT&T. Copies of press releases describing these migration plans are  
11          attached as Unruh - Schedule 1. Likewise, XO Communications, which  
12          purchased Allegiance Telecom, announced that it has launched a wholesale local  
13          voice service as an alternative to LEC-provided UNE-P arrangements in 36  
14          markets, including St. Louis. XO has agreements with at least nine other carriers  
15          across the country in showing the viability of using XO's network. Copies of  
16          press releases from XO Communications and material from its website describing  
17          their offerings are attached as Unruh - Schedule 2. Covad Communications  
18          Group, Inc. has launched a new telephone service that it says will allow its  
19          partners - especially AT&T, MCI, EarthLink and America Online - to offer  
20          telephone service over regular copper lines but with all the features of Internet  
21          telephony technology (see Unruh - Schedule 3).

22

1    **Q.     FINALLY, YOU MENTION THAT CLECS CAN STILL USE SBC**  
2       **MISSOURI'S SWITCHING CAPACITY. PLEASE EXPLAIN.**

3    A.    SBC Missouri has previously announced its willingness to provide switching  
4           services to CLECs at a commercially reasonable price. Various SBC ILECs have  
5           reached agreements with Sage to provide switching services along with UNEs.  
6           UNE-P represents a bundle of facilities with government directed TELRIC prices.  
7           The difference now will be that SBC Missouri is interested in selling network  
8           capacity, including a bundle similar to UNE-P if the CLEC customer so chooses,  
9           at a price that will be in competition with prices offered by XO Communications,  
10          McLeod and likely others.

11

12   **Q.     IF THE COMMISSION REFUSES TO CONSIDER COMPETITION**  
13       **FROM CLECS USING SBC MISSOURI'S SWITCHING SERVICES,**  
14       **WOULD THAT CREATE A DISINCENTIVE TO OFFER COMMERCIAL**  
15       **AGREEMENTS FOR LOCAL SWITCHING?**

16   A.    Yes. If the Commission were to refuse to consider competition from customers  
17           using SBC Missouri's switching service, it would create a disincentive to offering  
18           commercial arrangements for switching. SBC Missouri would be better off to  
19           decline these arrangements in order to increase its prospects of obtaining equal  
20           regulatory treatment. Such an approach makes no sense. I believe this points to  
21           the fallacy of Staff's arguments. Their argument would imply that a Sears  
22           Kenmore refrigerator does not compete against a Whirlpool refrigerator because  
23           Whirlpool builds the Kenmore for Sears (i.e., Whirlpool provides a wholesale

1 service to Sears and then competes against the Kenmore in the retail  
2 marketplace). This type of situation is common in other industries as well.  
3

4 **Q. DO YOU BELIEVE THERE ARE OTHER REASONS WHY**  
5 **COMPETITION WILL NOT "FAIL"?**

6 A. Yes. Not only will CLECs continue to compete, but wireless and VoIP providers  
7 will do so as well. Furthermore, I believe we will see existing CLECs alter the  
8 manner in which they provision service, in addition to the switching-based  
9 alternatives described above. For example, Trinsic (formerly Z-Tel) has indicated  
10 that it is moving its residential and business services to VoIP. A copy of Trinsic's  
11 announcement is attached as Unruh – Schedule 4. I would anticipate similar  
12 moves by other CLECs as well.  
13

14 **Q. DO YOU HAVE ANY GENERAL COMMENTS ABOUT THE CLEC**  
15 **PARTIES THAT CHOSE TO TESTIFY IN THIS CASE?**

16 A. Yes. I find it enlightening that, given the multitude of competitors that SBC  
17 Missouri has identified, including traditional CLECs (over 65 actively ordering  
18 services), wireless carriers (at least 9 providing service in SBC Missouri  
19 territory), cable companies (e.g., Charter, Time Warner, Comcast, MediaCom)  
20 and VoIP providers (e.g., AT&T, Vonage), only two CLECs have chosen to file  
21 testimony in an attempt to argue that SBC Missouri does not face effective  
22 competition.  
23

1 While AT&T was a very vocal opponent in SBC Missouri's previous competitive  
2 classification case (Case No. TO-2001-467), it has withdrawn from this  
3 proceeding. Although MCI remains a party in this proceeding, it should be noted  
4 that MCI is now generally advocating retail deregulation in similar proceedings  
5 across the country.  
6

7 **Q. PLEASE ELABORATE.**

8 A. Following the FCC's determination that VoIP offered by Vonage was an  
9 interstate service not subject to the full scope of state regulation, MCI sent an  
10 "open letter" to state commissions around the country calling for "real  
11 deregulation." The letter explains that attempts to maintain traditional state  
12 regulation on traditional providers like MCI and the ILECs, while other providers  
13 are not similarly regulated, skew the marketplace. MCI urges states to reduce  
14 regulation of retail telecommunications services and service providers. A copy of  
15 MCI's letter is attached as Unruh - Schedule 5.  
16

17 **Q. MR. MCKINNIE EXPRESSES CONFUSION OVER THE SERVICES FOR**  
18 **WHICH SBC MISSOURI IS SEEKING A COMPETITIVE**  
19 **CLASSIFICATION (MCKINNIE, PP. 3-5). WILL YOU PLEASE**  
20 **CLARIFY WHAT SBC MISSOURI IS SEEKING?**

21 A. SBC Missouri is seeking a competitive classification for the services and groups  
22 of services identified in my direct testimony in Unruh - Schedule 2. As Mr.  
23 McKinnie notes, SBC Missouri offers literally thousands of services. To simplify

1 the process, however, we limited our request to the services or groups of services  
2 identified in Unruh – Schedule 2.

3  
4 **Q. MR. PETERS NOTES THAT RECOGNIZING EFFECTIVE**  
5 **COMPETITION IS NOT A SIMPLE TASK THAT IS EASILY DEFINED**  
6 **(PETERS, P. 5). DO YOU AGREE WITH THIS?**

7 A. The existing statutory definition of effective competition provides the framework.  
8 In my view, the evidence SBC Missouri has provided is more than adequate. It's  
9 not appropriate to ignore the competitive alternatives that exist and simply  
10 attempt to find some reason to argue that the various alternatives are not  
11 "effective." SBC Missouri's evidence demonstrates that there are a number of  
12 alternatives in the marketplace providing functionally equivalent or substitutable  
13 services to residential and business customers throughout SBC Missouri's  
14 exchanges.

15  
16 **Q. MS. MEISENHEIMER CLAIMS THAT THE STATUTE ESTABLISHES A**  
17 **"HIGH STANDARD" FOR THE EXISTENCE OF EFFECTIVE**  
18 **COMPETITION (MEISENHEIMER, P. 13). DO YOU AGREE WITH**  
19 **THIS?**

20 A. No. SBC Missouri has demonstrated that it meets the standards. The  
21 Commission cannot add to the requirements by imposing additional hurdles not  
22 provided for in the statute. The legislature wants a competitive marketplace and I  
23 believe that legislators want the competitive marketplace to determine pricing

1           rather than a continuation of price cap regulation. That is why the statute contains  
2           provisions for price cap regulated companies to have their services competitively  
3           classified when the factors constituting effective competition have been shown.  
4

5    **STAFF'S ANALYSIS IS FLAWED AND UNREASONABLE**

6    **Q.    STAFF ESTABLISHES A SPECIFIC SET OF CRITERIA THAT MUST BE**  
7           **MET BEFORE IT WILL SUPPORT A COMPETITIVE**  
8           **CLASSIFICATION. USING THIS CRITERIA, STAFF RECOMMENDS**  
9           **THAT NO RESIDENTIAL ACCESS LINE AND LINE-RELATED**  
10          **SERVICES BE COMPETITIVELY CLASSIFIED AND RECOMMENDS**  
11          **THAT ONLY A RELATIVELY SMALL NUMBER OF EXCHANGES BE**  
12          **COMPETITIVELY CLASSIFIED FOR BUSINESS ACCESS LINE AND**  
13          **LINE-RELATED SERVICES. DO YOU AGREE WITH STAFF'S**  
14          **APPROACH?**

15   **A.**    Certainly not. Dr. Aron explains why Staff's approach is unreasonable and leads  
16           to the wrong conclusion. I will note that while Staff appears to consider evidence  
17           of competition based on information concerning wireless, VoIP, UNE-P, etc., the  
18           majority of their testimony makes clear that they essentially ignored all evidence  
19           of competition except a determination of whether CLECs had obtained an  
20           arbitrarily chosen market share in an exchange while using their own switch as  
21           evidenced by the presence of 911 listings in the 911 database. This arbitrarily  
22           selected criteria resulted in recommendations that 1) no competitive classification  
23           be given for residential services in any exchanges even though SBC Missouri

1 presented significant evidence of competition for residential services, and 2) a  
2 relatively small number of exchanges be given competitive classifications for  
3 business services even though SBC Missouri, likewise, presented significant  
4 evidence of competition for business services.  
5

6 **Q. PLEASE PROVIDE SOME EXAMPLES OF HOW STAFF'S NARROW**  
7 **SET OF SPECIFIC CRITERIA IGNORE REAL COMPETITION?**

8 A. Obviously, SBC Missouri believes it faces and has demonstrated effective  
9 competition for residential and business services throughout its service territory in  
10 Missouri. I believe we have provided sufficient evidence to demonstrate this  
11 view and satisfy the statutory criteria for obtaining competitive classifications.  
12 Staff's approach ignores substantial competition. For example, Big River is very  
13 active throughout southeast Missouri and up into the St. Louis area. Press  
14 accounts discuss how Big River obtained a "MetaSwitch" which provides a newer  
15 form of switching technology and is sometimes referred to as a softswitch. While  
16 they are not traditional circuit switches like SBC Missouri typically uses, these  
17 switches provide the same "Class 5" functionality as traditional circuit switches.  
18 These press reports indicate that Big River serves over 4000 lines and trunks with  
19 its switch. A copy of some press accounts and a network diagram of Big River's  
20 network, showing their facilities including the MetaSwitch are included in Unruh  
21 - Schedule 6.  
22

1        There are many CLECs operating in southeast Missouri in addition to Big River  
2        and not surprisingly, there are a number of exchanges in southeast Missouri  
3        where the CLECs serve a significant percentage of lines. My direct testimony  
4        shows that CLECs have collocation arrangements and numbering resources, along  
5        with evidence of several switches or switch-like equipment in southeast Missouri.  
6        Moreover, CLECs are using EELs in southeast Missouri to extend their reach  
7        from their collocation arrangements to other exchanges such as Bloomsdale,  
8        Chaffee, Jackson, Portageville, Fenton, Festus and Farmington, Dexter, Poplar  
9        Bluff, and Marston. With all this activity, though, Staff does not support a  
10       competitive classification in any southeast Missouri exchange.

