



Embarq

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April 23, 2008

Chairman Eddie Roberson
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

filed electronically in docket office on 04/24/08

Re: Embarq's Response to the Consumer Advocate's First Set of Discovery Requests

Docket No. 07-00269

Dear Chairman Roberson:

Enclosed are an original and four (4) copies of Embarq's Response to the Consumer Advocate's First Set of Discovery Requests in the above-referenced Docket. Information marked as **confidential** is being filed under seal in a separate envelope and should be afforded the usual protections. Under cover of this letter, a copy of the public version of this filing is being served upon representatives of the Consumer Advocate and Protection Division ("Consumer Advocate"). Embarq will provide the confidential information upon execution of a non-disclosure agreement by the parties. Embarq has already filed its responses electronically (without the confidential information) and this letter is the required follow-up to that filing.

Please do not hesitate to contact me with any questions concerning this matter.

Sincerely yours,

Edward Phillips

HEP:sm

Enclosures

cc: Tennessee Attorney General & Reporter
Office of the Tennessee Attorney General

Edward Phillips

COUNSEL

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BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

In Re:)
)
United Telephone-Southeast, Inc. d/b/a Embarq) Docket No. 07-00269
Tariff Filing to Increase Rates in Conjunction With)
the Approved 2007 Annual Price Cap Filing)
)

**EMBARQ'S RESPONSE TO THE CONSUMER ADVOCATE'S
FIRST SET OF DISCOVERY REQUESTS**

Pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11 and the Hearing Officer's *Order Setting Procedural Schedule* entered on March 26, 2008, United Telephone-Southeast, Inc. d/b/a Embarq ("Embarq") responds to the first set of discovery served on Embarq by the Office of the Tennessee Attorney General and Reporter, Consumer Advocate and Protection Division ("Consumer Advocate") on April 2, 2008.

Embarq responds to the Consumer Advocate's request based on the definitions and instructions provide by the Consumer Advocate set forth below.

PRELIMINARY MATTERS AND DEFINITIONS

Each discovery request calls for all knowledge, information and material available to Company, as a party, whether it be Company's, in particular, or knowledge, information or material possessed or available to Company's attorney or other representative.

These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by Company which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that Company supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. The singular of any discovery request includes the plural and the plural includes the singular. To assist you in providing full and complete discovery, the Attorney General provides the following definitional guidelines.

The terms "and" and "or" shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term "communication" means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

For purposes of these discovery requests, the term "you" shall mean and include: Embarq, United Telephone-Southeast, Inc. and all employees, agents and representatives thereof.

The term "person" or "persons" as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served, all responses must include the company's response. Moreover, the company's designated person for responding must assure that the company provides complete answers. *A complete answer*

must provide a response which includes all matters known or reasonably available to the company.

The term “identity” and “identify” as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, the title of the document, the reference number (if any) of the document, and the current location of the document, including the identity of the person or entity in possession of the document.

The term “document” as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, workpaper, spreadsheet, note, photograph, tape recording, computer disk or record, or other data compilation in any form without limitation. Produce the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation), spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document was, but no longer is, in your possession or control, state what disposition was made of it and when. If a document exists in different versions, including any dissimilar copies (such as a duplicate with

handwritten notes on one copy), each version shall be treated as a different document and each must be identified and produced.

If you produce documents in response to these discovery requests, produce the original of each document or, in the alternative, produce a copy of each document and identify the location of the original document. If the “original” document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- (a) the nature of the communication;
- (b) the date of the communication;
- (c) the identity of the persons present at such communication; and
- (d) a brief description of the communication sufficient to allow the Authority to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the

information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

EMBARQ'S RESPONSES

1. Please identify each person whom you expect to call as an expert witness at the hearing on the merits in this docket, and for each such expert witness his or her qualifications.
- A. Embarq expects Mark C. Hunter to submit direct testimony in this docket. Embarq's rebuttal witnesses are dependant on the direct testimonies of other parties.

Mr. Hunter is employed by Embarq, and his title is State Regulatory Affairs Manager. His responsibilities currently include the states of Tennessee, Virginia and South Carolina. Mr. Hunter has worked for Embarq, and earlier Sprint, in Kansas City in the regulatory affairs area for the last ten years. Before that Mr. Hunter worked for Sprint in its network real estate department as a contracts negotiator. Prior to working for Sprint, Mr. Hunter worked for a cable television multiple systems operator as its legal counsel and contracts administrator. He has had regulatory responsibilities for Tennessee for approximately the last seven years. Mr. Hunter has been involved in the subject of this particular docket from its beginnings.

Mr. Hunter graduated from the Washburn University School of Law in 1992 and Washburn University in 1989. Mr. Hunter has been licensed to practice law in the State of Kansas since 1992.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

- Q2. Please produce copies of all documents, summaries, charts, trade articles, journals, treatises, publications, workpapers, file notes, chart notes, tests, test results, interview notes, and consultation notes provided to, reviewed by, utilized by, relied upon, created by, or produced by any proposed expert witness in evaluating, reaching conclusions or formulating an opinion in this matter.
- A. Embarq has not completed its research as of the date of filing this response. Responsive documents, gathered to date and not otherwise included in these responses, are included at **ATTACHMENT 2**.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Q3. Please produce copies of all documents referred to or relied upon in responding to these discovery requests.

A. All documents referred to or relied upon are included in the response to specific questions.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Q4. Please produce copies of all hearing exhibits that you plan to introduce, use, or reference at the hearing on the merits in this docket.

A. At this time, Embarq has not developed any hearing exhibits.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

- Q5. Please produce copies of all documents -- including, without limitation, workpapers, spreadsheets, summaries, charts, notes, exhibits, articles, journals, treatises, periodicals, publications, reports, records, statements, Internet web pages, or financial information -- that you contend support the factual assertions, conclusions, or opinions of any of your witnesses in this matter.
- A. Embarq has not completed its research as of the date of filing this response. Responsive documents, gathered to date and not otherwise included in these responses, are included at **ATTACHMENT 2**.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

- Q6. Please produce copies of all documents -- including, without limitation, workpapers, spreadsheets, summaries, charts, notes, exhibits, articles, journals, treatises, periodicals, publications, reports, records, statements, Internet web pages, or financial information -- relied upon by any of your witnesses in evaluating, reaching conclusions, or formulating an opinion in this matter.
- A. Embarq has not completed its research as of the date of filing this response. Responsive documents, gathered to date and not otherwise included in these responses, are included at **ATTACHMENT 2**.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

- Q7. Please produce copies of all documents -- including, without limitation, workpapers, spreadsheets, summaries, charts, notes, and exhibits -- created by or for or prepared by or for any of your witnesses in evaluating, reaching conclusions, or formulating an opinion in this matter.
- A. Embarrq has not completed its research as of the date of filing this response. Responsive documents, gathered to date and not otherwise included in these responses, are included at **ATTACHMENT 2**.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

- Q8. Please identify all information, documents and things filed in the present docket record, including all responses to discovery of the parties and data request from the TRA Staff, which Embarq produced in this docket and does not agree to stipulate to the authenticity of such information, documents and things in this proceeding. For each separate piece of information, documents and things which Embarq produced in this docket and Embarq contends is not admissible as evidence, describe in specific detail any objection(s) Embarq claims as to admissibility into the evidentiary record in this docket.
- A. The record in the docket to date does not include any responses to discovery by any party.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Q9. Please provide all Excel (or other data files) containing the information provided in response to these requested items.

A. Not applicable.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Q10. Define “local directory assistance area” as the term is applied in the company’s tariffs, specifically within the context of Tariff 20070020 and the sixteenth revised page three (3) of Section U 17 of the General Subscriber Services Tariff.

A. The term appears on the cited page in section U17.5 of the Company’s General Subscriber Services Tariff. That tariff section contains the terms, conditions and price for National Directory Assistance Service. (See U17.5.1 and U17.5.2.c).

Directory Assistance Service is located at section U17.1 thru 3 of the tariff. Section U17.1.B explains that Directory Assistance Service includes subscriber requests for determining the “telephone number of any customer served by or thought to be served by the Company throughout northeast Tennessee.”

Note also that section U1 of the tariff defines “Local Directory Assistance Service” as service “furnished to the subscribers of the Company’s local service for the obtaining of local telephone numbers of other subscribers served by the Company.” All of Embarq’s northeast Tennessee area is local calling.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Q11. If an affiliate or non-affiliate provides wire line directory assistance for either local or national directory assistance to Embarq's Tennessee consumers on behalf of Embarq, identify the affiliate or non-affiliate and provide a copy of the contract and/or agreement.

A. Embarq objects on the basis that the information requested is not relevant to this proceeding and not likely to lead to relevant and admissible evidence.

Notwithstanding these objections and without waiver thereof, Embarq responds as follows: Embarq self-provisions directory assistance services. Embarq affiliates Carolina Telephone and Telegraph Company (North Carolina) and Embarq Florida, Inc., provide directory assistance services to all the other Embarq operating companies. There is no effective written service agreement between these companies and United Telephone Southeast LLC. The cost of providing directory assistance service among the affiliates is allocated based upon directory assistance call volumes.

Prepared By:

Edward Phillips
Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Q12. Provide the annual projections for 2008 and 2009 for the increase in revenue resulting from a decrease in the free directory assistance call allowance from three (3) to one (1) as proposed in the tariff filed in this case.

A. Embarq does not have any projections for either 2008 or 2009.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Q13. Provide annual projections for 2008 and 2009 for the increase in revenue resulting from a decrease in the free directory assistance call allowance from three (3) to two (2).

A. Embarq does not have any projections for either 2008 or 2009.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Q14. Provide a projection for the annual decrease in revenue in 2008 and 2009 resulting from an increase in the free directory assistance call allowance from three (3) to four (4).

A. Embarq does not have any projections for either 2008 or 2009.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Q15. Please explain how Embargo determined its responses to the three previous discovery requests, including the method employed in the calculation.

A. Not applicable.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Q16. Provide or describe the publication and distribution schedule for updating and replacing phone books distributed to Embarq's customers.

A. Embarq's white page directories are generally published every twelve (12) months and are distributed either by mail or hand-delivery by the publisher.

Prepared by:

G. Tracy McCullen
Manager Process Analysis & National Directory Operations
April 22, 2008

Q17. Provide a copy or copies of the most recently distributed white pages phone book(s) distributed on behalf of Embark to all customers within the company's service area in Tennessee.

A. The following Embark white page directories are in the process of being shipped directly to the Attorney General's offices in Nashville:

East Tennessee State University

Elizabethton (Mountain City)

Erwin - Unicoi County

Greeneville

Tri-Cities/Bristol

Tri-Cities/Johnson City (Jonesborough)

Tri-Cities /Kingsport

Jonesborough (Tri-Cities/Johnson City) Community Book

Mountain City (Elizabethton) Community Book

Prepared By:

G. Tracy McCullen

Manager Process Analysis & National Directory Operations

April 22, 2008

Q18. Provide the number of existing or new Embark residential and business customers that obtained a new or different telephone number(s) in Tennessee in the calendar year 2007 by month and by specific published directory.

A. This information is not readily available. Responding to the question would require the creation of a burdensome special study.

Prepared by:

G. Tracy McCullen
Manager Process Analysis & National Directory Operations
April 22, 2008

Q19. Provide a listing of the total number of changes, including edits, additions, and deletions of telephone numbers and listing information, that were made on behalf of the company to update the most recently distributed published telephone directory for the entire Embarq service area by month and specific directory.

A. This information is not available.

Prepared by:

G. Tracy McCullen
Manager Process Analysis & National Directory Operations
April 22, 2008

Q20. Provide the total number of telephone number listings in Embark's Tennessee service area white pages telephone book(s) distributed at the end of the year 2006 and/or the beginning of the year 2007.

A. Embark's response is provided at **ATTACHMENT 20**. The attachment is **CONFIDENTIAL**.

Prepared by:

G. Tracy McCullen
Manager Process Analysis & National Directory Operations
April 22, 2008

- Q21. Provide the total number of telephone numbers in the Embarq's Tennessee service area white pages telephone book(s) distributed at the end of the year 2007 and/or the beginning of the year 2008.
- A. See Embarq's response to Q20. Embarq interprets this question to be the same as Q20 except for the time period difference. Embarq interprets no difference in meaning attributed to the word "listing" appearing in Q20 but not this question.

Prepared by:

G. Tracy McCullen
Manager Process Analysis & National Directory Operations
April 22, 2008

Q22. Provide the average time lag or time period between the date information is provided to the directory publisher and the date the telephone directories are distributed to Embarq's Tennessee customers.

A. Six to eight weeks.

Prepared by:

G. Tracy McCullen
Manager Process Analysis & National Directory Operations
April 22, 2008

Q23. Please identify all alternatives known to and/or documented by the company that are available to Embarq's residential customers for access to free directory assistance service within the company's Tennessee service area.

A. Embarq has not completed its research as of the date of filing this response. However, Embarq is aware of the following sources for free directory assistance services:

White and yellow page paper directories provided by Embarq and others.

800-FREE-411

<http://www.whitepages.com/>

800 Yellow Pages: 800-935-5697

800-GOOG-411 (Google 411, Business Only)

800-CALL-411 (Business Only)

<http://www.yellowpages.com/>

Via the Internet, e.g. Google, Yahoo (type in name of business and city/state)

Note materials included at **ATTACHMENT 2**

Prepared By:

Madelyn Gengelbach
Brand Manager
April 22, 2008

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Q24. Please state the average number of directory assistance calls per month for residential customers of Embarq in Tennessee during the calendar year 2007, and explain or describe the method of calculation and all fact and figures employed to respond.

A. Embarq's response is provided at **ATTACHMENT 24**. The attachment is **CONFIDENTIAL**.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Q25. Does the Company provide free local and/or national directory assistance or discounted local and/or national directory assistance to any of its business and/or commercial customers?

A. Embarq does not provide free or discounted directory assistance to any business or commercial customer.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Q26. Does the company provide free local and/or national directory assistance in bundled offerings as the term “bundle” is applied in Tenn.Code Ann. § 65-37-103?

A. Embarq does not provide directory assistance in any of its bundled offerings.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

- Q27. Request for Admission: On page four of the *Response of United Telephone-Southeast, Inc. d/b/a Embarq to the CAPD's Complaint & Petition to Intervene*, the company represents that all "Directory Assistance calls made by disabled Tennesseans and all those calls made by Tennesseans 65 and older, as set forth in the Tariff, are provided to such customers completely free of charge". Please admit the following statement: In order to qualify for the directory assistance exemption for disabled customers and/or customers age 65 and older, consumers must document their disability and/or age pursuant to the tariff.
- A. Embarq objects on the basis that the information requested is not relevant to this proceeding and not likely to lead to relevant and admissible evidence. The issue of exemptions for Embarq's disabled and elderly customers is not in dispute. Embarq does not seek to eliminate these exemptions.

Prepared By:

Edward Phillips
Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

- Q28. Request for Admission: The company cannot confirm whether all billed customers with disabilities or age 65 and older residing within Embarq's [sic] service area have applied for an exemption or are exempt from directory assistance charges.
- A. Embarq objects on the basis that the information requested is not relevant to this proceeding and not likely to lead to relevant and admissible evidence. The issue of exemptions for Embarq's disabled and elderly customers is not in dispute. Embarq does not seek to eliminate these exemptions.

Prepared By:

Edward Phillips
Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Q29. Explain or describe the documentation required and application and approval process by which the Company's disabled consumers and consumers age 65 and older apply for a directory assistance charges exemption.

A. Embarq objects on the basis that the information requested is not relevant to this proceeding and not likely to lead to relevant and admissible evidence. The issue of exemptions for Embarq's disabled and elderly customers is not in dispute. Embarq does not seek to eliminate these exemptions.

Prepared By:

Edward Phillips
Counsel
April 22, 2008

Q30. Please provide copies and examples, complete with date of publication, of all bill inserts, promotions, public notices and advertisements sponsored, published or distributed by the company in the last five years that advise customers of the existence of the Directory Assistance exemption for Tennessee customers with disabilities and those age 65 and older.

A. Embarq objects on the basis that the information requested is not relevant to this proceeding and not likely to lead to relevant and admissible evidence. The issue of exemptions for Embarq's disabled and elderly customers is not in dispute. Embarq does not seek to eliminate these exemptions.

Prepared By:

Edward Phillips
Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

- Q31. Please provide the number of the company's Tennessee customers with disabilities and/or age 65 and older that have completed the documentation requirements of the tariff and thus qualify for the directory assistance exemption.
- A. Embarq objects on the basis that the information requested is not relevant to this proceeding and not likely to lead to relevant and admissible evidence. The issue of exemptions for Embarq's disabled and elderly customers is not in dispute. Embarq does not seek to eliminate these exemptions.

Prepared By:

Edward Phillips
Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

- Q32. Request for Admission: Prior to the date Embarq became a price cap regulated incumbent in Docket 95-02615, the cost of providing directory assistance was included in the “Basic Local Exchange Service” rates paid by tariffed customers.
- A. Embarq objects on the basis that the information requested is not relevant to this proceeding and not likely to lead to relevant and admissible evidence. The Authority, as upheld by the Middle Section Court of Appeals, has found directory assistance is a non-basic service under the price regulation statutes that currently govern Embarq’s pricing.

Prepared By:

Edward Phillips
Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

- Q33. Provide the year in which the company first provided directory assistance to Tennessee consumers and the proceeding in which the company was first allowed by the Tennessee Regulatory Authority or by the former Tennessee Public Service Commission to incorporate the cost of service for providing directory assistance into basic local exchange rates or the rates charged to consumers for basic phone service.
- A. Embarq objects on the basis that the information requested is not relevant to this proceeding and not likely to lead to relevant and admissible evidence. The Authority, as upheld by the Middle Section Court of Appeals, has found directory assistance is a non-basic service under the price regulation statutes that currently govern Embarq's pricing.

Prepared By:

Edward Phillips
Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

- Q34. Provide a copy of the most recent cost of service study the company has conducted for providing directory assistance.
- A. Embarq objects on the basis that the information requested is not relevant to this proceeding and not likely to lead to relevant and admissible evidence. Embarq's cost of local directory assistance has no bearing on the issues in this proceeding.

Prepared By:

Edward Phillips
Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Q35. Provide and document all billing credits issued to the company's Tennessee consumers in response to billing complaints directed toward the company, the Tennessee Regulatory Authority, Better Business Bureau or other consumer complaint gathering agency or organization involving directory assistance charges.

A. Embarq objects on the basis that the information requested is not relevant to this proceeding and not likely to lead to relevant and admissible evidence.

Prepared By:

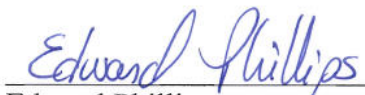
Edward Phillips
Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

- Q36. Provide copies of all documents in possession of the company that document, pertain or indicate the scope of, estimate and/or factual documentation of internet access and service penetration within Embarq's Tennessee Service area.
- A. The Federal Communications Commission reports that 89% of Tennessee zip codes have more than three providers of high-speed access (200 kbps in at least one direction) as of June 30, 2007. See http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-280906A1.pdf The accompanying map shows that Embarq's entire service area has seven or more providers of high-speed internet access.

Prepared By:

Mark C. Hunter
State Regulatory Affairs Manager
April 22, 2008

Respectfully submitted this 23rd day of April, 2008.



Edward Phillips
Attorney
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TN B.P.R. No. 016850


CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing Response of Embarq to the Consumer Advocate's First Set of Discovery Requests upon all parties of record by depositing a copy in the United States Mail, first-class postage prepaid.

This 23rd day of April, 2008.

Robert E. Cooper, Jr.
Tennessee Attorney General & Reporter
Office of the Tennessee Attorney General
P. O. Box 20207
Nashville, TN 37202-0207

Ryan L. McGehee
Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate and Protection Division
P. O. Box 20207
Nashville, TN 37202-0207



Edward Phillips
United Telephone-Southeast, Inc.

**TENNESSEE REGULATORY AUTHORITY
IN RE: UNITED TELEPHONE-SOUTHEAST INC. d/b/a EMBARQ CORPORATION
TARIFF FILING TO INCREASE RATES IN CONJUNCTION WITH THE APPROVED
2007 ANNUAL PRICE CAP FILING, DOCKET NO. 07-00269
EMBARQ'S RESPONSE TO CONSUMER ADVOCATE'S FIRST SET OF
DISCOVERY REQUESTS**

ATTACHMENT 2

(PUBLIC)

BEFORE THE
STATE CORPORATION COMMISSION
OF VIRGINIA

Partial - Available
Online at
www.scc.virginia.gov/

Application of)
Verizon Virginia Inc.) Case No. PUC-2007- 00008
and)
Verizon South Inc.)
For a Determination that Retail Services Are)
Competitive and Deregulating and Detariffing)
of the Same)

DIRECT TESTIMONY
OF
MR. HAROLD E. WEST, III

On Behalf of
Verizon Virginia Inc.
and
Verizon South Inc.