11  
12       Second, Staff's recommendations would not even grant competitive  
13       classifications in urban areas. For example, Staff's recommendations for business  
14       services do not include several St. Louis MCA exchanges even though SBC  
15       Missouri has demonstrated extensive competition in the St. Louis MCA. CLECs  
16       have been quite successful at gaining residential customers in the optional MCA  
17       areas, yet Staff ignores this fact because it speculates that UNE-P based  
18       competition will cease to exist. For business services, Staff fails to recommend a  
19       competitive classification for the Maxville exchange, for example, which is an  
20       MCA 3 exchange in the St. Louis MCA while giving a positive recommendation  
21       for the Imperial and Fenton exchanges which are adjacent to the Maxville  
22       exchange. The competitive landscape in Maxville and Imperial show similar  
23       characteristics. They both have a very large number of active CLECs providing



1 service, their estimated CLEC market share numbers (which are significant) are  
2 similar, both central offices contain collocation, and CLECs have numbering  
3 resources in both exchanges, yet Staff selects Imperial and not Maxville.  
4

5 **Q. DO YOU HAVE ANY ADDITIONAL THOUGHTS ON WHY STAFF'S**  
6 **ANALYSIS IS INNAPROPRIATE?**

7 A. Yes. It is interesting to note that under Staff's and the various parties' arguments  
8 about not counting UNE-P based competition, it is conceivable that SBC Missouri  
9 could not serve a single line in an exchange, however, SBC Missouri, according  
10 to the other parties, would not face effective competition. It is also conceivable  
11 that, with wireless service for example, SBC Missouri could have all the "lines,"  
12 yet no one would ever use their landline phone. Customers could hold on to  
13 stripped-down lines with no additional features. Under this scenario, SBC  
14 Missouri would be relegated to serving only the unprofitable aspects of  
15 customers' telecommunications needs, but yet, according to the other parties, not  
16 face effective competition.  
17

18 **CRITICISMS OF SBC MISSOURI'S APPROACH AND EVIDENCE ARE**  
19 **UNFOUNDED**

20 **Q. PLEASE COMMENT ON STAFF'S OVERALL ANALYSIS OF SBC**  
21 **MISSOURI'S EVIDENCE?**

22 A. As Dr. Aron points out, Staff seems to lose sight of the larger picture as it  
23 attempts to poke holes in the evidence presented by SBC Missouri. Staff

1 supports competitive classifications for business services in only a relatively few  
2 exchanges, but otherwise largely focuses its efforts on attempts to discredit SBC  
3 Missouri's evidence. Staff attempted to discredit any information presented by  
4 SBC Missouri that was not exchange specific even though this type of  
5 information presented by SBC Missouri demonstrates the extent of competition  
6 and shows that CLECs, for example, can and do compete throughout the state.  
7 While criticizing information presented by SBC Missouri that was not exchange-  
8 specific, Staff presented national statistics when it served Staff's purpose. Staff  
9 also discounted evidence concerning placement of CLEC switches, CLEC  
10 collocation, CLEC numbering resources, and wireless and VoIP competition on  
11 the basis that it is "speculation" about the future. However, Staff was quick to  
12 discount UNE-P based competition because Staff "speculates" that UNE-P based  
13 customers would be expected to return to SBC Missouri. Staff also tries to  
14 discredit other pieces of evidence such as state-wide CLEC line numbers and  
15 state-wide numbers showing significant line loss for SBC Missouri even though  
16 such information is helpful to show the overall state of competition in the  
17 marketplace. While exchange-specific numbers may show variation in CLEC  
18 market share, this is generally a function of where CLECs have focused their  
19 efforts and does not indicate that CLECs are unable to serve in certain exchanges.  
20 As Dr. Aron explains in more detail, market share estimates only speak to CLEC  
21 "successes" and may not reflect the extent to which competition is effective.

1    **Q.    MS. MEISENHEIMER ATTEMPTS TO SUGGEST THAT SBC**  
2       **MISSOURI'S REQUEST FOR COMPETITIVE CLASSIFICATION FOR**  
3       **RESIDENTIAL CUSTOMERS IS BASED ON EVIDENCE OF**  
4       **COMPETITION FROM PREPAID SERVICE PROVIDERS**  
5       **(MEISENHEIMER, PP. 16-17). DID SBC MISSOURI EXCLUDE**  
6       **PREPAID SERVICE PROVIDERS FROM ITS INFORMATION**  
7       **IDENTIFYING EXCHANGE SPECIFIC CLEC COMPETITION?**

8    **A.    Yes. As I indicated in my direct testimony, SBC Missouri excluded prepaid**  
9       **service providers from the exchange-specific CLEC information. I also noted**  
10      **that, contrary to Ms. Meisenheimer's claim, prepaid service providers represent a**  
11      **very small percentage of the residential lines served by CLECs.**

12  
13   **Q.    MR. PETERS CLAIMS THAT SBC MISSOURI USED "GENERIC DATA"**  
14      **AND TOOK A "GLOBAL APPROACH" TO PRESENTING EVIDENCE**  
15      **AND DID NOT PROVIDE A "LOCAL ANALYSIS OF COMPETITION"**  
16      **OR THE "GRANULAR ANALYSIS CONTEMPLATED BY THE**  
17      **MISSOURI STATUTES" (PETERS, P. 7). MS. MEISENHEIMER**  
18      **LIKewise SUGGESTS THAT SBC MISSOURI PRESENTED**  
19      **"GENERALIZED" INFORMATION AND "NOT SPECIFIC EXCHANGE-**  
20      **BASED" DATA (MEISENHEIMER, P. 16) DO YOU AGREE WITH**  
21      **THESE CHARACTERIZATIONS?**

22   **A.    No. SBC Missouri presented information which demonstrates the high level of**  
23      **competitive activity throughout the state as well as a significant amount of**

1 granular, local and specific evidence at the exchange level. In fact, I believe the  
2 data SBC Missouri presented goes well beyond what is required in the statute.  
3 My direct testimony contains a number of exhibits that provide exchange-specific  
4 information identifying all kinds of information on competition SBC Missouri  
5 faces in each exchange including things like the number of CLECs actively  
6 competing in the exchange, the number of wireless providers in the exchange, an  
7 estimate of the number of lines that CLECs serve in the exchange broken down  
8 between service provisioning methodologies, an estimate of landline market share  
9 that CLECs serve in the exchange, whether or not broadband is available in the  
10 exchange, whether or not cable modem service is available in the exchange,  
11 whether or not competitors have numbering resources in the exchange, whether or  
12 not competitors have collocation in the exchange, among other information. I fail  
13 to see how this cannot be considered granular, local or specific.

14

15 **Q. DID YOU NONETHELESS PROVIDE SOME MORE GENERAL**  
16 **INFORMATION IN ADDITION TO THE EXCHANGE-SPECIFIC**  
17 **EVIDENCE OUTLINED ABOVE?**

18 A. Yes, SBC Missouri also provided evidence of the level of competition generally  
19 throughout the state. In some cases, we presented some state-wide numbers, for  
20 example, to provide a frame of reference. While these types of numbers may not  
21 be exchange specific, they do provide relevant information about the marketplace  
22 and demonstrate that there is effective competition on a broad-scale. For  
23 example, statewide numbers showing CLEC lines help demonstrate a lack of

1 barriers to entry. The fact that a large number of CLECs have a large number of  
2 lines throughout the state speaks to their capacity to enter and successfully  
3 compete in the market. In other cases, the forms of competition we now face in  
4 the marketplace can be more difficult, if not virtually impossible, to precisely  
5 quantify. For example, there is no effective way of determining on an exchange  
6 basis how many customers are using Vonage service. However, we did identify  
7 where broadband service is available (which, as Ms. Stoia presented in direct  
8 testimony covers about 87% of the households in SBC Missouri's service  
9 territory) which indicates that VoIP services are available to customers in those  
10 exchanges. The fact that VoIP service is available in broad areas throughout the  
11 state is important information that demonstrates effective competition, even if it  
12 cannot be used to meet Staff's arbitrarily selected market share criterion.

13

14 **Q. MR. PETERS DESCRIBES A PRICE INCREASE FOR LATE PAYMENT**  
15 **CHARGES AS AN "UNFORTUNATE" PRICE CHANGE (PETERS, P. 16).**  
16 **WHAT ARE YOUR THOUGHTS ON THIS?**

17 A. I find his use of the term "unfortunate" to be informative. Using such language  
18 leads me to believe that Mr. Peters is opposed to any form of price increase and  
19 he appears to be using this example as an attempt to convince the Commissioners  
20 that they should not grant any competitive classifications for residential services  
21 for fear that their "could be" some "unfortunate" price increases.

22

1    **Q.    WHY DID SBC MISSOURI INCREASE THE LATE PAYMENT CHARGE**  
2           **IN HARVESTER AND ST. CHARLES?**

3    A.    Each month, a very significant percentage of SBC Missouri's customers do not  
4           pay their telephone bills on time. Obviously, the previous late payment charge  
5           did not sufficiently incent these customers to pay their bills on time. This  
6           imposes a cost on SBC Missouri and that cost is being borne by all customers.  
7           Raising the late payment charge should provide more of an incentive for people to  
8           pay their bills on time and it better aligns the cost of dealing with late payers<sup>1</sup>  
9           with the cost causers.

10

11   **Q.    MR. PETERS QUOTES LANGUAGE FROM A PREVIOUS**  
12           **COMMISSION ORDER SUGGESTING THAT THE COMMISSION**  
13           **MUST DECIDE WHETHER THERE IS EFFECTIVE COMPETITION**  
14           **TODAY AND NOT WHETHER THERE WILL BE EFFECTIVE**  
15           **COMPETITION SOMEDAY. HE THEN INDICATES THAT STAFF**  
16           **WANTS TO IGNORE SPECULATION WHEN MAKING**  
17           **RECOMMENDATIONS TO THE COMMISSION (PETERS, P. 18-19). IS**  
18           **THIS CONCEPT CONSISTENT WITH STAFF'S ARGUMENT THAT**  
19           **THE COMMISSION SHOULD IGNORE UNE-P BASED COMPETITION?**

20   A.    No, Staff's argument is inconsistent. Staff wants to discount wireless and VoIP  
21           competition as "speculative," however, Staff is more than content to "speculate"

---

<sup>1</sup> I note that we routinely work with individuals who are legitimately having trouble paying their telephone bill to set them up on payment plans.

1           that UNE-P based competition is "likely doomed to extinction" so therefore all  
2           the competition from UNE-P based competitors should now be ignored. As I  
3           described above, CLECs will continue to compete and customers will continue to  
4           explore alternative providers. These customers have already demonstrated their  
5           willingness to use alternative providers so even if a particular customer's CLEC  
6           chose to exit the market, the customer would recognize it has other competitive  
7           choices. Customers will continue to have many choices in the marketplace and  
8           competitors will continue to offer services to customers through various means,  
9           including using their own circuit switches, using newer technology switches,  
10          providing VoIP-based services, using other providers' switches, using SBC  
11          Missouri's switches, or combinations of these options.

12  
13   **STAFF IMPROPERLY IGNORED CLEC FACILITIES AND OTHER**  
14   **EVIDENCE DEMONSTRATING ABILITY TO SERVE**

15   **Q.   MR. PETERS DISCOUNTS SBC MISSOURI'S EVIDENCE SHOWING**  
16       **CLEC SWITCHES AND CLEC COLLOCATION ARRANGEMENTS**  
17       **(PETERS, P. 20). DO YOU AGREE WITH MR. PETERS THAT THIS**  
18       **INFORMATION SHOULD BE ESSENTIALLY IGNORED?**

19   **A.   No. I believe the Commission should consider this information in its**  
20       **deliberations because it shows that CLECs have invested in their own facilities to**  
21       **serve Missouri customers. The information shows that CLECs have invested in**  
22       **both urban markets and rural markets. The existence of CLEC switches and**  
23       **collocation speaks to capacity and ability to serve and demonstrates that CLECs**

1 can serve customers when and where they want to, even in rural markets. And it  
2 shows that CLECs can easily expand their operations through use of these  
3 facilities.

4  
5  
6 **Q. IN A RELATED ARGUMENT, MR. PETERS ALSO ATTEMPTS TO**  
7 **DISCREDIT SBC MISSOURI'S EVIDENCE DEMONSTRATING THAT**  
8 **CLECS HAVE NUMBERING RESOURCES IN BOTH URBAN AND**  
9 **RURAL MARKETS (PETERS, P. 21). DO YOU BELIEVE THIS TYPE OF**  
10 **INFORMATION IS RELEVANT?**

11 **A.** Yes, I do. Again, it demonstrates that CLECs have the capability of serving  
12 customers. Having numbering resources is an element of providing services to  
13 end user customers using your own switch. Pursuant to numbering guidelines,  
14 carriers are only to obtain and keep numbering resources when they plan to serve  
15 customers. In other words, they cannot simply obtain numbering resources and  
16 then not use them. This represents another example of Staff losing sight of the  
17 big picture. This type of evidence, along with other evidence Staff criticizes like  
18 CLEC switches, collocation, VoIP, wireless, etc. are piece-parts of the puzzle that  
19 add up to show the picture of competition.

20

21 **Q. MS. MEISENHEIMER TRIES TO DISCREDIT INFORMATION FROM**  
22 **YOUR DIRECT TESTIMONY IN EXHIBIT UNRUH - SCHEDULE 5**  
23 **WHICH SHOWS CLEC SWITCH LOCATIONS AND NUMBERING**



1           **RESOURCES (MEISENHEIMER, PP. 22-23). PLEASE ADDRESS HER**  
2           **CLAIMS.**

3    A.    First, Ms. Meisenheimer implies that because she found some carriers with  
4           numbering resources in exchanges that are not included in the list of exchanges  
5           where they serve according to the CLEC's own tariff, then this is a reason not to  
6           believe the information presented in Unruh - Schedule 5. The data in Unruh -  
7           Schedule 5 was extracted from the LERG which is an industry database that,  
8           among other things, is used by the industry to route calls throughout the country.  
9           It is in a carrier's best interest to ensure that accurate information is contained in  
10          the LERG so calls get correctly routed to its customers. I will also point out that  
11          if there are discrepancies, it certainly could be the case that the particular CLEC  
12          in question may have errors in its tariff.