PUBLIC VERSION

January 17, 2007

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1 always-on Internet access directly over the cooperative's electric power lines.
2 CVEC is a member-owned electric distribution cooperative, serving more than
3 30,000 homes and businesses in the rural portions of 14 counties in Virginia.
4

5 3. Directory Assistance Services

6 **Q. PLEASE DESCRIBE THE DIRECTORY ASSISTANCE SERVICES THAT**
7 **VERIZON SEEKS DECLARED COMPETITIVE.**

8 A. Verizon seeks to reclassify as competitive the retail directory assistance services
9 ("DAS") Verizon provides to its local service customers. Verizon's DAS enable
10 customers to obtain local telephone numbers and listings of residential and
11 business customers of Verizon, independent companies and CLECs.²³⁹ DAS are
12 properly included in the product market that includes all of the other services
13 (BLETS, OLETS and Bundles) that Verizon seeks declared competitive because
14 - just like custom calling features - customers who purchase a basic access line
15 also purchase the ability to obtain DAS from their local service provider. In fact,
16 regulations in Virginia require all local exchange companies to provide DAS, as
17 well as Operator Services, as adjuncts to the basic access lines.²⁴⁰ Competition
18 to provide local exchange service necessarily entails competition to provide
19 related DAS. Accordingly, the evidence that I just presented of local exchange

²³⁸ See www.radford.va.us/project.html (accessed July 21, 2006).

²³⁹ These services include: (1) local directory assistance or "411", which enables customers to obtain assistance in determining telephone numbers and listings of customers who are located in Verizon's service area; (2) Connect RequestSM, which provides local directory assistance customers with the option of having the requested telephone number automatically dialed for them; and (3) List Service, which provides telephone numbers in written form.

²⁴⁰ See 20 VAC 5-417-30-A4, A5.

1 competition for residential and small business customers, including competition
2 from wireless carriers, VoIP providers and traditional wireline CLECs, also serves
3 as evidence of competition for DAS.

4 Even if DAS were considered to be in a separate product market, however, there
5 is ample evidence demonstrating that competitors face no substantial barriers to
6 market entry and, in fact, are already present and reasonably meeting the needs
7 of residential and business customers alike.

8 **Q. WHAT MODES OF COMPETITION DOES VERIZON FACE FOR ITS DAS**
9 **SERVICES?**

10 A. In addition to wireline CLECs and VoIP providers who compete for customers'
11 entire telephone business, Verizon faces DAS competition from wireless carriers,
12 standalone telephonic providers, Internet-based services, and electronic media.

13 **Q. HOW HAS THE COMPETITION FOR DAS AFFECTED VERIZON?**

14 A. As a result of competition, Verizon has experienced substantial declines in its DA
15 volumes. From 2002 through 2005, DA calling volumes have declined by about
16 **[BEGIN CONFIDENTIAL]**

17
18 **[END CONFIDENTIAL]** percent. As Dr. Taylor concurs, the
19 vast array of competitive alternatives available to customers of Verizon's retail
20 DAS and the obvious impact these competitive alternatives have had on
21 Verizon's retail DAS revenues and volumes, point clearly to the appropriateness
22 of competitive reclassification for Verizon's DAS.

1 **Q. HOW ARE WIRELESS CARRIERS MEETING CUSTOMERS' NEED FOR**
2 **DAS?**

3 A. Wireless carriers, such as Cingular, Sprint/Nextel, T-Mobile, Verizon Wireless,
4 and the smaller wireless companies serving Virginia, all compete with Verizon's
5 DAS. They each provide directory assistance services, most often with call
6 connect services that directly connect the caller to the number sought from the
7 directory assistance operator. Verizon wireline customers with a wireless phone,
8 therefore, may choose to use their wireless phone for DAS, rather than their
9 Verizon wireline service.

10 **Q. DO STANDALONE TELEPHONIC DAS PROVIDERS COMPETE WITH**
11 **VERIZON'S DAS?**

12 A. Yes. A new breed of competitors has begun to provide free telephonic DAS. On
13 October 10, 2005, Jingle Networks, Inc. launched Free Nationwide 411 Directory
14 Assistance. This service allows residential and business customers to make free
15 directory assistance calls from any wireline or wireless telephone by simply
16 dialing 1-800-FREE411 (i.e., 1-800-373-3411). A PR Newswire News and
17 Information Release, dated October 14, 2005, reported:

18 Jingle Networks' 1-800-FREE411 service revolutionizes the 411
19 (directory assistance) marketplace by offering a FREE alternative to
20 the high cost service provided by traditional carriers. In addition,
21 FREE411.COM on the Internet provides consumers with an easy to
22 use Web-based destination for telephone number lookups.
23 National and local merchants subsidize this service with a 10-
24 second audio advertisement about their services, which are played
25 to consumers making a request for a business in their yellow pages
26 category. Customers requesting residential listings do not hear any
27 audio announcements or receive any marketing solicitations when
28 placing directory requests. For more information visit
29 <http://www.free411.com>.²⁴¹

²⁴¹ See <http://www.prnewswire.com>.

1
2 411 METRO also provides **free** telephonic DAS services to business and
3 residential customers throughout Virginia from any wireline or wireless telephone.

4 The 411 METRO website advertises this no cost service as follows:

5 Truth is, 411 should be free. So, we changed it. By simply including
6 short, relevant ad messages from local businesses, we deliver the
7 best possible directory service experience for you, the consumer,
8 and the businesses you're calling. These businesses are more
9 than willing to pay to advertise to local customers, allowing us to
10 focus on delivering you with the highest quality 411 service in the
11 industry. And it's free. Really.²⁴²

12
13 **Q. DO ANY OF THESE FREE TELEPHONIC DAS PROVIDERS OFFER**
14 **ADDITIONAL DA SERVICES?**

15 A. Yes. 411 METRO provides **free** call completion to the requested telephone
16 number as an option (in direct competition with Verizon's automatic call
17 completion service).

18 **Q. HOW DO INTERNET-BASED SERVICES COMPETE WITH VERIZON'S DAS?**

19 A. Internet-based alternatives (accessed through wireline and wireless enabled
20 personal computers, wireless handsets and personal data assistants) compete
21 with Verizon's DAS in that business and residential customers obtain DA
22 information from a host of World Wide Web sites that are accessed for free via
23 Internet connection (e.g., telephone, cable, or satellite connection). These sites
24 provide access to a multitude of free "on line" directory assistance database
25 directories. Competitive pressure on Verizon's DAS from Internet-based DAS
26 has increased as Internet usage and capabilities have increased. The already
27 high and increasing penetration of Internet access is noteworthy because a

²⁴² See <http://www.411metro.com>.

1 recent study by the Pew Center for Internet and the Public Interest found that 54
2 percent of Internet users employed the Internet to search for telephone numbers
3 or addresses.²⁴³

4 **Q. CAN YOU IDENTIFY SOME OF THE FREE WEB SITES RESIDENTIAL AND**
5 **BUSINESS CUSTOMERS CAN ACCESS, AND EXPLAIN WHAT DIRECTORY**
6 **ASSISTANCE SERVICES ARE AVAILABLE FROM THESE SITES?**

7 A. Yes. Residential and business customers throughout Virginia can obtain white
8 and yellow page listings and other enhanced directory assistance services from
9 web sites such as Switchboard.com, Reach411.com, Four11.com,
10 InfoSpace.com, Whitepages.com, WhoWhere.com, 411Locate.com,
11 411metro.com, and free411.com – just to name a few. Further, web search
12 engines such as AltaVista, Ask, GoTo, Excite, FindWhat, Google, MetaCrawler,
13 and Yahoo all have web links to free directory assistance listings and services
14 web sites.

15 **Q. DO INTERNET-BASED DAS PROVIDE GREATER SEARCHING FLEXIBILITY**
16 **AND INFORMATION CONTENT THAN TELEPHONIC DAS?**

17 A. Yes. Internet DAS are in many ways superior to the DAS offered by Verizon. In
18 addition to providing directory listings, Internet-based DAS provide web-site and
19 e-mail addresses, cell phone numbers, driving directions, and links to web sites
20 related to the requested business or residence listing. Moreover, Internet-based
21 DAS provide category searches that allow users to identify numerous businesses
22 or professional service providers by product or service type and by distance from
23 the user's location. This type of searching flexibility is especially important

²⁴³ Pew Internet & American Life Project, "Usage Over Time" spreadsheet, latest survey entry on May-June, 2005, found at <http://www.pewinternet.org/trends.asp> (accessed March 27, 2006).

1 because at least one study found that about 85 percent of DA calls are made to
2 obtain business telephone numbers.²⁴⁴

3 **Q. IS THERE SIGNIFICANT DEMAND FOR INTERNET-BASED DAS?**

4 A. Yes. A report issued by Frost and Sullivan discusses how the Internet DA
5 market has experienced enormous growth and predicts that the number of
6 Internet - Online DA web site visits will increase from 660 million per year in 1999
7 to exceed 5 billion visits per year in 2006, a compounded annual growth rate of
8 34.2 percent over the forecast period.²⁴⁵

9 Placement of Internet-based DAS on many major web portals demonstrates the
10 significant demand for these directories. For instance, on Yahoo!, the "People
11 Search" directory option occupies a prominent position on the screen, as do the
12 "Yellow Pages" option on AOL's portal and the "White Pages" and "Yellow
13 Pages" links on MSN's home page. This indicates that the directory is a popular
14 option for users; otherwise Yahoo! and AOL would not allocate precious portal
15 space to it. It also means that users can get to the telephone directory with very
16 little trouble or inconvenience. These observations – combined with data
17 showing that 54 percent of Internet users search for telephone numbers and
18 addresses online – support the common sense notion that there is significant
19 demand for Internet directories.

²⁴⁴ The Pelorus Group, *"Enhanced Directory Assistance: Strategies For The New Directory Assistance Landscape,"* at 8 (September 2001).

²⁴⁵ *"Invasion of Internet Directory Assistance Creates New Challenges for Telephone Directory Services Providers,"* Frost and Sullivan, 2000, Figure 2, at p.7.

1 **Q. HOW ARE ELECTRONIC MEDIA DAS PROVIDERS COMPETING WITH**
2 **VERIZON'S DAS?**

3 A. Companies such as American Business Information ("ABI") and Info USA provide
4 white and yellow page phonebooks on CD-ROM. In addition to such listings,
5 these products also provide reverse search and automatic telephone connection
6 to the requested listing, and provide additional advanced features not available
7 from Verizon DAS. These products have been heavily marketed as cost-
8 effective and widely used alternatives to telephonic directory assistance.²⁴⁶

9 **Q. ARE COMPETITORS EASILY ABLE TO ENTER THE DIRECTORY**
10 **ASSISTANCE MARKET FOR COMMUNICATIONS SERVICES IN VIRGINIA?**

11 A. Yes, there are no substantial barriers to entry into the directory services market.
12 In its Third Report and Order in Docket No. 96-98, released November 5, 1999,
13 the FCC found that operator services and directory assistance ("OS/DA") need
14 not be unbundled as network elements because there is a competitive wholesale
15 market in the provision of OS/DA service, as well as opportunities for self-
16 provisioning. The FCC stated:

17 The record provides significant evidence of a wholesale market in
18 the provision of OS/DA services and opportunities for self-
19 provisioning OS/DA services. Moreover, we do not find that the
20 evidence regarding the differences in cost, timeliness, quality,
21 interoperability and ubiquity between the incumbent's OS/DA
22 service and alternative OS/DA services, provided either through
23 self-provisioning or third-party alternatives, is sufficient to conclude
24 that lack of unbundled access to the incumbent's OS/DA service
25 would materially diminish a requesting carrier's ability to offer the
26 services it seeks to provide. We note that nondiscriminatory
27 access to the incumbent's underlying databases used in the
28 provision of OS/DA is required under section 251(b)(3) of the 1996
29 Act. The additional nondiscrimination requirements of section
30 251(b)(3), coupled with evidence of multiple alternative providers of

²⁴⁶ See <http://www.infousa.com>.