13  
14         Next, Ms. Meisenheimer suggests that the Commission should ignore the  
15         information in Unruh - Schedule 5 because she believes the map shows  
16         numbering resources for wireless carriers. As an example, she states that the only  
17         non-SBC code she found for Vienna was for Verizon Wireless. Her example is  
18         irrelevant because the map in Unruh - Schedule 5 does not show any numbering  
19         resources for Vienna. She is also incorrect with respect to her broader claim that  
20         wireless codes are included in Unruh - Schedule 5. The wireless NXX codes  
21         were screened out of the LERG information so Unruh - Schedule 5 does not  
22         depict wireless NXXs.

1    **Q.    MS. MEISENHEIMER ARGUES THAT CERTAIN CLECS IDENTIFIED**  
2           **IN UNRUH – SCHEDULE 8, WHICH PROVIDES THE DIRECTORY**  
3           **LISTINGS FOR CLECS IN SBC MISSOURI'S EXCHANGES, MAY NOT**  
4           **OFFER SERVICE IN CERTAIN EXCHANGES FOR VARIOUS**  
5           **REASONS (E.G., DECERTIFICATION, NOT SERVING THE**  
6           **PARTICULAR EXCHANGE) (MEISENHEIMER, PP. 23-24). PLEASE**  
7           **COMMENT.**

8    **A.**    Ms. Meisenheimer largely ignores the extensive, exchange-specific information  
9           presented in my direct testimony showing the number of active CLECs by  
10          exchange, the number of residential and business lines served by CLECs in each  
11          exchange, the provisioning type of each CLEC line in each exchange, etc. and,  
12          instead, focuses on the directory listings. Since the directories are static  
13          documents only produced once per year, it is possible that changes can occur  
14          during the year in terms of which CLECs might be serving in which exchanges.  
15          While I admit it is possible that certain CLECs listed in a particular directory may  
16          not be serving customers in the particular exchange, it is also possible that CLECs  
17          who are not listed in the directory are providing service in that particular  
18          exchange. The directory listings are what they are – listings initiated by the  
19          CLECs themselves that provide names and telephone numbers for customers to  
20          contact them and they represent another informative piece of the puzzle .

21

1    **STAFF AND OTHER PARTIES IMPROPERLY IGNORE VOIP AS AN**

2    **ALTERNATIVE**

3    **Q.    MR. MCKINNIE ARGUES THAT SBC MISSOURI DID NOT PROVIDE**  
4           **INFORMATION ON THE METHODOLOGY USED TO DEVELOP THE**  
5           **MAPS THAT APPEAR IN YOUR DIRECT TESTIMONY IN UNRUH –**  
6           **SCHEDULE 16 AND UNRUH – SCHEDULE 17 (MCKINNIE, PP. 14-15).**  
7           **IS THIS CORRECT?**

8    **A.    No. SBC Missouri did provide information prior to the time Staff's testimony**  
9           **was filed. It appears, however, that Staff did not review the information until**  
10          **after it had filed its rebuttal testimony.**

11

12   **Q.    PLEASE ELABORATE ON HOW THE MAPS IN UNRUH – SCHEDULE**  
13          **16 AND UNRUH – SCHEDULE 17 WERE DEVELOPED.**

14   **A.    Unruh - Schedule 16 presents a map demonstrating some selected information on**  
15          **VoIP providers. It does not attempt to identify all VoIP providers. The map in**  
16          **Unruh – Schedule 16 specifically identifies the service areas of Vonage, AT&T,**  
17          **Time Warner, Charter and Comcast. Unruh – Schedule 17 presents a map**  
18          **identifying where cable modem service is available in SBC Missouri's exchanges.**  
19          **The information depicted in both of these maps has been obtained from a variety**  
20          **of sources including both public information and information purchased from**  
21          **third parties.**

22

1    **Q.    MR. MCKINNIE ARGUES THAT THE "SOURCE" DATA IS NOT**  
2           **VERIFIABLE BECAUSE HE IS UNABLE TO "READ" IT (MCKINNIE,**  
3           **PP. 14-15). PLEASE ELABORATE ON HOW THESE MAPS ARE**  
4           **PRODUCED.**

5    A.    The information is contained in a graphical format that is readable by a specific  
6           software graphics package. It is essentially the same concept as the "source" data  
7           for a Microsoft Excel spreadsheet. If one does not have Excel, or a similar  
8           spreadsheet software package, then the source data will be "unreadable". This  
9           does not make the information any less credible than the type of information  
10          presented in a spreadsheet.

11

12   **Q.    BESIDES GENERALLY DISMISSING VOIP AS A COMPETITIVE**  
13           **ALTERNATIVE, MR. MCKINNIE CLAIMS THAT THE COMMISSION**  
14           **SHOULD SPECIFICALLY DISCOUNT THE IMPACT OF VOIP IN**  
15           **AREAS WHERE CABLE BROADBAND SERVICE IS NOT AVAILABLE**  
16           **BECAUSE HE BELIEVES THAT THE CUSTOMER WOULD HAVE TO**  
17           **PURCHASE DSL FROM AN SBC AFFILIATE (MCKINNIE, P. 16). IS**  
18           **THIS ACCURATE?**

19   A.    No, it is not. As an aside, I would note that cable modem service is available to a  
20           significant percentage of Missouri households (see Ms. Stoia's direct testimony).  
21           With respect to Mr. McKinnie's point, he is incorrect to assume that the customer  
22           would have to purchase "DSL" from an SBC affiliate before using a VoIP  
23           service. Even in those situations where DSL is available and cable modem

1 service is not, the customer would not be required to purchase DSL service from  
2 an SBC affiliate before using VoIP. When people use the term DSL service, they  
3 generally mean "high-speed Internet access" using, in part, a technology called  
4 DSL. An SBC Missouri affiliate called SBC Internet Services provides high-  
5 speed Internet service, but so do other Internet Service Providers (ISPs) like AOL  
6 and Earthlink. So, a customer could purchase AOL broadband service and use a  
7 VoIP service without purchasing high-speed Internet service from SBC Internet  
8 Services. While Mr. Kohly chooses his words more carefully, his testimony  
9 could imply this same incorrect assumption.<sup>2</sup>

10

11 **Q. MR. MCKINNIE GOES ON TO ARGUE THAT SINCE SBC DOES NOT**  
12 **OFFER A "NAKED" DSL LINE, VOIP SHOULD NOT BE CONSIDERED**  
13 **A COMPETITIVE ALTERNATIVE (MCKINNIE, P. 19). DO YOU**  
14 **AGREE WITH THIS ASSERTION?**

15 **A.** No, I do not. The fact that SBC does not at this time sell "naked" DSL has no  
16 bearing on whether or not a customer can select a VoIP service. Mr. McKinnie  
17 argues that because the customer must purchase SBC Missouri telephone service  
18 in order to then get a VoIP service, it does not reflect "competition" since SBC  
19 Missouri still maintains an access line in this scenario. This is an improper way  
20 to look at competition. This is the same false argument that parties present to  
21 refute competition from wireless services.

22

---

<sup>2</sup> While Mr. Kohly's rebuttal testimony contains no page numbers, I believe this argument is on page 22.

1    **Q.    WHAT IS WRONG WITH THIS ARGUMENT?**

2    A.    It is typically argued in terms of "primary" lines and "additional" lines and the  
3           argument suggests that it is not competition if SBC Missouri either loses or does  
4           not gain the "additional" line because it retains the "primary" line. First,  
5           consumers may not really think of these lines as "primary" and "additional".  
6           They may simply consider their various services as a way to meet a variety of  
7           needs. However, the main point is that the customer wants to purchase an  
8           "additional" service and makes a choice among several competing services (e.g.,  
9           SBC Missouri, cable, CLECs, VoIP, wireless). The customer would view this as  
10          a "choice" in the marketplace and SBC Missouri clearly experiences a  
11          competitive loss if the customer does not choose a SBC product. An example of  
12          this in another context may be helpful. Assume I have two Ford vehicles in my  
13          garage (one of which is the family or "primary" vehicle and the other is the car I  
14          drive to work or "additional" vehicle) and then I choose to replace the car I drive  
15          to work with a GM vehicle. Ford and GM competed for the sale of the  
16          replacement vehicle, with GM winning this particular competition.  
17  
18          Another fallacy about this argument relates to the revenue streams associated with  
19          maintaining a "primary" line with SBC Missouri. It is quite possible that a  
20          customer could decide to maintain a basic, stripped down line with SBC Missouri,  
21          while primarily, if not entirely, using some other service (e.g., a wireless service).  
22          In this scenario, SBC Missouri could be left with a service that does not generate

1           enough revenue to recover its cost because the customer opts not to subscribe to  
2           any additional features associated with the service.

3  
4   **Q.   IS THERE AN ADDITIONAL REASON WHY MR. PETERS IS**  
5           **INCORRECT IN ASSUMING THAT VOIP WOULD NOT BE**  
6           **AVAILABLE WITHOUT AN SBC MISSOURI ACCESS LINE?**

7   A.   Yes. He also makes the incorrect assumption that the customer would have to  
8           purchase SBC Missouri telephone service in the first place. CLECs are free to  
9           provision their own DSL service, whether utilizing their own facilities or by  
10          obtaining network elements from SBC Missouri. In this scenario, the end user  
11          customer would not purchase any services from SBC Missouri and would be free  
12          to select a VoIP service in competition with SBC Missouri.

13  
14   **Q.   MR. MCKINNIE IMPLIES THAT VOIP SHOULD NOT BE**  
15          **CONSIDERED A COMPETITIVE ALTERNATIVE WHERE VONAGE**  
16          **DOES NOT HAVE LOCAL TELEPHONE NUMBERS (MCKINNIE, PP.**  
17          **16-17). PLEASE COMMENT.**

18   A.   Mr. McKinnie notes that Vonage has local telephone numbers in the St. Louis and  
19          Kansas City areas so that covers a number of SBC Missouri exchanges with a  
20          substantial number of SBC Missouri's customers. With respect to other  
21          exchanges, Vonage's lack of local telephone numbers does not imply that other  
22          providers do not have local telephone numbers. There are a large number of VoIP  
23          providers in the market. In fact, according to the website VOIPaction.com, there

1 are over 400 service providers offering VoIP services in North America.  
2 Moreover, the VoIP market is very dynamic with new announcements, including  
3 new areas with local numbers, occurring frequently.  
4

5 **Q. MR. MCKINNIE ARGUES THAT THE COMMISSION SHOULD NOT**  
6 **CONSIDER VOIP BECAUSE THERE IS REGULATORY UNCERTAINTY**  
7 **ASSOCIATED WITH IT (MCKINNIE, P. 18). DO YOU AGREE THAT**  
8 **REGULATORY UNCERTAINTY SHOULD PREVENT THE**  
9 **COMMISSION FROM CONSIDERING VOIP AS A COMPETITIVE**  
10 **ALTERNATIVE?**

11 **A.** No. Regulatory uncertainty seems to be one of the more "certain" things in the  
12 telecommunications marketplace these days. As I mentioned above, this is a  
13 dynamic marketplace with technological innovation and I believe the marketplace  
14 will be characterized by "uncertainty" for the foreseeable future. This does not  
15 mean that the Commission should ignore something because it does not exist in a  
16 certain world. Again, Staff wants to "speculate" that UNE-P competition is going  
17 away and therefore the Commission should not count the extensive amount of  
18 competition that exists, while at the same time throwing out evidence of wireless  
19 and VoIP competition as "speculative". While I agree that there is regulatory  
20 uncertainty associated with VoIP, just like with other communications services,  
21 regulatory uncertainty will not prevent the continued provision of VoIP services.  
22 It will also not insulate incumbent LECs, like SBC Missouri, from losing  
23 customers to VoIP providers.