1 OS/DA service in the marketplace, provide strong evidence that
2 competitors are not impaired without access to the incumbent's
3 OS/DA service as an unbundled network element.

4 Accordingly, incumbent LECs need not provide access to its OS/DA as an
5 unbundled network element.²⁴⁷

6 The FCC's analysis strongly supports the conclusion that there are no
7 impediments to entry and the expansion of supply in the market for DAS. As the
8 FCC has found, there is a wholesale market for DA, as well as opportunities for
9 self-provisioning. This evidence readily attests to the lack of significant barriers
10 to entry in the market.

11 The substantial rise in available DAS alternatives in every part of the
12 Commonwealth provides further evidence that entry into the DAS market is
13 unimpeded. Today, Virginians can choose from among a wide variety of
14 alternatives to Verizon's DAS precisely because competitors have been able to
15 enter the market to provide these alternatives.

16 **Q. ARE THERE ANY TECHNICAL OR ECONOMIC BARRIERS TO ENTRY INTO**
17 **THE DAS MARKET?**

18 A. No. There are only three basic components necessary to compete with Verizon's
19 DAS – a means of access to the service, database access, and a workforce –
20 and each is universally available.

21 **Q. IS IT DIFFICULT FOR A DAS PROVIDER TO OBTAIN A MEANS OF ACCESS**
22 **TO ITS DAS?**

23 A. No. Telephonic DAS providers, such as CLECs, IXC's, Alternative Directory
24 Assistance Providers ("ADAPs") and the like, provide access to their DAS

²⁴⁷ FCC, *Third Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 96-98* (FCC 99-238) released November 5, 1999, ¶¶ 441 and 442 ("FCC UNE Remand Order").

1 services via a telephone number such as "00", "411", 10-10-XXX, or a Toll-Free
2 Number. Computer-based DAS providers providing web-based directory access
3 services use standard web site addresses such as www.Four11.com.

4 **Q. IS IT DIFFICULT FOR A DAS PROVIDER TO OBTAIN DATABASE ACCESS?**

5 A. No. Competing DAS providers have unimpeded access to Directory Assistance
6 listing information that they can use to provide DAS in competition with Verizon.
7 They can choose to use the same listings that the Verizon companies use by
8 obtaining them directly from Verizon (through a licensing agreement), or they can
9 obtain listing information from other data compilers or providers. There are a
10 host of third-party vendors – e.g., VoltDelta and the former RBOCs – that license
11 their listings, sell transaction-based listings, and/or sell compiled listings to other
12 providers.

13 Additionally, competitive DAS alternatives requiring live interaction with directory
14 assistance operators or service specialists can readily obtain this input from
15 ADAPs or Verizon.

16 **Q. ARE VOIP PROVIDERS OFFERING DAS?**

17 A. Yes. The VoIP providers described above offer new alternatives to Verizon's
18 DAS. Vonage, for example, offers "Enhanced 411." At the "Get More
19 Information" section of its web site, Vonage touts the features of its DAS, stating:

20 It's not just 411- it's Vonage 411. ...For just \$.99 per call, you get
21 access to any listings in the U.S., Canada, and Puerto Rico. Each
22 411 call that you make from a Vonage phone gets you up to two
23 listings. Our operators are bilingual (English and Spanish).²⁴⁸
24

²⁴⁸ See <http://www.vonage.com/features.php?feature=411>.

1 Other VoIP providers are also offering residential and business DA, including:
2 Packet 8 -\$.75 per call, Via Talk -\$.95 per call, Sun Rocket -"2 free calls per
3 month," VOIP Net - \$.75 per call, and Verizon's VoiceWing - \$1.00 per call.

4 **Q. HOW DO CLECS PROVIDE DAS?**

5 A. CLECs provide DAS in conjunction with their competitive local service offerings
6 thus competing for the customer's entire local services, including DAS. There
7 are approximately 30 facilities-based CLECs present. Verizon only provides
8 local DAS to **[BEGIN CONFIDENTIAL]** **[END CONFIDENTIAL]** of them. The
9 other CLECs either self-provision local DAS for their end-users or obtain local
10 DAS on a wholesale basis from a competitive provider. Moreover, as explained
11 above, there are over 35 resellers present and providing local service to
12 customers in Virginia, and approximately **[BEGIN CONFIDENTIAL]** **[END**
13 **CONFIDENTIAL]** CLECs providing service using Verizon's Wholesale
14 Advantage product. Those that do not use that platform (e.g., Verizon's
15 wholesale DAS customers) are able to access Verizon's DA database and
16 provide customers with the same directory information that Verizon provides to
17 its retail customers.
18 Furthermore, Verizon continues to offer customized routing to CLECs who
19 provide their own DAS. This enables a CLEC's end-users to dial "411" and have
20 the CLEC provide DAS through the CLEC's own operator services via a third
21 party (such as an ADAP).

1 **Q. WHAT IS AN ADAP?**

2 A. An ADAP is a company that offers a suite of local and national directory
3 assistance services to retail customers and wholesale customers.

4 **Q. DO ADAPS PROVIDE DAS OFFERINGS THAT ARE COMPETITIVE WITH**
5 **VERIZON'S DAS SERVICES?**

6 A. Yes. For example, INFONXX offers 411 Plus, which according to INFONXX,
7 cuts corporate costs by providing employees with the highest-quality DAS at a
8 fraction of the cost charged by local telephone companies. The INFONXX DAS
9 plan includes enhanced features such as information on traffic and
10 transportation, movie listings and dining information, sport scores, stock quotes,
11 and text direct and SMS directory assistance (which allows a requested name,
12 phone number and address to be sent to a mobile device).²⁴⁹

13 As another example, 411Saver offers companies, organizations and government
14 entities nationwide directory assistance in monthly agreements with no set-up or
15 maintenance charges. This provider programs the customer's PBX to dial a toll-
16 free DAS number whenever an employee calls "411" or "NPA-555-1212."

17 Comparing its plan to those offered by Verizon, BellSouth and Sprint, this
18 provider claims that it "can easily show ... a cost reduction of 55% to 85%."²⁵⁰

19 **Q. HOW DO ADAPS INFLUENCE RETAIL COMPETITION FOR DAS?**

20 A. They influence the retail market by providing wholesale services to carriers who,
21 in turn, sell them to CLECs, wireless carriers and VoIP providers of DAS.

²⁴⁹ See Torres, Johanne, "VoIP 411: INFONXX Offers Call Completion Services," TMCnet, October 28, 2005 & <http://www.infonxx.com/products/411-plus.asp>.

²⁵⁰ See <http://www.411saver.com>.

1 Accordingly, ADAPS are a key ingredient in the competitive mix for DAS in
2 Virginia.

3 **IV. VERIZON'S ENTERPRISE SERVICES SATISFY THE STATUTORY CRITERIA**
4 **FOR BEING DECLARED COMPETITIVE**

5 **A. Enterprise Services to be Reclassified**

6
7 **Q. WHICH ENTERPRISE SERVICES DOES VERIZON SEEK DECLARED**
8 **COMPETITIVE?**

9 A. Verizon seeks to have all of its remaining regulated business services classified
10 as BLETS, OLETS, or Bundled Services under its Plan declared competitive.
11 Exhibit VA-1 to this filing includes a list of all of the business services that
12 Verizon seeks declared competitive, and the tariff reference associated with
13 each service.

14 **B. Definition of the Relevant Market**

15 **Q. WHAT MARKET DOES YOUR COMPETITIVE ANALYSIS FOR ENTERPRISE**
16 **SERVICES EXAMINE?**

17 A. My analysis examines the statewide market for all business communications
18 products and services provided to medium-sized and large business customers.
19 This definition is consistent with the manner in which enterprise services are
20 bought and sold today. It also comports with economic principles for defining a
21 relevant market outlined by Dr. Taylor.

22 **1. The Relevant Geographic Market**

23 **Q. PLEASE EXPLAIN WHY THE RELEVANT GEOGRAPHIC MARKET IS**
24 **STATEWIDE IN SCOPE.**

25 A. As explained by Dr. Taylor, the enterprise market is national, if not global, in
26 scope. Many of the competitors for enterprise customers – including cable,
27 wireless, VoIP, and even some CLECs – offer statewide or even nationwide

1 pricing plans and market their services on similarly broad scales. As traditional
2 regional companies like Verizon add VoIP services, they become national
3 providers as well. Although wireless providers including Cingular, Sprint/Nextel,
4 and T-Mobile have slightly different geographic coverage, they too compete
5 nationally. Moreover, any customer with a broadband connection can purchase
6 VoIP services from a number of competitors.

7 For their part, enterprise customers purchase services at various locations
8 around the Commonwealth, the nation, and, in many cases, around the globe.
9 To meet these needs, providers lacking ubiquitous networks join with other
10 providers from various locations. These marketplace realities have opened the
11 door for many types of competitors, including major global telecommunications
12 providers, IP-based providers, systems integrators and managed services
13 providers, applications providers, equipment vendors, and cable operators.

14 Under the circumstances, traditional boundaries that are typically used in setting
15 regulation – such as Verizon’s service area in Virginia – are irrelevant to a
16 geographic market analysis of competition in the enterprise market. To respond
17 to this competition from providers that compete nationally, if not internationally,
18 Verizon must compete on a similar basis.

19 Accordingly, the Commission should examine competition for enterprise services
20 on a statewide basis. It is certainly the case that competitors are providing
21 competitive alternatives to Verizon’s enterprise services in every part of
22 Verizon’s service area. Any attempt by Verizon to raise prices above

1 competitive levels would be met with a response by any of the many enterprise
2 services providers serving customers in Virginia.

3 **2. The Relevant Product Market**

4 **Q. WHY DOES THE RELEVANT PRODUCT MARKET INCLUDE ALL BUSINESS**
5 **COMMUNICATIONS PRODUCTS AND SERVICES?**

6 **A.** Dr. Taylor explains why in economic terms, the relevant product market should
7 include all services that serve or could serve as competitive alternatives to the
8 service in question. From a practical perspective, the evidence shows that
9 enterprise customers typically procure services by issuing Requests for
10 Proposals ("RFPs") that cover a wide range of products and services. They
11 purchase all-distance packages of voice services from integrated providers in
12 place of separate local and long distance voice services. They use data
13 services in place of traditional voice services. Many large and medium-sized
14 business customers purchase IP Virtual Private Network ("VPN") and other
15 converged services provided over Multi-Protocol Label Switching ("MPLS")
16 networks, which can be (and are often) used in place of all local, interexchange,
17 and international voice and data services. Like residential customers, business
18 customers of all sizes use e-mail and instant messaging extensively, thereby
19 causing steep declines in wireline usage.

20 Enterprise business customers also are shifting between local, interexchange,
21 and international voice and data services that are purchased off-the-shelf in
22 standard configurations, and managed forms of these services that are
23 customized to the user's needs. For instance, because no one provider has

1 ubiquitous network facilities, systems integrators and managed network
2 providers (such as EDS, IBM, Accenture, Cap Gemini, Northrop Grumman, and
3 General Dynamics) meet the needs of enterprise customers by aggregating the
4 facilities of multiple providers. As explained below, these providers have proven
5 capable of doing this as effectively as traditional wireline carriers.

6 Further, larger business customers are shifting from services purchased from a
7 communications provider to equipment with functionalities that serve as
8 competitive alternatives for the services once obtained from the provider. While
9 these customers have been doing this for decades through PBX and Centrex,
10 they are expected to do so to a much greater extent going forward, particularly
11 with the rapid drop in the cost of computing power. Today, large business
12 customers can economically purchase customer premises equipment ("CPE")
13 that provides the same functions that network providers historically performed,
14 including intra- and inter-office voice and data communications. As a result,
15 equipment suppliers such as Lucent, Nortel, Siemens, Cisco and others
16 compete to provide increasingly sophisticated on-site communications capability
17 to replace services that were previously provided through the network. Analysts
18 have observed that voice services can be provided as a "free, collaborative
19 software feature" on desktop PCs, in much the same way that Microsoft Outlook
20 and IBM's Lotus Notes provide e-mail today.²⁵¹

²⁵¹ Bill Whyman, et al., Precursor, *MSFT Enters Communications: Enterprise Voice Becoming a Free Software Feature* at 1 (Mar. 7, 2005) ("*Precursor Enterprise Voice Report*") ("Telecom investors should factor in an acceleration of the shift in voice from a monthly, priced-telecom service to a free, collaborative software feature. . . . Voice, embedded within the application, ceases to be a separate priced service, but is subordinated as merely another collaborative feature of the MSFT platform.").

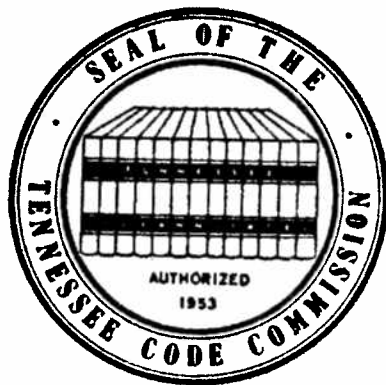
Tennessee Code Annotated

Volume 11A 2004 Replacement

Updated through the 2004 Session of the General Assembly

THE OFFICIAL TENNESSEE CODE

Prepared Under the Supervision of the
Tennessee Code Commission



FRANK F. DROWOTA, III, Chair
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JANICE M. HOLDER
SUSAN SHORT JONES
PAUL G. SUMMERS



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Bristol Tennessee Essential Services (BTES)

Tennessee Tariff No. 1
Original Page 76

SECTION 8 - DIRECTORY ASSISTANCE AND LISTING SERVICES, (CONT'D.)**8.4 Directory Assistance**

A Directory Assistance charge applies per local directory assistance call. The Customer may make two (2) requests for a telephone number per call. The Directory Assistance Charge applies regardless of whether the Directory Assistance operator is able to supply the requested number. Rates and charges for intraLATA and interLATA Directory Assistance service are provided in the Company's Tennessee Tariff No. 2.

Each Local Directory Assistance Call, Residential Customers	\$0.50
Each Local Directory Assistance Call, Business Customers	\$0.50
Directory Assistance Call Completion	\$0.55

An allowance of six (6) inquiries per month at no cost shall be allowed to residential Customers who are 65 years of age or older. The Customer must request this allowance by notifying the Company. This allowance becomes effective immediately following the request from the Customer. Should the Company exercise its option to seek verification, the allowance will become effective retroactive to the date of request.

Issued: August 25, 2006

Effective: September 25, 2006

Issued by:

Dr. R. Michael Browder, General Manager
2470 Volunteer Parkway
Bristol, Tennessee 37620

Bristol Tennessee Essential Services (BTES)

Tennessee Tariff No. 2
Original Page 26

SECTION 4 - RATES AND CHARGES(Cont'd)

4.1 Miscellaneous Rates and Charges (Cont'd)**4.1.4 Optional Toll Free Features**

The following toll free Features have limited availability based on Company's ability to provide the service, available facilities and the underlying carrier's ability to deliver the service to the company. If available, the following fees apply:

	<u>Non- Recurring</u>	<u>Monthly Recurring</u>	<u>Per Change</u>
Area Code Blocking	\$125	\$10	\$95
Area Code Routing	\$125	\$10	\$95
Time of Day, Day of Year Routing	\$125	\$10	\$95
Percent Allocation Routing	\$125	\$10	\$95
Info Digit Screening (per 800 number)	\$150	\$10	\$95
Standard ANI/DNIS Delivery (requires dedicated termination)	\$150	\$15	N/A
Customized DNIS Delivery (requires dedicated termination)	\$295	\$35	\$195
10 Digit Routing	\$125	\$10	\$95
10 Digit Blocking	\$125	\$10	\$95

4.1.5 Long Distance Directory Assistance Rates

Long Distance Directory Assistance rates are billed on a per calls basis.

Business	\$1.25
Residential	\$1.25
All Calling Card Directory Assistance	\$1.95

4.1.6 Primary Interexchange Company (PIC) Fee

Customers who select BTES Communications as their Company of choice will not be billed a PIC Fee by the Company for switching their service to the Company. If the Customer's local service provider bills them a fee for this change, the Company will credit the Customer's account for the fee upon request by the Customer.

 Issued: August 25, 2006

 Effective: September 25, 2006

Issued by:

Dr. R. Michael Browder, General Manager
2470 Volunteer Parkway
Bristol, Tennessee 37620

Partial

**BEFORE THE
STATE CORPORATION COMMISSION
OF VIRGINIA**

Application of)
)
Verizon Virginia Inc.) **Case No. PUC-2007-00008**
and)
Verizon South Inc.)
)
For a Determination that Retail Services Are)
Competitive and Deregulating and Detariffing)
of the Same)

**POST-HEARING BRIEF
OF
VERIZON VIRGINIA INC. AND VERIZON SOUTH INC.**

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PUBIC VERSION

September 14, 2007

Exhibit 12-C (West Direct) at 212-213. dcXchange will provide virtualized collocation services to carriers, first in the DC metro market, with other “follow-on” markets to-be-announced. *Id.*

(2) Cavalier

Cavalier offers private line, private OC-48 and GigE rings, metro dark fiber rings, internet, and data center collocations. Cavalier acquired Elantic Networks, Inc. (formerly Dominion Telecom) in January 2006, which added significant amounts of fiber in Virginia. Dominion built its southern VA fiber network through a 20 year IRU with “a company that did not wish to be identified” in 2001. Prior to the Elantic acquisition, Cavalier bought three other companies of note: Conectiv Communications in November 2001, net2000 Communications in January 2002, and ATG Communications in April 2002. Cavalier’s four acquisitions (inclusive of Elantic) added over \$1.6 billion in assets.

f. Directory Assistance

Verizon’s Directory Assistance Services (“DAS”) enable customers to obtain local telephone numbers and listings of residential and business customers of Verizon, independent companies and CLECs.¹⁵⁴ DAS should be part of the same product market as all of its other retail services (BLETS, OLETS and Bundles). Just like custom calling features, customers who purchase a basic access line also purchase the ability to obtain DAS from their local service provider. In fact, regulations in Virginia require all local exchange companies to provide DAS, as well as Operator Services, as adjuncts to the

¹⁵⁴ These services include: (1) local directory assistance or “411”, which enables customers to obtain assistance in determining telephone numbers and listings of customers who are located in Verizon’s service area; (2) Connect RequestSM, which provides local directory assistance customers with the option of having the requested telephone number automatically dialed for them; and (3) List Service, which provides telephone numbers in written form.

basic access lines.¹⁵⁵ Competition to provide local exchange service necessarily entails competition to provide related DAS. Accordingly, the evidence presented above of local exchange competition for residential and small business customers, including competition from wireless carriers, VoIP providers and traditional wireline CLECs, also serves as evidence of competition for DAS. *See* Exhibit 12-C (West Direct) at 138-39. Even if DAS were a separate product market, however, it should be declared competitive.

Competitors are currently meeting the needs of residential and business customers alike, including cable, wireless,¹⁵⁶ VoIP,¹⁵⁷ and CLEC providers who compete for a customers' entire telephone business, Verizon faces DAS competition from standalone telephonic providers, Internet-based services, and electronic media. *Id.* at 139-140.

CLECs provide DAS in conjunction with their competitive local service offerings thus competing for the customer's entire local services, including DAS. There are approximately 30 facilities-based CLECs present. Verizon only provides local DAS to [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] of them. The other CLECs either self-provision local DAS for their end-users or obtain local DAS on a wholesale basis from a competitive provider. Moreover, there are over 35 resellers present and providing local service to customers in Virginia, and approximately [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] CLECs providing service using

¹⁵⁵ *See* 20 VAC 5-417-30-A4, A5.

¹⁵⁶ Wireless carriers in Virginia all provide directory assistance services, most often with call connect services that directly connect the caller to the number sought from the directory assistance operator. Verizon wireline customers with a wireless phone, therefore, may choose to use their wireless phone for DAS, rather than their Verizon wireline service. *Id.* at 140.

¹⁵⁷ For example, Vonage offers "Enhanced 411" for \$.99 per call to any listing in the U.S., Canada, and Puerto Rico. Other VoIP providers are also offering residential and business DA, including: Packet 8 - \$.75 per call, Via Talk - \$.95 per call, VOIP Net - \$.75 per call, and Verizon's VoiceWing - \$1.00 per call. *Id.* at 146-147.

Verizon's Wholesale Advantage product. Those that do not use that platform (e.g., Verizon's wholesale DAS customers) are able to access Verizon's DA database and provide customers with the same directory information that Verizon provides to its retail customers. *Id.* at 147. Furthermore, Verizon continues to offer customized routing to CLECs who provide their own DAS. This enables a CLEC's end-users to dial "411" and have the CLEC provide DAS through the CLEC's own operator services via a third party.