1

2   **Q.   MS. MEISENHEIMER CLAIMS THAT VOIP SUFFERS FROM POOR**  
3       **SIGNAL QUALITY SO IT CANNOT BE CONSIDERED AS AN**  
4       **ALTERNATIVE (MEISENHEIMER, P. 18). DO YOU AGREE WITH**  
5       **THIS ASSERTION?**

6   **A.   No. Dr. Aron and Ms. Stoia provide additional information discounting this**  
7       **argument and I will note a few issues as well. While I do not profess to be a**  
8       **technical expert on VoIP, I do not believe the host of major companies (e.g.,**  
9       **AT&T, MCI, Sprint, Verizon, BellSouth, SBC, Time Warner, Charter, Cox,**  
10      **Comcast, etc.) would be investing in and deploying VoIP services if they did not**  
11      **believe the voice quality was sufficient to provide good service to consumers.**  
12      **SBC alone is investing approximately \$4B over the next two years to build out**  
13      **additional fiber and deploy IP-based services including IP-based voice services. I**  
14      **will also point out that there have been some major contracts announced where**  
15      **large companies are purchasing VoIP services. Ford, for example, announced**  
16      **that it is moving 50,000 employees at 110 company locations to VoIP.<sup>3</sup> Allstate**  
17      **selected MCI to handle its telephone service and it is wiring all new offices with**  
18      **"web" phones and plans to eliminate all its old analog phones by 2007.<sup>4</sup>**  
19      **Moreover, companies currently providing VoIP services such as Big River and**  
20      **Charter advertise that their VoIP services are as good as or better in call quality**

---

<sup>3</sup> See <http://informationweek.com/story/showArticle.jhtml?articleID=47900959>

<sup>4</sup> See [http://www.businessweek.com/magazine/content/05\\_05/b3918120\\_mz063.htm](http://www.businessweek.com/magazine/content/05_05/b3918120_mz063.htm)

1           than traditional telephone service.<sup>5</sup> Lastly, even if it were true that call quality of  
2           VoIP service was "inferior," it is important to recognize that call quality is but  
3           one feature that consumers consider when purchasing a service.  
4

5   **Q.    ARE THERE VARIOUS TYPES OF VOIP SERVICES?**

6   A.   Yes. Some people tend to think of VoIP as "one" thing when in reality there are  
7       different types of services, technologies, and deployment strategies for IP-enabled  
8       voice. While there are many differences in VoIP services, I want to point out a  
9       few distinctions between the type of service provided by companies like Vonage  
10      and the type of service offered by Charter in St. Louis and Time Warner in  
11      Kansas City. Charter and Time Warner route VoIP calls to the customer's home  
12      through their own private network. Vonage routes VoIP calls to the customer's  
13      home over another provider's network (e.g., over Charter's network in St. Louis).  
14      VoIP service from Vonage requires the customer to have a high-speed Internet  
15      service (e.g., Time Warner's high-speed Internet service). However, customers  
16      can use VoIP service from Charter and Time Warner without having high-speed  
17      Internet service.  
18

19   **CLEC WITNESSES LARGELY RAISE IRRELEVANT ISSUES**

20   **Q.    THE TWO CLEC WITNESSES RAISE SEVERAL ISSUES TO TRY TO**  
21   **CONVINCE THE COMMISSION THAT IT SHOULD NOT GRANT SBC**

---

<sup>5</sup> Charter's website says, "... the call will be just as crystal clear as with traditional telephone service." Big River's website says, "[o]f course the quality of the VoIP network is better than the traditional telephone

1           **MISSOURI THE COMPETITIVE CLASSIFICATIONS THAT IT SEEKS.**  
2           **DO YOU HAVE ANY GENERAL COMMENTS ABOUT THEIR**  
3           **ARGUMENTS?**

4    A.    Yes. First off, as I noted above, out of the more than 65 CLECs actively  
5           competing against SBC Missouri, only two CLEC witnesses have filed testimony.  
6           I believe most of their testimony is either irrelevant to this case or trots out  
7           arguments that the Commission has correctly ignored in the past.

8  
9    Q.    **GENERALLY, WHAT ARE SOME OF THE ARGUMENTS MADE BY**  
10          **THE CLECS THAT ARE IRRELEVANT IN THIS CASE?**

11   A.    Mr. Kohly and Mr. Cadieux both try to make major issues out of the UNE  
12          impairment proceeding before the FCC. As I have explained, UNEs are only to  
13          be available if CLECs are impaired without them. When the FCC finds non-  
14          impairment, it means the CLECs have other alternatives available to them. Mr.  
15          Cadieux' testimony in particular argues at length about impairment issues. Mr.  
16          Cadieux has the wrong case. This case is about regulation of SBC Missouri's  
17          retail services in the competitive marketplace. Impairment issues are being  
18          addressed by the FCC and have nothing to do with this case which is dealing with  
19          retail competition.

20

---

network. All of the signal is digital which allows for the removal of noise and static."

1    **Q.    YOU ALSO INDICATED THE CLEC WITNESSES RAISE ARGUMENTS**  
2           **THAT THE COMMISSION HAS PREVIOUSLY IGNORED. PLEASE**  
3           **PROVIDE SOME EXAMPLES.**

4    A.    Mr. Kohly suggests that SBC Missouri is inappropriately using data in this case.  
5           For example, Mr. Kohly alleges that the retail marketing witnesses in this case  
6           have access to wholesale information. As each retail witness makes clear in their  
7           surrebuttal testimony, they have not seen any of the highly confidential wholesale  
8           data in this case. Mr. Kohly also alleges that SBC Missouri is somehow misusing  
9           911 data. Mr. Kohly, when he worked for AT&T, raised this same argument in  
10          SBC Missouri's previous competitive classification case (Case No. TO-2001-467)  
11          and the Commission did not act on his allegations. Additionally, Mr. Kohly  
12          alleges that SBC Missouri is misusing data when SBC Missouri presents evidence  
13          showing CLEC lines in our exchanges. This is another "recycled" argument by  
14          Mr. Kohly that lacks merit and one that has not been accepted by the  
15          Commission. SBC Missouri uses aggregate data to show CLEC lines and it does  
16          not show CLEC specific information. Moreover, I would point out that the  
17          Commission Staff has not complained about the use of this data and, in fact, has  
18          used the data as evidence for its own testimony. I also note that this Commission  
19          and the FCC has reviewed this type of data to examine competition.

20

21   **Q.    ARE THERE ANY OTHER SPECIFIC ISSUES RAISED BY THE CLECS**  
22   **THAT YOU WANT TO ADDRESS?**

1     A.     While much of their testimony deals with issues that the Commission should  
2           ignore, I will address a few specific issues to clarify the record. Mr. Kohly raises  
3           a particular operational issue dealing with Socket's efforts to interconnect with  
4           SBC Missouri in Springfield. As happens with most operational issues, the  
5           matter has been resolved. I will note, however, that Mr. Kohly is incorrect in  
6           alleging that it is more difficult to use EELs to serve rural Missouri because  
7           Socket must establish a point of interconnection (POI) in every local calling  
8           scope. Pursuant to the M2A Interconnection Agreement between Socket and  
9           SBC Missouri, Socket only has to establish one POI in the LATA in which Socket  
10          wants to exchange traffic. EELs are used by CLECs to reach customers served  
11          out of SBC Missouri's central offices where the CLEC may not have established  
12          collocation facilities. EELs permit CLECs to avoid the expense of creating  
13          additional collocation sites. In fact, many CLECs are using EELs to expand their  
14          service presence including into rural markets. Earlier in my testimony, I  
15          identified several areas in southeast Missouri where EELs are being used.  
16          Additionally, EELs are being used to reach other rural exchanges such as Adrian,  
17          Louisiana, Monett, Osage Beach and Ste. Genevieve . Mr. Kohly also raises  
18          another "recycled" argument that SBC Missouri will "lock up" all the customers  
19          with term agreements. The legislature has already determined that term  
20          agreements should be equally available to all competitors, recognizing that term  
21          discount offers are a staple in many competitive markets.

22

1    **Q.    MR. CADIUEX ARGUES THAT THE COMMISSION SHOULD EITHER**  
2           **DISMISS SBC MISSOURI'S REQUEST OR DELAY REACHING ANY**  
3           **CONCLUSIONS IN THIS CASE OVER UNCERTAINTY IN THE**  
4           **MARKETPLACE (CADIEUX, P. 23). DO YOU AGREE WITH THIS**  
5           **ARGUMENT?**

6    A.    Of course not. While the other parties generally want the Commission to find that  
7           effective competition does not exist, Mr. Cadieux takes a different approach for  
8           attempting to get to the same end point. Mr. Cadieux hopes for delay so the status  
9           quo regulatory-imposed advantage NuVox has in the marketplace stays in place  
10          for that much longer. Many of the points that Dr. Aron and I make in our  
11          respective testimonies speak to why this approach would be unreasonable and bad  
12          public policy. I will briefly reiterate some of them here. Technology is rapidly  
13          evolving. The marketplace is dynamic. There is no foreseeable "stable" period  
14          where the world will stand still and let us completely understand what is going on  
15          in the competitive marketplace. The loss of UNE-P at TELRIC-based pricing  
16          does not mean the end of competition. Speculation to that effect must be ignored.  
17          And even if it somehow did result in that, the Commission can implement its  
18          backstop mechanism and re-impose price caps. The Commission cannot delay  
19          out of "fear" that something bad "could possibly" happen sometime in the future.  
20          Delay only serves to deny the benefits to consumers that a more fully competitive  
21          marketplace will bring. The Commission cannot undo that harm if it delays. Mr.  
22          Cadiuex would apparently prefer that the Commission pick winners and losers in  
23          the marketplace by continuing to impose limitations on SBC Missouri. This is

1 bad for consumers and bad public policy. The market should be allowed to  
2 function so customers can receive the full benefits of competition.

3  
4 **OPC MISLEADS ON PRICING ISSUES**

5 **Q. MS. MEISENHEIMER SUGGESTS THAT PRICES FOR BASIC LOCAL**  
6 **SERVICE ARE HIGHER UNDER PRICE CAPS THAN THEY WERE**  
7 **PRIOR TO PRICE CAPS (MEISENHEIMER, P. 18). ARE SBC**  
8 **MISSOURI'S PRICES FOR BASIC LOCAL SERVICE HIGHER THAN**  
9 **THEY WERE BEFORE PRICE CAP REGULATION?**

10 **A. No. In fact, because of the price cap formulas, prices for SBC Missouri's basic**  
11 **local services are now lower than they were prior to price cap regulation and, in**  
12 **fact, prices are lower than they were in 1984, over 20 years ago. For example, in**  
13 **its most recent annual filing reflecting the change in CPI-TS which establishes the**  
14 **maximum allowable prices for basic local services, SBC Missouri was required to**  
15 **lower its prices for basic local services (and switched access) by almost 3%.**  
16 **While some might attempt to argue that price reductions in this case are good for**  
17 **consumers, the reality is that this price cap directed mechanism resulted in the**  
18 **loss of millions of dollars of revenue for SBC Missouri which impacts other**  
19 **issues like investment and jobs, and puts pricing pressures on other services. This**  
20 **pricing change was not in response to competitive market pressures or customers'**  
21 **unwillingness to pay the previous prices, but was required by government**  
22 **mandate and was driven by declining prices in the long distance and wireless**  
23 **market. Residential customers receive a bargain for basic local service,**

1           particularly those in rural markets, where SBC Missouri's price is now as low as  
2           \$7.29, which is far below the cost SBC Missouri incurs to provide the service.

3  
4   **Q.   MS. MEISENHEIMER GOES ON TO SUGGEST THAT PRICING IN**  
5           **GENERAL IS HIGHER UNDER PRICE CAP REGULATION**  
6           **(MEISENHEIMER, P. 18). DO YOU AGREE WITH THIS?**

7   A.   No. While prices for some optional services have increased, the market has also  
8           witnessed substantial price reductions for consumers. There are packages of  
9           services available today that offer significantly reduced prices that did not exist a  
10          few years ago. Moreover, SBC Missouri continues to offer a significant number  
11          of promotions which give lower prices to consumers. For example, SBC  
12          Missouri now offers MCA service to residential customers for as little as \$4.00  
13          regardless of the MCA tier in which the customer lives. Contrast this with the  
14          standard price for MCA service which varies between \$12.35 and \$32.50  
15          depending on the MCA tier in which the customer lives. SBC Missouri also has  
16          promotions in the marketplace that offer a \$10 monthly credit for six months on  
17          additional lines and two months of basic telephone service and a feature package  
18          for free. The communications marketplace is very dynamic and there is a wide  
19          array of services and packages available to consumers. It is misleading to isolate  
20          a few price increases and use that to claim that the overall pricing for  
21          communications services is increasing and that competition is insufficient.  
22          Moreover, even if prices were generally increasing, one cannot make the leap that  
23          competition is therefore inadequate. As the Commission has correctly noted in



1 Sprint Missouri's competitive classification case (IO-2003-0281), rising prices do  
2 not mean there is a lack of competition. The Commission noted in its Order that  
3 "there is no economic, or logical reason why prices must always fall in a  
4 competitive market. Sometime prices do rise in markets that are clearly  
5 competitive." Most markets in the United States are considered competitive, but  
6 prices have tended to rise over time as demonstrated by criteria like CPI which  
7 has shown an increase of almost 90% since 1984, meaning prices on average  
8 have almost doubled since then, while prices for SBC Missouri's basic local  
9 service have declined since 1984. Despite price increases, we, as a society, do not  
10 feel compelled to regulate pricing in those markets. Our economy is based on the  
11 premise that competitive markets best determine pricing levels so we generally  
12 tend to let competitive markets work.