Many of the stand-alone telephonic DAS providers, such as Jingle Networks, and 411 METRO, have begun to provide services for free. *Id.* at 140. In addition, companies such as American Business Information ("ABI") and Info USA provide white and yellow page phonebooks on CD-ROM, providing reverse search and automatic telephone connection to the requested listing and additional advanced features not available from Verizon DAS. These products have been heavily marketed as cost-effective and widely used alternatives to telephonic directory assistance. *Id.* at 144.

Internet-based alternatives, which are free, have experienced explosive demand.¹⁵⁸ For example, a study by the Pew Center for Internet and the Public Interest found that 54 percent of Internet users use the Internet to search for telephone numbers or addresses. *Id.* at 141-42. Internet DAS are in many ways superior to those offered by Verizon.¹⁵⁹ Industry analysis show that demand for Internet-based DAS is high and

¹⁵⁸ Virginia consumers and businesses can obtain white and yellow page, and other DAS services through such websites as Switchboard.com, Reach411.com, Four11.com, InfoSpace.com, Whitepages.com, WhoWhere.com, 411Locate.com, 411metro.com, and free411.com – just to name a few. Further, web search engines such as AltaVista, Ask, GoTo, Excite, FindWhat, Google, MetaCrawler, and Yahoo all have web links to free directory assistance listings and services web sites. Exhibit 12-C (West Direct) at 142.

¹⁵⁹ In addition to providing directory listings, Internet-based DAS provide web-site and e-mail addresses, cell phone numbers, driving directions, and links to web sites related to the requested business or residence listing. Moreover, Internet-based DAS provide category searches that allow users to identify numerous businesses or professional service providers by product or service type and by distance from the user's location. This type of searching flexibility is especially important because at

increasing. For example, Frost and Sullivan predicted that the number of Internet - Online DA web site visits would increase from 660 million per year in 1999 to over 5 billion visits per year in 2006. *Id.* at 143. Thus, Internet-based DAS have enjoyed premium placement on many major web sites, such as Yahoo!, AOL, and MSN. *Id.*

As a result of this competition, Verizon has experienced substantial declines in its DA volumes. From 2002 through 2005, DA calling volumes declined by about [BEGIN CONFIDENTIAL] [END CONFIDENTIAL] percent overall. DAS revenues have also declined, dropping from almost [BEGIN CONFIDENTIAL]

[END CONFIDENTIAL] percent between 2002 though 2005. *Id.*

New competitors can easily enter the directory assistance market for communications services in Virginia because there are no substantial barriers to entry into the directory services market. *See* Exhibit 12-C (West Direct) at 144-45. In its Third Report and Order in Docket No. 96-98, released November 5, 1999, the FCC found that operator services and directory assistance ("OS/DA") need not be unbundled as network elements because there is a competitive wholesale market in the provision of OS/DA service, as well as opportunities for self-provisioning.

Much of this evidence of competition is un-rebutted by the other parties. Indeed, Staff agrees that local DA, connect request, and list service are competitive, but recommends that the Commission maintain the three call allowance for directory assistance established in Case No. PUC-1989-00025.¹⁶⁰ Exhibit 189-C (Cummings) at

least one study found that about 85 percent of DA calls are made to obtain business telephone numbers. *Id.* at 142-43.

¹⁶⁰ The Commission ordered all LECs to file tariffs reducing the free call allowance from eight to three. The Commission also required the five largest LECs to reduce their DA rates to offset the increased DA revenue they would receive by reducing the free call allowance from eight to three. For the other sixteen LECs, the Commission said that "offsetting rate reductions are welcome, but not mandatory."

28-29. Staff claims that it supported classification of DA as an OLETs in Verizon's ARP "premised on our understanding that the three call allowance should be considered part of the basic dial tone line." *Id.* However, the three free calls were subsidized by other monopoly revenues, rather than being included in the price of basic dialtone.¹⁶¹ Now, however, competition regulates the price of DA services and all other retail services, and there are no longer monopoly revenues to subsidize three free calls. Exhibit 294 (Woltz Rebuttal) at 10.

In addition to no longer being necessary, the three call allowance is yet another example of asymmetric regulation that only disadvantages those LECs such as Verizon, Cox, and Cavalier who are required to provide three free DA calls. The other providers discussed above, whether cable or over-the-top VoIP or wireless, have no similar requirement. Staff also contends that maintaining the three call allowance will provide customers the ability to check with directory assistance at no cost if they are unable to find a listing in the directories due to an error or omission, however, intermodal competitors are not required to publish directories, much less give away free DA calls. The asymmetric regulation of requiring directories should not be exacerbated by regulation requiring even more free services.

2. Dr. Eisenach's Regional Analysis

Dr. Eisenach's regional analysis shows that competition, or a combination of competition and the potential for competition, effectively regulates the price of Verizon's

The Commission found this necessary to ensure that the costs of calling for numbers not listed in the directories would be "borne by all customers, as white page costs are borne today." Exhibit 294 (Woltz Rebuttal) at 9.

¹⁶¹ FCC, *Third Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 96-98* (FCC 99-238) released November 5, 1999, ¶¶ 441 and 442 ("FCC UNE Remand Order").

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE BOARD)
INVESTIGATION REGARDING THE)
RECLASSIFICATION OF INCUMBENT)
LOCAL EXCHANGE CARRIER (ILEC))
SERVICES AS COMPETITIVE)

DOCKET NO. TX 07110873

VERIZON
DIRECT TESTIMONY OF
WILLIAM M. NEWMAN

DECEMBER 14, 2007

1 **I. INTRODUCTION**

2 **Q. WHAT IS YOUR NAME AND POSITION?**

3 A. My name is William M. Newman. I am an independent consultant specializing in
4 telecommunications economics.

5 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

6 A. I earned a Bachelor of Business Administration in Economics and a Master of
7 Arts in Economics from Temple University. I have completed course work and
8 preliminary examinations for a Ph.D. in econometrics and industrial organization.

9 **Q. WHAT IS YOUR BUSINESS EXPERIENCE?**

10 A. I was employed for 17 years with The Bell Telephone Company of Pennsylvania,
11 the American Telephone and Telegraph Company, and Bell Atlantic. During that
12 time, I held positions in the business research, service costs, rates and tariffs,
13 product-line management, cost-of-capital and regulatory organizations. My areas
14 of responsibility included demand analysis, competitive analysis, revenue
15 forecasting, forecast integration and the preparation and presentation of rate
16 structure testimony.

17 In January 1993, I resigned from Bell Atlantic and joined PNR & Associates,
18 which later was acquired by INDETEC International, Inc., which was in turn
19 acquired by Taylor Nelson Sofres, a London-based market research company.

20 The organization that was once PNR & Associates is now called TNS Telecoms.

21 While employed by those companies, I managed all company activities, and
22 during my tenure their annual revenues grew from \$.5M to \$10.0M. I led the
23 development of the consumer survey, business survey, and telephone bill

1 syndicated products, which have been purchased by existing and emerging
2 competitors in the telecommunications industry and used by the FCC and the
3 Department of Justice in addressing telecommunications issues. I resigned as
4 Executive Vice President from TNS Telecoms in December 2001, and worked as
5 an independent consultant until joining PriMetrica, Inc. in October, 2004 as
6 Director of Consulting Services. I resigned from PriMetrica in December, 2006.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. The purpose of my testimony is to present the results of a survey of awareness
9 and use of directory assistance and substitute services by residential customers in
10 New Jersey.

11 **Q. PLEASE SUMMARIZE YOUR TESTIMONY REGARDING THE**
12 **DIRECTORY ASSISTANCE SURVEY.**

13 A. The survey was conducted in December 2007 by TMR Inc under my direction
14 and supervision.¹ The pool of potential respondents included residential
15 customers with wireline phones throughout the State of New Jersey. The results
16 of the survey demonstrate that residential New Jerseyans are aware of the many
17 options they have to obtain telephone number information and are using all of
18 those options. For example, 72% of residential customers are aware that they can
19 look up telephone numbers on the Internet, 94% are aware that they can get
20 telephone numbers from paper books (directories), 35% are aware that they can
21 get telephone numbers from free 800 numbers, and 99% are aware of at least one
22 other option for getting telephone numbers in addition to their local telephone

¹ TMR is a market research company located in Cedar Knolls, NJ that is not affiliated with me or Verizon. I worked closely with TMR in creating and conducting the survey discussed herein.

1 company. Residential customers that are income eligible for the New Jersey
2 Pharmaceutical Assistance to the Aged and Disabled (“PAAD”) also are aware of
3 these options. For example, 35% of these residential customers are aware that
4 they can look up telephone numbers on the Internet, 93% are aware that they can
5 get telephone numbers from paper books (directories), 27% are aware that they
6 can get telephone numbers from free 800 numbers, and over 97% are aware of at
7 least one other option for getting telephone numbers in addition to their local
8 telephone company.

9 II. SURVEY METHODOLOGY

10 Q. WHAT IS THE PURPOSE OF THE DIRECTORY ASSISTANCE 11 SURVEY?

12 A. The directory assistance survey was conducted to obtain estimates of awareness
13 and use of various methods of obtaining telephone number information by
14 residential customers in New Jersey.

15 Q. HOW WAS THE SURVEY CONDUCTED?

16 A. In December 2007, TMR conducted telephone interviews of 501 residential
17 customers throughout the State of New Jersey. TMR used Random Digit Dialing
18 (“RDD”), using Genesys’ RDD sampling program, to generate random samples of
19 residential customers. Based on marital status and household income questions,
20 66 of the 501 random survey respondents were found to be PAAD eligible.² An

² The annual income eligibility for 2007 for the NJ Pharmaceutical Assistance to the Aged and Disabled program is less than \$22,572 if single or less than \$27,676 if married. See <http://www.state.nj.us/health/seniorbenefits/paad.shtml>.

1 additional 136 surveys of PAAD eligible residential customers were conducted to
2 enhance the statistical validity of the results for this income segment.

3 Survey respondents were first told that TMR was conducting a brief survey to
4 assess the level of awareness of the various ways consumers can get telephone
5 number information. Those respondents who were willing to participate in the
6 survey were asked three questions about each of eight possible sources of
7 telephone number information. The list of eight possible sources of telephone
8 information was rotated so that the eight sources were not always presented in the
9 same order. However, the three questions about awareness and use for each
10 source were always presented in the same order. The three questions asked about
11 each source of telephone number information were:

- 12 • are you aware that you can get telephone number information from [the
13 relevant source];
- 14 • (if affirmative answer to the previous question) have you ever used [the
15 relevant source];
- 16 • (if affirmative answer to the previous question) have you used [the relevant
17 source] in the last six months.

18 These objective survey questions were designed to estimate actual awareness and
19 use of alternative methods of obtaining telephone number information. The
20 interviewers were not told the purpose of the survey, so there was no bias in the
21 way the questions were asked.