13

14 **Q. MS. MEISENHEIMER SUGGESTS THAT LONG DISTANCE PRICES**  
15 **MAY RISE BECAUSE AN INCUMBENT WITH A COMPETITIVE**  
16 **CLASSIFICATION COULD INCREASE PRICES FOR SWITCHED**  
17 **ACCESS SERVICE (MEISENHEIMER, P. 10). IS SBC MISSOURI**  
18 **SEEKING A COMPETITIVE CLASSIFICATION FOR SWITCHED**  
19 **ACCESS?**

20 **A.** No. SBC Missouri is not seeking a competitive classification for switched access  
21 and without a competitive classification, switched access prices are constrained  
22 by the CPI-TS price cap formula.

23

1     **Q.     MS. MEISENHEIMER STATES THAT THERE IS A LINK BETWEEN AN**  
2           **INCUMBENT'S RETAIL PRICES AND CLEC WHOLESALE RATES, SO**  
3           **THE COMMISSION MUST ENSURE PROTECTION OF CONSUMERS**  
4           **(MEISENHEIMER, P. 10). IS HER STATEMENT MISLEADING?**

5     A.    I believe it can be. First, Ms. Meisenheimer explains that an ILEC's resale prices  
6           are tied to the ILEC's retail prices. While that is correct, it is far from the whole  
7           story as SBC Missouri wholesale rates for UNEs are not tied to its retail rates in  
8           any way. SBC Missouri offers hundreds of UNEs and the prices for these UNEs  
9           are established by the Commission (if not agreed to by the parties) at TELRIC-  
10          based prices. UNE prices are simply not tied to SBC Missouri's retail prices. I  
11          would also note that, while resale prices are tied to retail prices, resale represents  
12          a very small percentage of the CLEC lines in SBC Missouri's exchanges.

13

14     **CONSUMERS ULTIMATELY BENEFIT FROM COMPETITIVE**  
15           **CLASSIFICATIONS**

16     **Q.    HOW WILL CONSUMERS BENEFIT FROM COMPETITIVE**  
17           **CLASSIFICATIONS?**

18     A.    Consumers win when all providers are free to compete in the marketplace and  
19           unnecessary regulation that skews and interferes with competition is removed.  
20           The dynamics of the competitive marketplace will lead to more competitive  
21           pricing and market-driven levels of investment, innovation and jobs.

22

1    **Q.    SOME WITNESSES HAVE EXPRESSED A CONCERN ABOUT HIGHER**  
2       **PRICES FOR BASIC LOCAL SERVICE (PETERS, P. 10,**  
3       **MEISENHEIMER, P. 10) DOES SBC MISSOURI HAVE PLANS TO**  
4       **INCREASE THE PRICE OF BASIC LOCAL SERVICE FOR**  
5       **RESIDENTIAL CUSTOMERS?**

6    A.   No. Given the dynamic marketplace that exists for telecommunications, I do not  
7       think anyone can accurately predict what might occur in the future. However, I  
8       do not anticipate any significant price increases for residential basic local service  
9       because I do not believe the competitive marketplace will permit that to happen.  
10       SBC Missouri's pricing is constrained in all of its exchanges because CLECs and  
11       other providers would be encouraged to market more heavily in any exchange  
12       where SBC Missouri attempts to increase its prices above a competitive level. The  
13       availability of wireless services, VoIP services, CLEC services, and the extensive  
14       array of inexpensively priced packages, ensure that the market simply will not  
15       allow any near term significant price increases for residential basic local service.  
16       I believe the unsubstantiated claims by the parties are solely meant to instill  
17       "fear" and should be disregarded.

18  
19   **Q.    ARE THERE SOME THINGS SBC MISSOURI MIGHT INVESTIGATE**  
20       **DOING IF GRANTED ADDITIONAL PRICING FLEXIBILITY?**

21   A.   While I am not certain what may happen in the future because of the dynamics of  
22       this marketplace, I believe there are some things that SBC Missouri might be  
23       interested in exploring once we have sufficient pricing flexibility to implement

1        within the confines of the competitive marketplace. Some of SBC Missouri's  
2        over-arching goals include efforts to simplify our business and to drive costs out  
3        of the business so we are better positioned to compete in the marketplace. Having  
4        multiple prices for residential basic local service, as we do today, complicates our  
5        business and I believe we might consider trying to equalize our residential basic  
6        local prices over time consistent with customers' willingness to pay in the  
7        competitive marketplace. Another example of something that complicates our  
8        business and creates a source of aggravation for our customers is a charge called  
9        the "outside the base rate area" (OBRA) charge that applies to certain customers  
10       residing outside a defined area in some of our exchanges. The charge is an  
11       additive to their basic local service and customers do not understand why they are  
12       being assessed the charge. If SBC Missouri had greater pricing flexibility to  
13       recover the OBRA revenue from other services, it might consider eliminating the  
14       charge. While I do not know the exact dollars, it likely would take only a very  
15       small increase in basic local prices, perhaps implemented in conjunction with  
16       trying to move to a single price, to offset the revenue loss from eliminating the  
17       OBRA charge. Again, while there are no plans to make these changes, these are  
18       examples of the kinds of things that SBC Missouri might consider if we had the  
19       pricing flexibility to accomplish the task within the confines of the competitive  
20       marketplace. The sometimes spoken and often unspoken concern that SBC  
21       Missouri would immediately and dramatically raise residential basic local service  
22       prices, or perhaps only rural residential prices, to unreasonably high levels absent

1 price cap restraints is unfounded. If we tried to sustain unreasonably high pricing,  
2 our competitors would be more than happy to take over those customers.

3

4 **Q. IN YOUR OPENING POINTS, YOU MADE THE COMMENT THAT IT IS**  
5 **PREFERABLE FOR THE COMMISSION TO GRANT SBC MISSOURI**  
6 **ITS REQUEST RATHER THAN MAINTAIN THE STATUS QUO.**  
7 **PLEASE ELABORATE.**

8 A. The Commission can accomplish greater good with less risk by granting SBC  
9 Missouri's request. As Dr. Aron explains, consumers benefit from competitive  
10 markets where all providers are free to compete. If the worst case scenario plays  
11 out and there turns out not to be effective competition over time, the Commission  
12 can implement the "backstop" mechanism contemplated by the statute by re-  
13 instating price cap regulation and rolling-back prices to what they would have  
14 been, or could have been, under price caps. The alternative course of action,  
15 which is to remain status quo, however, is and will be harmful to the competitive  
16 market because, as Dr. Aron explains, unnecessary regulatory-imposed pricing  
17 constraints influences and distorts the market. And the Commission has no way  
18 of undoing the harm caused by this course of action. SBC Missouri maintains a  
19 large network throughout the state that SBC Missouri and other carriers rely on to  
20 serve customers. It is critical that SBC Missouri be given the full opportunity to  
21 compete.

22

1    **Q.    MS. MEISENHEIMER SUGGESTS THAT THE COMMISSION RE-**  
2       **EXAMINE THE STATUS OF COMPETITION IN THE EXCHANGES**  
3       **WHERE COMPETITIVE CLASSIFICATIONS WERE GRANTED IN SBC**  
4       **MISSOURI'S PREVIOUS CASE (CASE NO. TO-2001-467)**  
5       **(MEISENHEIMER, PP. 6-7). DO YOU AGREE THIS IS AN**  
6       **APPROPRIATE ISSUE IN THIS CASE?**

7    A.   No, I do not. This would be inconsistent with the statute which contemplates that  
8       a proceeding would be established for that particular purpose. This proceeding  
9       was established based on SBC Missouri's request for additional competitive  
10      classifications and not for the purpose of re-examining competitive classifications  
11      in existing exchanges.

12  
13    **SUMMARY**

14    **Q.    PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY.**

15    A.   My testimony explains why UNE-P based competition cannot be ignored. I point  
16      out that Staff, rather than conducting the analysis contemplated by the statute,  
17      adopts an arbitrary market share test that finds no support in the statute. As Dr.  
18      Aron points out, Staff loses sight of the big picture by ignoring the preponderance  
19      of the evidence demonstrating competition. SBC Missouri has produced a  
20      significant amount of evidence demonstrating effective competition throughout  
21      SBC Missouri's exchanges. The Commission should grant SBC Missouri's  
22      request to have its services competitively classified so consumers can more fully  
23      benefit from the competitive marketplace and the innovation, investment, and

1 competitive pricing that will result when providers compete in a market no longer  
2 influenced or distorted by regulatory restrictions.

3

4 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

5 **A.** Yes, it does.

**NEWS RELEASE**

FOR RELEASE: TUESDAY, JULY 6, 2004

**AT&T and McLeodUSA Reach Agreement To Provide Customer Choice and  
Jointly Propose Rules for Continued Competition in  
Residential and Business Local Phone Service**

***Companies Strive To Promote FCC Vision of Facilities-Based Competition***

MORRISTOWN, N.J./CEDAR RAPIDS, IOWA – AT&T (NYSE: T) and McLeodUSA (Nasdaq: MCLD) today announced that they have reached a long-term agreement in principle whereby AT&T would begin an orderly transition of lines off the Bells' UNE-P platform in selected states and onto McLeodUSA's UNE-L network. Finalization of the agreement requires regulatory clarity in support of facilities-based competition.

AT&T and McLeodUSA today jointly proposed to the FCC a set of principles that would support facilities-based competition and ensure that competitors to the Bell companies can continue serving consumers and businesses.

"With these proposals, the government has the opportunity to support a transformational initiative between the well established AT&T brand and a true competitive entrepreneur while underscoring that competition can drive innovation, customer choice and economic value for businesses and consumers," said David Dorman, Chairman and CEO of AT&T. "In addition, and perhaps more importantly, this should end the unhealthy stalemate that has existed over the last eight years and prevent major turmoil in the telecommunications industry."

"McLeodUSA has invested over \$3 billion in support of our strategy to be a facilities-based communications services company. We provide our customers cost effective, high quality service using our own facilities and we believe the opportunity with AT&T further validates our investment," said Chris Davis, Chairman and CEO of McLeodUSA. "The principles we have proposed to the FCC are imperative to achieving the true competition that Chairman Powell has often espoused."



The proposed principles, which the companies said must be part of any new rules the FCC proposes in its Triennial Review Order, include an orderly transition from UNE-P to UNE-L and continued access to unbundled elements necessary to provide UNE-L, including full functionality of DS0/DS1/DS3 loops and transport under fair terms and stable (TELRIC) pricing.

Access to these elements under fair and reasonable terms and pricing is the only way competitors to the Bell companies can continue to serve local residential and business markets profitably, thereby providing the basis for continued future investments in their own networks as well as in new technologies.

Highlights of the key principles the companies have proposed are:

- Continuation of competitors' current access to the Bells' DS0, DS1 and DS3 loops at stable, forward-looking cost-based rates should be encouraged and protected by the FCC.
- High Capacity Transport should continue to be made available at stable, forward-looking cost based rates.
- Competitors must have access to loop and transport combinations, without anti-competitive restrictions at cost-based rates, and, among other things, the ability to provide both voice and data functionality over these loops and transport.
- Competitors who currently use the Bells' UNE-P platforms must have the opportunity for an orderly transition to UNE-L. UNE-P prices should remain fixed through 12/31/04 with a time-phased, gradual increase going forward.
- The batch hot cuts that are required to install UNE-L must be affordable, operationally efficient and supported by federal standards to ensure consistency across markets. In the area of operational performance, the Bells must be able to switch large volumes of customers from their own service to competitive providers in a way that is timely, thorough and error-free.
- Competitors should continue to have access to the full loop functionality without restrictions resulting from actions such as the Bells replacement or decommissioning of copper loops or the installation of non-copper material such as fiber.

--more --

The companies have already completed a successful market trial and if such principles were adopted by the FCC with an assurance of regulatory certainty over the next several years, AT&T would begin transitioning lines to McLeodUSA in the fourth quarter of 2004. AT&T currently serves over 6 million local lines across the country. McLeodUSA is one of the nation's leading facilities-based competitive telecommunications providers serving 25 Midwest, Southwest, Northwest and Rocky Mountain states.

Since the passage of the Telecom Act in 1996, almost 30 million lines, representing more than 20 million consumers and small businesses, are receiving local phone service from a non-Bell service provider. Studies have shown that all purchasers of local phone service save over \$11 billion a year because competition brings better pricing and improved service offers.

# # #

#### About McLeodUSA

*McLeodUSA (Nasdaq: MCLD) 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 March 31, 2004, 38 ATM switches, 40 voice switches, 667 collocations, 435 DSLAMs and 2,995 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](http://www.mcleodusa.com).*

#### McLeodUSA 'Safe Harbor'

Some of the statements in this press release include statements about our future expectations. Statements that are not historical facts are "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act. These forward-looking statements are subject to known as well as unknown risks and uncertainties that may cause actual results to differ materially from our expectations. Our expectations are based on various factors and assumptions and reflect only our predictions. Factors that could cause actual results to differ materially from the forward-looking statement include technological, regulatory, public policy or other developments in our industry, availability and adequacy of capital resources, current and future economic conditions, the existence of strategic alliances, our ability to generate cash, our ability to implement process and network improvements, our ability to attract and retain customers, our ability to migrate traffic to appropriate platforms and changes in the competitive climate in which we operate. These and other risks are described in more detail in our most recent Annual Report on Form 10-K filed with the SEC. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of future events, new information or otherwise.

#### 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.

Contacts:

Claudia Jones  
AT&T  
(202) 457-3933

Katie Wacker  
McLeodUSA  
(319) 790-7800



**FOR IMMEDIATE RELEASE**

**MCLEODUSA ENTERS MULTI-YEAR AGREEMENT WITH MCI TO  
PROVIDE LOCAL SERVICE ON THE MCLEODUSA NETWORK**

***Transition of Initial 200,000 Local Lines to Begin in First Quarter 2005***

**CEDAR RAPIDS, Iowa – December 16, 2004** – McLeodUSA (Nasdaq: MCLD), one of the nation's largest independent competitive telecommunications services providers, today announced that it has reached a three-year renewable wholesale agreement with MCI (Nasdaq: MCIP) whereby McLeodUSA will enable MCI to provide local telephone services to its residential customers using McLeodUSA facilities. In the first quarter of 2005, MCI and McLeodUSA will begin migrating a minimum of 200,000 local lines onto the McLeodUSA UNE-L network with a goal to complete the transition by the third quarter.

"This opportunity with MCI evidences the operational excellence and cost efficiencies that we have achieved over the past few years as we successfully executed on our strategy to be a world-class facilities-based communications services provider," said Chris Davis, Chairman and CEO of McLeodUSA. "We are committed to providing both our retail and our wholesale customers with cost effective, high quality services and a great customer experience. We look forward to working with MCI to that end."

"This agreement is designed to help us reach customers in the McLeodUSA service area through a facilities-based approach," said Wayne Huyard, MCI President of U.S. Sales & Service. "As the regulatory environment becomes more difficult and we continue to seek alternatives to UNE-P, this kind of relationship can be mutually beneficial."

MCI is a leading global communications provider, delivering innovative, cost-effective, advanced communications connectivity to businesses, governments and consumers. McLeodUSA is one of the nation's leading facilities-based competitive telecommunications providers serving 25 Midwest, Southwest, Northwest and Rocky Mountain states.

Since the passage of the Telecom Act in 1996, almost 30 million lines, representing more than 20 million consumers and small businesses, are receiving local phone service from a non-RBOC service provider. Studies have shown that purchasers of local phone service save over \$11 billion a year because competition brings better pricing and improved service offerings.

### 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](http://www.mcleodusa.com)

Some of the statements in this press release include statements about our future expectations. Statements that are not historical facts are "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act. Such statements may include projections of financial and operational results and goals, including revenue, EBITDA, Adjusted EBITDA, profitability, savings and cash. In some cases, you can identify these so-called "forward-looking statements" by our use of words such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "project," "intend" or "potential" or the negative of those words and other comparable words. These forward-looking statements are subject to known as well as unknown risks and uncertainties that may cause actual results to differ materially from our expectations. Our expectations are based on various factors and assumptions and reflect only our predictions. Factors that could cause actual results to differ materially from the forward-looking statement include technological, regulatory, public policy or other developments in our industry, availability and adequacy of capital resources, current and future economic conditions, the existence of strategic alliances, our ability to generate cash, our ability to implement process and network improvements, our ability to attract and retain customers, our ability to migrate traffic to appropriate platforms and changes in the competitive climate in which we operate. These and other risks are described in more detail in our most recent Annual Report on Form 10-K filed with the SEC. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of future events, new information or otherwise.

###

#### Contact:

McLeodUSA Incorporated, Cedar Rapids, IA  
Investor Contact: Bryce E. Nemitz  
Press Contact: Bruce A. Tiemann  
Phone: 319-790-7800  
[mcleodusa\\_ir@mcleodusa.com](mailto:mcleodusa_ir@mcleodusa.com)


[Home](#)
[News](#)
[Press Releases](#)
[Mediakit](#)
[Factsheet](#)
[Events](#)
[National News](#)

 Type in your question here: 
[PRODUCTS & PROGRAMS](#)
[CUSTOMER CARE](#)
[ABOUT XO](#)
[AGENT PROGRAM](#)

## XO Communications Launches Wholesale Local Voice Services

7/12/04

- Allows Telecommunications Companies to Enter Local Markets with Voice and Integrated Services for Businesses
- Provides Alternative for Carriers Relying on UNE-P to Offer Local Voice and Data Services

[Contact XO](#)
[Corporate H](#)
[1.703.547.20](#)
[Contact us onl](#)

RESTON, VA - XO Communications, Inc. (OTCBB: XOCM.OB), the nation's largest facilities-based provider of national local telecommunications services focused exclusively on businesses, today announced the launch of XO Wholesale Local Voice Services that enable telecommunications companies and other service providers to offer local voice and integrated services to businesses in 36 markets across the United States. Through the recent acquisition of Allegiance Telecom, XO has significantly expanded its network presence in local markets across the U.S. and can now offer additional facilities-based services like Wholesale Local Voice Services to other carriers looking to provide voice and integrated services locally.

XO Wholesale Local Voice Services allow telecommunications companies to leverage XO's extensive local network facilities across the U.S. to quickly and more cost-effectively enter new local markets and offer businesses local voice and integrated data and voice services. In addition, for carriers that rely on unbundled network element platform (UNE-P) to deliver services locally, the new XO services can provide an alternative to UNE-P by giving carriers a means to continue to provide local voice and integrated services to business customers.

"Given the pending regulatory changes in local telephone competition, this service presents many carriers with an avenue to continue to serve business customers with local voice and data services," said Ernie Ortega, president of Carrier Sales at XO Communications. "With our extensive local network facilities across the country, XO is uniquely positioned to be the local access provider for carriers looking to continue to offer local voice and data services or enter new local markets with less financial risk than building their own networks."

The new services consist of the following packages:

- Wholesale Integrated Access – provides voice and data over a single T-1 to carriers' end users needing at least 6 analog or digital voice lines and 512K of data speed.
- Wholesale PRI – provides full PRI configurations to carriers' end users
- Wholesale Digital PBX – provides a full T-1 of digital trunks to carriers' end users

XO Wholesale Local Voice Services are available in 36 markets across the country, including Atlanta, Boston, Chicago, Cleveland, Dallas, Denver, Detroit, Houston, Los Angeles, Miami, Minneapolis,

Unruh-Sch. 2

New York, Philadelphia, Phoenix, Pittsburgh, Portland, St. Louis, San Diego, San Francisco, Seattle and Washington, DC. Each integrated Internet and voice service package is also available with dozens of features including call forwarding, three-way calling, caller ID, directory assistance and enhanced mailbox options.

**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](http://www.xo.com).

**FOR MORE INFORMATION CONTACT:**

Chad Couser / XO Communications  
703-547-2746  
[chad.couser@xo.com](mailto:chad.couser@xo.com)

---

THE STATEMENTS CONTAINED IN THIS RELEASE THAT ARE NOT HISTORICAL FACTS ARE "FORWARD-LOOKING STATEMENTS" (AS SUCH TERM IS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995). THESE STATEMENTS INCLUDE THOSE DESCRIBING XO'S EXPECTED FUTURE BUSINESS AND NETWORK OPERATIONS AND RESULTS OF OPERATIONS, XO'S ABILITY TO ACHIEVE PROJECTED SYNERGIES AND REVENUE FROM THE ACQUISITION OF ALLEGIANCE'S ASSETS IN A TIMELY MANNER OR AT ALL, XO'S ABILITY TO INCREASE SALES, AND XO'S ABILITY TO CONTINUE TO IMPLEMENT EFFECTIVE COST CONTAINMENT MEASURES. MANAGEMENT CAUTIONS THE READER THAT THESE FORWARD-LOOKING STATEMENTS ARE ONLY PREDICTIONS AND ARE SUBJECT TO RISKS AND UNCERTAINTIES AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE INDICATED IN THE FORWARD-LOOKING STATEMENTS AS A RESULT OF A NUMBER OF FACTORS. THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO, THOSE RISKS AND UNCERTAINTIES DESCRIBED FROM TIME TO TIME IN THE REPORTS FILED BY XO COMMUNICATIONS, INC. WITH THE SECURITIES AND EXCHANGE COMMISSION, INCLUDING ITS ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2003 AND ITS QUARTERLY REPORTS ON FORM 10-Q.

Sponsored by:

# NetworkWorldFusion

This story appeared on Network World Fusion at  
<http://www.nwfusion.com/news/2004/071904carrxo.html>

## XO expands offerings in wake of UNE-P rulings

By Jim Duffy  
*Network World*, 07/19/04

XO Communications likes to position itself as the nation's largest facilities-based provider of telecom services "focused exclusively on businesses."

But that's not to say it's limited to enterprise businesses. Following recent court decisions that essentially do away with key carrier network access wholesaling regulations, XO is stepping into the breach by launching a wholesale local voice service for competitive local exchange carriers (CLEC).

The XO Wholesale Local Voice Services let service providers offer local voice and integrated services to businesses in 36 U.S. markets. The offering was made possible through XO's recent acquisition of bankrupt carrier Allegiance Telecom. The buyout expanded XO's network presence in local U.S. markets and lets the carrier now offer additional facilities-based services to other carriers looking to provide voice and integrated services locally. XO, which emerged from bankruptcy 18 months ago, closed the Allegiance deal June 21.

Interest in the new XO offering has been high in light of a Washington, D.C., appeals court's decision in March to order an end to portions of the FCC's unbundled network elements platform (UNE-P) policy, says XO CEO Carl Grivner. UNE-P is a regulation in the Telecommunications Act of 1996 designed to give competitors access to the local-access network, which the RBOCs dominate.

Under UNE-P, RBOCs were to sell access to their local facilities to CLECs at government-determined rates in exchange for entry into the long-distance business. Now that UNE-P has been all but dissolved, RBOCs are expected to raise wholesale local facility leasing rates to CLECs, which would raise retail fees.

"It's favoritism towards the monopoly-embedded base," Grivner says. "It's not right in terms of facilities-based competition."

CLEC efforts to overturn the ruling have been blocked - the most recent case being a month ago when Supreme Court Chief Justice William Rehnquist refused a petition for a stay of the court's decision.

Grivner says a lot of UNE-P carriers now are working with XO. The carrier is set to announce one major carrier deal, and expects more big names to sign up for the XO wholesale offering.



"There are more opportunities ahead of us," Grivner says.

Industry experts agree. U.S. wholesale wireline revenue will top \$47.9 billion in 2004, according to The Yankee Group. Wholesale services now account for nearly 25% of total U.S. wireline telecom market, the firm says.

At first blush, it would seem that XO is offering competitors access to the very enterprise customers it courts. But such is not necessarily the case.

In some instances, XO's wholesale carriers need to find an alternate wholesale provider to grant access to the customers they already own. Second, there are plenty of small and midsize businesses to go around.