22 The eight possible sources of telephone number information about which
23 customers were surveyed are set forth below:

- 1 • The Internet
- 2 • Paper directories
- 3 • CD ROMs
- 4 • Cell phones
- 5 • Cable telephony or VoIP service providers
- 6 • Long distance providers
- 7 • Free 800 numbers
- 8 • Local service provider
- 9

10 The survey script is attached hereto as Exhibit 1.

11 **Q. WHAT IS THE SOURCE OF THE SURVEY SAMPLE?**

12 A. As noted earlier, the households in the sample were obtained using the Genesys'
13 RDD sampling program, which ensured that each telephone number in the sample
14 had an equal chance of being selected. Consistent with the Telephone Consumer
15 Protection Act, wireless numbers were flagged during the creation of the sample
16 and not used for the survey. Because wireless numbers were not called, those
17 households that have chosen to use only wireless service, and do not subscribe to
18 traditional wireline service, were not represented. As a result, the survey almost
19 certainly understates the results of consumers using alternative sources of
20 directory assistance.

21 **III. RESULTS**

22 **Q. HOW ARE THE RESULTS OF THE DIRECTORY ASSISTANCE**
23 **SURVEY RELEVANT TO THIS PROCEEDING?**

24 A. The results of the directory assistance survey demonstrate that New Jersey
25 consumers are aware of the various methods available for obtaining telephone
26 numbers and are using all of those methods.

All New Jersey Households

The survey findings for all households in New Jersey include:³

- **71.7%** of respondents are aware that they can look up telephone numbers on the Internet. Of those respondents, **69.1%** have used this source at some time in the past, and **85.1%** of those respondents have used this source in the past six months.
- **94.4%** of respondents are aware that they can get telephone numbers from paper books (directories). Of those respondents, **92.0%** have used this source at some time in the past, and **79.3%** of those respondents have used this source in the past six months.
- **74.9%** of respondents are aware that they can dial 4-1-1 on a cell phone to get telephone numbers. Of those respondents, **64.0%** have used this source at some time in the past, and, of those respondents **70.0%** have used this source in the past six months.
- **50.5%** of respondents are aware that they can get telephone numbers from a cable telephony provider or VoIP service provider. Of those respondents, **44.3%** have used this source at some time in the past, and, of those respondents **83.0%** have used this source in the past six months.
- **50.3%** of respondents are aware that they can get directory listings from their long distance company. Of those respondents, **51.2%** have used this source at some time in the past, and, of those respondents **61.2%** have used this source in the past six months.
- **34.7%** of respondents are aware that they can get telephone numbers from free 800 numbers. Of those respondents, **63.8%** have used this source at some time in the past, and, of those respondents **70.3%** have used this source in the past six months.
- **16.2%** of respondents are aware that they can buy CD-ROMs containing telephone numbers. Of those respondents, **16.3%** have used this source at some time in the past, and, of those respondents **53.8%** have used this source in the past six months.
- **85.4%** of respondents are aware that they can get directory listings from their local telephone company. Of those respondents, **77.6%**

³ The percentages are calculated sequentially. For example, 71.7% of all respondents are aware that they can look up telephone numbers on the Internet. Of those who are aware of Internet sources, 69.1% have used this option, and of those who have used this option, 85.1% have done so in the past six months.

1 have used this source at some time in the past, and, of those
2 respondents **64.8%** have used this source in the past six months.

- 3 • **99.0%** of respondents are aware that they can get directory listings
4 from at least one of the seven sources listed above (not including their
5 local telephone company). Of those respondents, **94.6%** have done
6 this at some time in the past, and, of those respondents **91.3%** have
7 done this in the past six months.

8 9 **PAAD Eligible New Jersey Households**

10 The survey findings for PAAD eligible households in New Jersey include:

- 11 • **35.1%** of respondents are aware that they can look up telephone
12 numbers on the Internet. Of those respondents, **40.8%** have used this
13 source at some time in the past, and **65.5%** of those respondents have
14 used this source in the past six months.
- 15 • **92.6%** of respondents are aware that they can get telephone numbers
16 from paper books (directories). Of those respondents, **91.4%** have
17 used this source at some time in the past, and **71.3%** of those
18 respondents have used this source in the past six months.
- 19 • **47.5%** of respondents are aware that they can dial 4-1-1 on a cell
20 phone to get telephone numbers. Of those respondents, **44.8%** have
21 used this source at some time in the past, and, of those respondents
22 **67.4%** have used this source in the past six months.
- 23 • **34.7%** of respondents are aware that they can get telephone numbers
24 from a cable telephony provider or VoIP service provider. Of those
25 respondents, **35.7%** have used this source at some time in the past,
26 and, of those respondents **76.0%** have used this source in the past six
27 months.
- 28 • **39.6%** of respondents are aware that they can get directory listings
29 from their long distance company. Of those respondents, **38.8%** have
30 used this source at some time in the past, and, of those respondents
31 **48.4%** have used this source in the past six months.
- 32 • **26.7%** of respondents are aware that they can get telephone numbers
33 from free 800 numbers. Of those respondents, **51.9%** have used this
34 source at some time in the past, and, of those respondents **85.7%** have
35 used this source in the past six months.

- 1 • **76.7%** of respondents are aware that they can get directory listings
2 from their local telephone company. Of those respondents, **68.4%**
3 have used this source at some time in the past, and, of those
4 respondents **56.6%** have used this source in the past six months.
- 5 • **97.5%** of respondents are aware that they can get directory listings
6 from at least one of the seven sources listed above (not including their
7 local telephone company). Of those respondents, **91.9%** have done
8 this at some time in the past, and, of those respondents **79.0%** have
9 done this in the past six months.

10 Exhibit 2 of my testimony provides the survey results.

11 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

12 A. Yes.

EXHIBIT 1

Verizon NJ Directory Assistance Survey

Purpose of the survey:

1. Assess the level of consumer awareness in New Jersey (Verizon served area) of alternatives to Verizon's directory assistance services.
2. Acquire an estimate of the extent to which consumers in New Jersey actually are using alternatives to Verizon's directory assistance services.

Questionnaire:

Introduction: Good morning/afternoon/evening. My name is _____ and I am with TMR, a market research company. This is not a sales call. TMR is conducting a brief survey to assess the level of consumer awareness of the various ways consumers can get telephone number information. These services are commonly called directory assistance services. The survey should take just two minutes. Would you be willing to participate in this survey?

Thank you. I'm going to ask you eight questions concerning your awareness of various ways you could get telephone number information.

ROTATE QUESTIONS TO ELIMINATE ANY PERCEIVED BIAS IN THE ORDER OF THE QUESTIONS.

1. Are you aware that you can look up telephone numbers on the Internet at sites like Google, Yahoo, Ask, Verizon and others?
 - a. Have you ever done that?
 - b. Have you done that in last six months?
2. Are you aware that you can get telephone numbers from paper phone books, like the white pages and yellow pages?
 - a. Have you ever done that?
 - b. Have you done that in last six months?
3. Are you aware that you can buy CD-ROMs that contain telephone number listings?
 - a. Have you ever done that?
 - b. Have you done that in last six months?
4. Are you aware that you can dial 4-1-1 on your cell phone to get telephone numbers?
 - a. Have you ever done that?
 - b. Have you done that in last six months?
5. Are you aware that if you get your telephone service from a cable company, like Comcast or Cablevision, or from a VoIP company like Vonage, you can dial 4-1-1 to get telephone numbers?
 - a. Have you ever done that?
 - b. Have you done that in last six months?
6. Are you aware that you can get directory listings from your long distance company?

- a. Have you ever done that?
 - b. Have you done that in last six months?
7. Are you aware that you can get telephone numbers from free 800 numbers, such as 1-800-FREE411, 411 METRO, or 411 SAVE?
- a. Have you ever done that?
 - b. Have you done that in last six months?
8. Are you aware that you can get directly listings from your local telephone company by dialing 4-1-1
- a. Have you ever done that?
 - b. Have you done that in last six months?

STANDARD DEMOGRAPHIC QUESTIONS; If single, annual income for 2007 less than or greater than \$22,572; If married, annual income for 2007 less than or greater than \$27,676

D1. In what year were you born?

D2. What is your marital status?

- a. Single
- b. Married
- c. Divorced
- d. Separated
- e. Widowed
- f. Refused

IF SINGLE- Ask D3 and skip D4 and continue with demos

D3. Is your annual household income greater than or less than \$22,572?

- 1 Greater than
- 2 Less than
- 3 Refused

D3a. Is your annual household income greater than or less than \$40,000?

- 1 Greater than
- 2 Less than
- 3 Refused

IF MARRIED- Ask D4 and continue with demos

D4. Is your annual household income greater than or less than \$27,676?

- 1 Greater than

- 2 Less than
- 3 Refused

D4a. Is your annual household income greater than or less than \$50,000?

- 1 Greater than
- 2 Less than
- 3 Refused

D5. What is the highest level of education you have received?

- 1 Some high school
- 2 High school degree
- 3 Some College
- 4 College degree
- 5 Masters or above
- 6 Refused

D6. Which of the following racial categories describes you?

- 1 American Indian or Alaskan native
- 2 Asian
- 3 Black or African American
- 4 Native Hawaiian or other Pacific islander
- 5 White
- 6 Other (specify)

D7. Interviewer record Gender.

- 1 Male
- 2 Female

EXHIBIT 2

Directory Assistance Survey Results: All Respondents

Possible Telephone Number Sources	Number Interviewed	Aware of Source		Have Used This Source (Of Those Aware)		Have Used This Source in Past Six Months (Of Those Who have Used This Source)	
		Number	Percent	Number	Percent	Number	Percent
Internet	501	359	71.7%	248	69.1%	211	85.1%
Paper Directories	501	473	94.4%	435	92.0%	345	79.3%
CD-Roms	501	81	16.2%	13	16.0%	7	53.8%
Cell Phone (411)	501	375	74.9%	240	64.0%	168	70.0%
Cable Telephony or VoIP Provider	501	253	50.5%	112	44.3%	93	83.0%
Long Distance Company	501	252	50.3%	129	51.2%	79	61.2%
Free 800 Numbers	501	174	34.7%	111	63.8%	78	70.3%
Local Telephone Company	501	428	85.4%	332	77.6%	215	64.8%
Combined Sources except Local Telephone Company	501	496	99.0%	469	94.6%	428	91.3%

Directory Assistance Survey Results: PAAD Eligible

Possible Telephone Number Sources	Number Interviewed	Aware of Source		Have Used This Source (Of Those Aware)		Have Used This Source in Past Six Months (Of Those Who have Used This Source)	
		Number	Percent	Number	Percent	Number	Percent
Internet	202	71	35.1%	29	40.8%	19	65.5%
Paper Directories	202	187	92.6%	171	91.4%	122	71.3%
CD-Roms	202	24	11.9%	1	4.2%	0	0.0%
Cell Phone (411)	202	96	47.5%	43	44.8%	29	67.4%
Cable Telephony or VoIP Provider	202	70	34.7%	25	35.7%	19	76.0%
Long Distance Company	202	80	39.6%	31	38.8%	15	48.4%
Free 800 Numbers	202	54	26.7%	28	51.9%	24	85.7%
Local Telephone Company	202	155	76.7%	106	68.4%	60	56.6%
Combined Sources except Local Telephone Company	202	197	97.5%	181	91.9%	143	79.0%

TITLE SHEET

OF

Charter Fiberlink-Tennessee, LLC

**12405 POWERSCOURT DRIVE
ST. LOUIS, MISSOURI 63131**

LOCAL AND INTRASTATE INTEREXCHANGE SERVICES TARIFF

This tariff contains the description, regulations and rates for the furnishing of services and facilities for local and long distance telecommunications services provided by Charter Fiberlink-Tennessee, LLC to residential customers within the State of Tennessee.