Third, even if a wholesale carrier wins a new customer that XO could have served, XO still gets a share of the revenue from that customer.

XO's wholesale services consist of:

- Wholesale Integrated Access, which provides voice and data over one T-1 to carriers' end users who needs at least six analog or digital voice lines and 512K bit/sec of data speed.
- Wholesale primary-rate interface, which provides PRI configurations to carriers' end users.
- Wholesale Digital PBX, which provides T-1 digital trunks to carriers' end users.

XO Wholesale Local Voice Services are available in 36 markets across the U.S. Each integrated Internet and voice service package is also available with a variety of features, including call forwarding, three-way calling, caller ID, directory assistance and enhanced mailbox options.

#### AT A GLANCE: XO Communications

<b>Location:</b>	McLean, Va.
<b>Founded:</b>	In 2000, after the merger of Nextlink and Concentric.
<b>Management:</b>	Carl Grivner, CEO; Wayne Rehberger, COO; Bill Garrahan, senior VP and acting CFO.
<b>Products:</b>	Nationwide OC-192 backbone in 60 U.S. markets offering local and long-distance voice, Internet access, VPN, Ethernet, wavelength, Web hosting, and integrated voice and data services.
<b>Customers:</b>	Businesses and carriers
<b>2003 revenue:</b>	\$1.1 billion
<b>Fast Fact:</b>	XO emerged from Chapter 11 bankruptcy in January 2003.

#### RELATED LINKS

All contents copyright 1995-2003 Network World, Inc. <http://www.nwfusion.com>

[Home](#)[News](#)[Press Releases](#)[Mediakit](#)[Factsheet](#)[Events](#)[National News](#)Type in your question here: [PRODUCTS & PROGRAMS](#)[CUSTOMER CARE](#)[ABOUT XO](#)[AGENT PROGRAM](#)

## XO Communications Signs Nine Wholesale Local Voice Services Agreements

8/17/04

**Agreements Allow Carriers to Expand Bundled Service Offerings to Include Local Voice and Data Services for Businesses**

RESTON, VA - XO Communications, Inc. (OTCBB: XOCM.OB), the nation's largest facilities-based provider of national local telecommunications services focused exclusively on businesses, today announced that it has signed agreements that will allow several telecommunications companies and service providers to offer local voice and data services to businesses as part of their bundled services offerings. Today's announcement represents the first in a series of agreements XO expects to sign following the recent launch of XO Wholesale Local Voice Services.

Under the terms of the agreements, nine regional and national competitive local exchange carriers (CLECs) - Access Point, Inc., AireSpring, Capital Telecommunications, Cross Stream Communications, InterGlobe, LDMI Telecommunications, Inc., QTel, Rural Communications, and Wholesale Carrier Services, Inc. - will leverage XO's Wholesale Local Voice Services to offer local data and voice services to businesses in as many as 36 markets across the United States.

With the capability to include local voice and data services along with their existing long distance, wireless and high-speed Internet access services bundles, the providers have significantly enhanced the strength of their services portfolios as they seek to offer business customers a better alternative to the regional Bell companies for local voice and data services.

"AireSpring's significant expansion over the past year and a half is largely due to offering our nationwide agents aggressive rates and greater flexibility," said Avi Lonstein, CEO of AireSpring. "XO's comprehensive national footprint will allow us to extend these benefits to the local market and enable us to offer a complete solution that is truly scalable - from the small business through enterprise accounts."

"Through our extensive local network facilities across the country, XO has the unique capability to provide telecommunications companies and service providers with the ability to broaden their bundled offerings to include local voice and data services," said Ernie Ortega, president of Carrier Sales at XO Communications. "With this additional local data and voice services capability, these providers can continue to offer a more compelling alternative to the local incumbent providers."

With the recent acquisition of Allegiance Telecom, XO has

[Contact XO](#)[Corporate H](#)[1.703.547.20](#)[Contact us onl](#)

significantly expanded its network presence in local markets across the U.S. and can now offer additional facilities-based services like Wholesale Local Voice Services to other carriers looking to provide voice and integrated services locally. Available in 36 markets across the United States, XO Wholesale Local Voice Services allow telecommunications companies to leverage XO's extensive local network facilities to quickly and more cost-effectively enter new local markets and offer businesses local voice and integrated data and voice services. In addition, for carriers that rely on unbundled network element platform (UNE-P) to offer local voice services, the new XO services can provide an alternative to UNE-P by giving carriers a means to continue to provide local voice and integrated services to business customers. For more information about XO Wholesale Local Voice Services, go to <http://www.xo.com/products/carrier/local>.

#### **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](http://www.xo.com).

#### **About Access Point**

Headquartered in Cary, North Carolina, Access Point is a privately-held CLEC offering integrated communications services to small and medium-sized businesses. In addition to local and long-distance services, Access Point offers Integrated Access T-1 services; AccessPipe broadband data and internet services; managed services including VPN and firewall; conferencing solutions for audio, web, and video; and a range of partner programs. The company provides these services by utilizing the networks of several of the most established facilities-based Local Exchange Carrier (LEC) and Inter-exchange Carrier (IXC) companies. Backed by solid partnerships with established local and long distance companies, Access Point is active in most east coast states. For more information about Access Point, go to [www.accesspointinc.com](http://www.accesspointinc.com).

#### **About AireSpring**

Headquartered in Los Angeles, AireSpring is a diversified, nationwide full-service communications company that has set itself apart in the market by offering small and mid-market corporate customers world class telecom services infrastructure with the same level of highly personalized support normally reserved for the largest enterprise customers. Airespring offerings include local and long distance, dedicated internet access and IP transit, private line, managed VPN as well as the new International SuperDial service for wireless users. AireSpring is well known for its broad range of innovative services offered at aggressive rates and for the ability to meet special requirements with flexibility at both corporate and residential levels. For more information about AireSpring, visit [www.airespring.com](http://www.airespring.com).

#### **About Capital Telecommunications**

Capital Telecommunications Inc. (CTI), founded in 1982 and based in York, Pennsylvania, is a leading inter-exchange carrier and competitive local exchange carrier providing retail and wholesale long distance, local exchange, Internet, wireless and private line services. CTI provides services in fourteen states and has regional offices in Houston and San Antonio, Texas. For more information about Capital Telecom, go to [www.capitaltelecom.com](http://www.capitaltelecom.com).

**About Cross Stream Communications**

Based in Seattle, Cross Stream is a telecommunications provider of digital voice, dedicated internet, data solutions and long distance applications. Cross Stream Communications desires to serve and manage the needs of its predominantly high end communications-intensive customers by hand picking its vendors that rely on the same principles of Cross Stream's service and support. For more information about Cross-Stream, go to [www.cross-stream.com](http://www.cross-stream.com).

**About InterGlobe Communications**

Headquartered in New York City, InterGlobe Communications is a One Stop Network Service Provider. Founded in 1992, and located in the heart of the world's multimedia communication hub, InterGlobe Communications is among the oldest, most experienced CLEC's available as a total solutions provider, offering clients Dial tone, Local Service, Long Distance Service, Toll Free Service, Wireless, Calling Cards and Internet Access services all on one online statement. Mid-size to Fortune 500 companies have relied on InterGlobe Communications for their complete telecommunications solution from planning, implementation, servicing and maintenance. As an AVAYA Business Partner, InterGlobe is positioned to provide the latest in hardware and communications technology including Unified Messaging, and VOIP. For more information about InterGlobe, go to [www.interglobeonline.com](http://www.interglobeonline.com) or call (800) MY-LOCAL.

**About LDMI Telecommunications, Inc.**

Headquartered in Southfield, Michigan, LDMI Telecommunications, Inc is a leading integrated communications provider serving business and residential customers in the Great Lakes region. Its services include local and long distance phone service, and data services such as high-speed connectivity, security, web hosting, and network services. Founded in 1992, the Company today serves more than 90,000 customers in Michigan and Ohio and has annual revenues in excess of \$115 million. The company currently serves as exclusive telecommunications provider to The Palace Sports & Entertainment and The Tiger Woods Foundation and is also entrusted with the complex data needs of companies like General Motors, AC Delco, and Guardian Industries. For more information, visit [www.ldmi.com](http://www.ldmi.com).

**About QTel**

Headquartered in New York City, QTel delivers a comprehensive array of integrated communications services, including local and long distance voice services, internet access services, local access, and private line services. QTel's objective is to provide one-stop shopping for communications services for small and medium-sized businesses and to offer fully integrated broadband data and voice services through a single point of contact for sales and client care. For more information about QTel, go to [www.qtelsolutions.com](http://www.qtelsolutions.com).

**About Rural Communications**

Headquartered in Three Rivers, Michigan, Rural Communications is a telecommunications company specializing in meeting the needs of smaller rural communities that don't have the technological advantages of the Suburban and Metro Markets. For more information about Rural Communications, go to [www.ruralcommunications.net](http://www.ruralcommunications.net).

**About Wholesale Carrier Services, Inc.**

Based in Boca Raton, Florida with sales and data centers in Miami, New York, Texas and London, Wholesale Carrier Services, Inc. (WCS) purchases and resells 87 carrier networks and over 130 services via a consolidated billing and provisioning platform named ABACUS. Established in 1994, WCS manages over 250,000

medium-large enterprise, commercial access lines in the US and in 21 countries worldwide. The company is a tariffed, FCC-licensed interexchange long distance carrier and operator services provider throughout the entire United States and a competitive local exchange carrier (CLEC) in 19 states. WCS also operates an audio and web conference calling platform and Voice over Internet Protocol (VoIP) switching facilities. For more information about WCS, go to <http://www.wcs.com>.

FOR MORE INFORMATION CONTACT:

Chad Couser / XO Communications  
703-547-2746  
[chad.couser@xo.com](mailto:chad.couser@xo.com)

© 2000-05 XO. All rights reserved.  
XO, the XO design logo, Concentric, Allegiance, JustCom  
and all related marks are trademarks of XO Communications, Inc.

Tariffs | P

Type in your question here: [CUSTOMER CARE](#)[ABOUT XO](#)[AGENT PROGRAM](#)[NEWS](#)

## XO™ Wholesale Local Voice Services

[Home](#)[Carrier Products and Services](#)[Voice Services](#)[Local Services](#)[Long Distance](#)[XO Local Markets](#)[Broadband Toolkit](#)

### Overview

Wholesale Local Voice is the resale of local voice services, which enable CLECs, IXCs and ILECs to expand their service footprint with a branded local service offering. Wholesale Local Voice can help:

- **Eliminate Capital Costs** - Gain access to local voice networks in major markets nationwide without the need to build a switching platform.
- **Expanded Sales Footprint** - Increase and expand selling territory by leveraging our national presence
- **Improve Service** - Wholesale Local Voice products are designed specifically for Carriers and supported by a dedicated & experienced team
- **Reduce SG&A Costs** - Reduce operational and IT costs by leveraging engineering, installation, network maintenance and OSS infrastructure

The guiding principles behind Wholesale Local Voice emphasize our carrier-centric approach:

- **Technology & Network:** Best in class OSS infrastructure and tools
- **Processes:** Customized, streamlined and detailed process for ordering and provisioning services
- **Resources:** Dedicated and coordinated resources across all operational divisions

### Features

The following access methods are offered in the Wholesale Local Voice suite:

- PRI (with & without loop)
- Digital PBX (with & without loop)
- Integrated Access (with & without loop, CPE, and IP)

Long Distance services, including Directory Assistance and Operator Services are not features of Wholesale Local Voice. We will PIC and/or LPIC the local services to the appropriate customer CIC for long distance and/or local toll calls, and also provide number administration (to include LNP) and E911 services.

### Pricing and Availability

To discuss your Wholesale Local Voice needs along with availability

[Contact XO](#)[Sales](#)[Contact us onl](#)[Support](#)[Call toll-free 1.](#)[Contact us onl](#)[What's Hot](#)

- [Carrier](#)
- [Boardw](#)
- [XO™ S](#)
- [Backbo](#)
- [Perform](#)
- [XO Pro](#)
- [Broadb](#)
- [Using L](#)
- [Nationw](#)
- [IP Back](#)

and applicable pricing, call XO Carrier Services today toll-free at  
1.800.474.1763 or [contact us online](#).

© 2000-05 XO. All rights reserved.  
XO, the XO design logo, Concentric, Allegiance, JustCom  
and all related marks are trademarks of XO Communications, Inc.

[Tariffs](#) | [P](#)

Los Angeles Times  
**latimes.com.**

<http://www.latimes.com/business/la-fi-covad13jan13.1,6894981.story?coll=la-headlines-business&ctrack=1&cset=true>

## CALIFORNIA

# Covad to Launch New Service

**Its offering will allow its partners to deliver calls with Internet telephony features over regular copper lines.**

By James S. Granelli  
Times Staff Writer

January 13, 2005

**Covad Communications Group Inc.** said Wednesday that it would launch a new telephone service that would allow its partners to compete more effectively with regional phone giants for both voice and high-speed Internet access.

Covad, the nation's largest independent DSL provider, said it would test its line-powered voice offering within a month and would roll out the service by midyear.

The service would allow Covad's partners — especially **AT&T Corp.**, **MCI Inc.**, **EarthLink Inc.** and **America Online Inc.** — to offer local and long-distance calls over regular copper lines but with all the features of Internet telephony technology.

Line-powered voice relies on new electronics to deliver voice and digital-subscriber-line service. The line would be powered separately, as conventional phone lines are, so they wouldn't go down in a power outage.

The San Jose company would lease the lines at regulated prices from regional phone companies such as **SBC Communications Inc.**, California's dominant local carrier. It then would connect the lines to its own network gear.

The offering comes as wholesale prices are expected to increase sharply for the entire platform of telephone lines, switching gear and other equipment that **AT&T**, **MCI** and other competitors have been leasing from **SBC** and other network owners.

Federal regulators and the Bush administration abandoned efforts last summer to ensure competition for local phone service through the use of the controversial platform. The Federal Communications Commission in December gave competitors a year to move customers off the platform, pay higher prices or get out of the business.

The change in the administration's direction caused **AT&T** and **MCI** to stop marketing phone service to consumers, though they both continue to serve existing customers.

Unruh-Sch. 3

<http://www.latimes.com/business/la-fi-covad13jan13.1,6770474.print.stor?coll=la-headl> 1/13/2005



EarthLink and AOL, meantime, have been eager to enter the phone business more to ensure their survival as more consumers trade in dial-up Internet access for broadband service.

Local phone companies control DSL service and phone access to the Internet, and cable companies own the cable modem high-speed access, leaving the Internet service providers with a shrinking market.

If you want other stories on this topic, search the Archives at [latimes.com/archives](http://latimes.com/archives).

### **TMSReprints**

Article licensing and reprint options

---

Copyright 2005 Los Angeles Times



---

## Z-Tel turns to VoIP

By Carol Wilson

TelephonyOnline.com, Dec 13 2004

Having read the UNE-P handwriting on the wall, Z-Tel Communications is now turning to Voice over Internet Protocol to deliver its business and residential voice services. The national CLEC has installed and tested a VoIP network in Tampa, Fla., and will add service in New York City in mid-January and Atlanta after that.

How quickly Z-Tel rolls VoIP out nationally will depend "on money—how this works and how we do with it," said Andrew Graham, corporate counsel for Z-Tel.

Z-Tel has relied largely on reselling local access circuits purchased from Bell companies, and adding value-added services such as free calling features, Web-based service activation and a network-based personal assistant service, to build its customer base. That dependence became a liability when federal rules requiring the Bell companies to resell their lines at a discount were overturned, and Z-Tel announced in September that it would pursue a facilities-based strategy.

Z-Tel, which will change its name to Trinsic in January, said it will use Cisco Systems' softswitches and Integral Access PurePacket broadband access platforms to deliver the VoIP service, as it moves away from dependence on Bell networks.

© 2004, Primedia Business Magazines and Media, a PRIMEDIA company. All rights reserved. This article is protected by United States copyright and other intellectual property laws and may not be reproduced, rewritten, distributed, redisseminated, transmitted, displayed, published or broadcast, directly or indirectly, in any medium without the prior written permission of PRIMEDIA Business Corp.

## An Open Letter to State Commissions

Dear Colleagues:

This week's important ruling by the Federal Communications Commission (FCC) regarding Vonage's Voice Over Internet Protocol (VoIP) service is yet another example of the need to overhaul completely our thinking about how communication services should be regulated... or not regulated...as the case may be. This ruling by the FCC and the expressed intent of the FCC to foster intermodal competition, calls for state regulators to approach the regulation of telecommunications or telecommunications-like services in a new way.

For many years now, MCI has been at the forefront of encouraging state involvement in telecommunications pricing and in molding the competitive landscape. States have laudably taken on this difficult architectural challenge. However, technology and markets are evolving more rapidly than anybody would have anticipated only a few years ago. Broadband investment occurred and we are now beginning to see the results of that investment in the form of various fiber to the home initiatives (both public and private), BPL, wireless, Wi-Max and various cable offerings. The impact of the "broadband revolution" is the convergence of voice and data, and the most immediate, but by no means the last, manifestation of that convergence is voice over Internet protocol (VoIP). Although the impact on many companies of these "disruptive technologies" has been painful, it has also forced all of us to take a hard look at the regulatory environment in which we serve consumers and begin the difficult job of determining whether the frameworks of the past fit the world of the future.

What has become increasingly apparent in the changing technological environment is that we must all... regulators and private firms alike...revisit our regulatory philosophy from the ground up. Just as the FCC has decided that various forms of broadband should be relieved of some levels of regulatory oversight, state and federal regulators must examine how they view all communications services and what level of regulation will best serve the needs of increased investment and innovation. As we collectively begin to recognize the national, if not global nature of our information and communication service infrastructure, we must begin the difficult task of deciding which aspects of regulation are integrally intertwined with public health, safety and consumer protection, and what regulation within this group should be managed at a national, as opposed to local, level.

Increasingly, you will be hearing from MCI that "Real Deregulation" begins with a bottoms up, or zero based, approach to state government involvement in these services. The Real Deregulation approach involves a re-examination of the interplay between federal regulation and state regulation in this changing world, and a review of state regulation to determine what is really necessary (and appropriate) in this new world in which companies like MCI operate. It is MCI's view that states should have less of a role in regulating retail telecommunications services and service providers. Simply put, convergence means that telecommunications can no longer be thought of as a traditional, state regulated utility any more. Attempts to keep such regulation on "traditional providers" such as MCI or the ILECS simply skew

the market place by creating an asymmetry of regulation.

This is not to say that states will have no role in the future of communications issues. In areas where competitive forces have not taken hold and are not on the horizon - particularly in wholesale inputs in which the Bell companies maintain monopoly or near-monopoly control - regulation remains necessary to constrain the Bells' market power. But there are significant challenges ahead for state commissions as the industry completes the transition to a competitive and largely unregulated field.

One of the first challenges for the state PUCs and the FCC is to revamp our system of intercarrier compensation. The current intercarrier compensation mechanism is a hydra of different rates for different types of traffic in different jurisdictions. It is a non-sensical scheme that creates artificial competition and thereby skews the markets. On the Federal side, the Intercarrier Compensation Fund (ICF) proposal at the FCC is a first, good effort to recommend changes to our system of compensation that will attempt to place all providers on that long sought after "level playing field." However, efforts in these regards are still hampered by monopoly era notions of revenue neutrality. On the state side, states must come to grips with the fact that deregulation of telecommunications means that the access charges of incumbent carriers can and should no longer be protected. State PUCs have opportunities to tackle the access issue and eliminate the discriminatory pricing scheme for intrastate switched access services but are often dissuaded from doing so because of the political hot potato of "rate rebalancing." If regulators are to feel comfortable adapting new regulatory approaches such as retail rate flexibility and loosened regulation of filing requirements, incumbents must embrace the realities of what real competition means for their policy perspectives regarding access charges.

Universal service, like our system of access charges, needs to be reexamined in a competitive world. Current universal service funding mechanisms both at the state and federal level, are designed to protect carriers primarily (with the notion being that consumers are protected if carriers are protected). Those ideas of universal service must be revamped in a competitive world. Universal service should protect consumer needs first, not companies.

In the coming months, you will see MCI honing its business plan for a competitive environment that is all about broadband. MCI plans to rely on a variety of approaches to broadband, including its strategic partnerships with cable providers. MCI also recently announced a roll out of a substantial DSL program for its business customers. And MCI is a recognized leader in IP applications and systems integration. As MCI and others develop their broadband strategies, however, it is vital that the infrastructure necessary to compete globally is accessible to it. It is MCI's hope that this will be attained through the evolution of a satisfactory number of competitors who are willing to provide this infrastructure with ubiquitous reliability. If this competition does not develop and develop quickly, however, it is our hope that the Layers approach to regulation, increasingly being embraced by a broad range of business, academic and regulatory interests, will provide guidance as to how to ensure that networks are sufficiently open so that America's dream for broadband can be met.

State commissions have always been the court of first and last resort in protecting consumer interests in the telecommunications arena, and we do not believe that this will substantially change. The challenges of addressing consumer fraud, state access charge issues and of ensuring that a suitable transition to an end result that allows true competition and broadband deployment, will remain vital roles for the state. We look forward to working with the states to encourage the federal legislators and regulators to develop a framework that will bring the benefits of new technologies and services to all consumers.

The initial steps the FCC has taken this week in encouraging the development of and investment in broadband networks and the applications which ride on these networks hold the promise for a greater evolution of these technologies. Although much work still needs to be done to ensure that ALL IP-enabled networks are accessible and free of unnecessary regulation, MCI applauds the FCC's first step in this direction.

MCI commits to continuing its efforts to help these technologies drive the economic engine of this country and to working with our colleagues from the states in developing regulatory policies that protect the consumers' interests in acquiring and utilizing these services.

Sincerely,

Marsha A. Ward  
National Director, State Regulatory MCI



## BIG RIVER TELEPHONE COMPANY

Home Residential Business Internet Network Services About us

### MetaSwitch and Big River Deploy Softswitch in Record Time

CAPE GIRARDEAU, Missouri: July XX, 2004. In what could be a record for the softswitch industry, Big River Telephone has completed the hot cut-over of 1,000 trunks – a “heart transplant” of its network – just 20 days after making the decision to purchase a MetaSwitch Class 5 softswitch. Big River, a locally owned telecommunications provider in the Missouri-Illinois-Kentucky region, is now carrying 30 million minutes of VoIP traffic per month through its MetaSwitch VP3500 Class 5 Softswitch.

Big River Telephone is one of the oldest competitive telephone providers in the country, with over 20 years of experience. Now live for three months, its MetaSwitch is serving over 4,000 lines and trunks, a number which is expected to increase as Big River uses the switch for new applications including VoIP over Cable, DSL and Fiber to the home (FTTH). The company was also recently one of the first to deploy Broadband over Power Line (BPL).

“We turned to MetaSwitch because we needed something that worked, that we could deploy quickly,” explains Kevin Keaveny, Big River Telephone’s Vice President of Engineering and Operations. “I’m pleased to say that MetaSwitch has delivered, and exceeded all our expectations.”

Jerry Howe, Big River Telephone’s CEO, was particularly impressed by how closely the MetaSwitch team worked with Big River to ensure a successful deployment: “The support is what really sets these guys apart. They sold us a product and hung around and became part of our team to make it work.”

Keaveny expands on Howe’s comments: “It is great to call the MetaSwitch support team and find a wealth of knowledge and understanding not only of what their product does, but of the environment in which it operates, whether it is SS7 signaling, call record processing, or the myriad other interfaces in which a telephone switch operates. While many vendors have great technical staff, very few have the positive, helpful attitude and dedication to supporting the customer found across the MetaSwitch support team. This, in itself, puts MetaSwitch head and shoulders above their competition.”

In terms of technology, MetaSwitch’s key advantage was its ability to act as a robust “traditional” Class 5 switch with protocols such as SS7 and ISDN, while enabling a smooth migration to a next generation network architecture based on SIP, H.248 and MGCP. In fact, Big River is already exploiting its flexible feature server interface with an IP-based conferencing and voicemail system developed in-house. The company plans to build on that application with call management, follow-me, click-

to-dial and other advanced capabilities.

"Apart from the accelerated deployment schedule, this was a very straightforward deployment for us," says Bob Harvey, MetaSwitch Regional Manager. "With the growing acceptance of VoIP, we are installing at least one switch every week at the moment. The success of Big River's deployment, one of more than 50 to date, serves to solidify our reputation as the proven solution for Class 5 VoIP softswitch."

For more information, including a network diagram, please visit <http://www.metaswitch.com/bigriver.htm>.