Issue Date: September 6, 2005

Effective Date: September 12, 2005

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

**Charter Fiberlink-Tennessee, LLC
Local and Intrastate Interexchange Services Tariff**

TRA Tariff No. 1
25th Revised Page 1
Cancels 24th Revised Page 1

Check Sheet

The pages listed below, which are inclusive of this tariff, are effective as of the date shown at the bottom of the respective page(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date indicated below.

<u>Page</u>	<u>Revision</u>	<u>Page</u>	<u>Revision</u>
1	25 th Revised*	21	3 rd Revised
2	1 st Revised	22	2 nd Revised
3	1 st Revised	23	2 nd Revised
4	1 st Revised	23.1	1 st Revised
5	Original	24	3 rd Revised
6	Original	25	5 th Revised
7	1 st Revised	26	Original
8	1 st Revised	27	Original
9	Original	28	Original
10	3 rd Revised	29	1 st Revised
10.1	2 nd Revised	30	1 st Revised
10.1.1	1 st Revised	31	5 th Revised
10.2	Original	32	1 st Revised
10.3	Original	33	5 th Revised
10.3.1	1 st Revised	34	5 th Revised
10.4	2 nd Revised	35	4 th Revised
10.5	Original	36	1 st Revised
11	3 rd Revised	37	2 nd Revised
11.1	Original	37.1	Original
12	1 st Revised	38	Original
12.1	Original	39	Original
12.2	Original	40	Original
12.3	Original	41	Original
13	1 st Revised	42	1 st Revised
13.1	Original	43	1 st Revised
13.2	Original	44	2 nd Revised
13.3	Original	45	4 th Revised
14	1 st Revised	46	1 st Revised
15	Original	47	1 st Revised
16	1 st Revised	48	Original
16.1	1 st Revised	49	2 nd Revised
16.2	1 st Revised	50	2 nd Revised
16.3	2 nd Revised	51	1 st Revised
16.4	1 st Revised	52	2 nd Revised
16.5	1 st Revised	53	2 nd Revised
16.6	1 st Revised	54	1 st Revised
16.7	2 nd Revised*	55	3 rd Revised
17	Original	56	3 rd Revised
18	Original	57	2 nd Revised
19	1 st Revised	58	1 st Revised
20	1 st Revised		

*Denotes New/Revised Page

Issue Date: November 2, 2007

Effective Date: November 5, 2007

Issued By: Betty Sanders, Director - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

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Issue Date: November 9, 2006

Effective Date: November 9, 2006

Issued By: Carrie L. Cox, Vice President - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

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Issue Date: November 9, 2006

Effective Date: November 9, 2006

Issued By: Carrie L. Cox, Vice President - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

Application of Tariff

This tariff sets forth the service offerings, rates, terms and conditions of services applicable to furnishing local exchange telecommunications services by Charter Fiberlink-Tennessee, LLC ("Telephone Company"), a competitive facilities-based provider of telephony services, to residential customers within the State of Tennessee.

Explanation of Symbols

The following symbols are used herein to identify schedule and text changes:

- (R) To signify a reduction
- (I) To signify an increase
- (C) To signify a changed regulation
- (T) To signify a change in text, but no change in rate or regulation
- (S) To signify a reissued matter
- (M) To signify relocation of text without change
- (N) To signify a new rate or regulation
- (D) To signify a discontinued rate or regulation
- (Z) To signify a correction of Text

Issue Date: September 6, 2005

Effective Date: September 12, 2005

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

1. Definitions and Terms

Glossary of Definitions and Terms:

Account – Either a Customer's physical location or individual Service represented by a unique account number within the billing hierarchy. Multiple services each with a unique account number may be part of one physical location.

Alternative Local Exchange Carrier (ALEC) or Competitive Local Exchange Carrier (CLEC) – Any entity or person providing local exchange services in competition with an ILEC or LEC.

Application – A request made orally or in writing for telephone service.

Authorized Account User – The person or persons authorized to make changes to a customer account including changes to toll carriers as designated by the account holder. Authorized Account Users shall be limited to two persons for any single postal address.

Authorization Code – A multi-digit code that enables a Customer to access the Telephone Company's network and enables the Telephone Company to identify the Customer's use for proper billing. Also, called a Personal Identification Code or PIN.

Automated Message Accounting (AMA) - The data recorded at the switch and used to calculate the amount billed to the end user for local, long distance, intraLATA toll and InterLATA toll charges, if detail billing is required, and to calculate the amount billed to the Interexchange Carrier for access charges due to the Telephone Company for use of its network.

Called Station – The terminating point of a call (i.e., the caller number).

Calling Station – The originating point of a call (i.e., the calling number).

Calling Area – A specific geographic area so designated for the purpose of applying a specified rate structure.

Carrier – The term "Carrier" means Charter Fiberlink-Tennessee, LLC or the Telephone Company.

Central Office – A switching unit in a telephone system which provides service to the general public, having the necessary equipment and operating arrangements for the terminating and interconnecting customer lines and trunks or trunks only. There may be more than one central office in a building or exchange.

Central Office Line – A circuit directly connecting an individual with a central office.

Commission – Tennessee Regulatory Authority

Competitive Local Exchange Carrier (CLEC) or Alternative Local Exchange Carrier (ALEC) - Any entity or person providing local exchange services in competition with an ILEC or LEC.

Connecting Company – A corporation, association, partnership or individual owning or operating one or more exchanges and with which communications services are interchanged.

Issue Date: September 6, 2005

Effective Date: September 12, 2005

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
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Charter Fiberlink-Tennessee, LLC

Connector – See “Switch”.

Connection Charge – See “Service Charge”.

Construction Charge – A separate nonrecurring charge made for the construction of facilities in excess of those contemplated under the rates quoted in this Tariff.

Continuous Property – The plot of ground, together with any building thereon, occupied by the customer, which is not divided by public highways or separated by property occupied by others.

Contract – The agreement between a customer and the Telephone Company under which service and facilities are furnished in accordance with the applicable provisions of the Local Exchange Tariffs.

Cost – The cost of labor and materials, which includes appropriate amounts to cover the Telephone Company’s general operating and administrative expenses.

Customer – The individual, partnership, association or corporation which contract for telephone service and are responsible for the payment of charges and compliance with the general regulations of the Telephone Company’s Tariff.

Customer Provided Equipment (CPE) – Devices, apparatus, and/or associated wiring provided by a customer.

Customer Provision – Customer purchase or lease of customer-provided equipment from the Telephone Company or from any other supplier.

Data Access Arrangement – A protective connecting arrangement for use with the network control signaling unit, or in lieu of the connecting arrangement, an arrangement to identify a central office line and protective facilities and procedures to assure proper operation and protection of the telecommunications network.

Demarcation Point – That point (also referred to as Network Interface) or interconnection between the Telephone Company’s facilities and the wiring at the subscriber’s premise. The Demarcation Point shall consist of wire or a jack conforming to Subpart F or Part 68 of the Federal Communications Commission’s Rules and Regulations. The Demarcation Point will generally be within twelve inches of the protector or, absent a protector, within twelve inches of the entry point to the customer’s premises. If conforming to the twelve inches is unrealistic or technically impossible, the Demarcation Point will be the most practicable minimum point of entry to the customer’s premises. The network interface may be located at a point other than the normal demarcation point where the network interface has been previously established by the presence of network equipment. With regard to premises for any structure that is built to be more mobile (e.g., mobile homes, recreational vehicles), The Telephone Company may place the Demarcation Point on a post or pole at or near the pad where such structure is intended to rest. Boat docks, marinas and similar premises may be treated by the Telephone Company as a single unit premises, with the Demarcation Point being placed on the shore or other location as deemed appropriate by the Telephone Company.

Delinquent or Delinquency – An account for which payment has not been made in full on or before the last day for timely payment.

Issue Date: September 6, 2005

Effective Date: September 12, 2005

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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Digital Transmission – information transmitted in the form of digitally encoded signals.

End User – The ultimate user of the telecommunications services and who orders service and is responsible for payment of charges due in compliance with the Telephone Company's price list regulations. See "Customer".

Exchange Area – A geographically defined area wherein the telephone industry through the use of maps or legal descriptions sets down specified area where individual telephone exchange companies hold themselves out to provide communications services.

Exchange Station – A station connected with a central office of the Company over its own lines.

Facility (or Facilities) – Any item or items of communications plant or equipment used to provide or connect to the Telephone Company Services.

FCC – Federal Communications Commission

Harm – Harm consists of hazards to personnel, damage to Telephone Company equipment, and impairment of service to persons other than the user of the customer-provided equipment. Types of harm include, but shall not be limited to, voltages dangerous to personnel, destruction of or damage to equipment induced noise or cross talk, incorrect dial pulsing, failure of supervision, false answer, incorrect billing, absence or voice band transmission path for call progress signals, and loss of capability to answer an incoming call.

Incomplete Call – Any call where voice transmission between the calling party and the called station is not established (i.e. busy, no answer, etc)

Incumbent Local Exchange Carrier (ILEC) or Local Exchange Carrier (LEC) – Any local exchange carrier that was, as of February 8, 1996, deemed to be a member of the Exchange Carrier Association as set forth in 47 C.F.R. 69.601(b) of the FCC's regulations.

Individual Line – An exchange line designed for the connection of a telephone set.

Initial Service Period – The minimum length of time for which a customer is obligated to pay for service, facilities and equipment whether or not retained by the customer for such minimum length of time.

Installation Charge – A nonrecurring charge made at the time of installation of communications service or equipment, which applies in addition to service charges and other applicable charges for service or equipment unless specifically exempted.

Interconnection – The method by which telecommunications facilities of the Telephone Company are arranged to transmit to, or receive information from, customer-provided equipment.

Interexchange Carrier (IXC) – A common carrier that provides long distance domestic and international communications services to the public.

International – Refers to communications between U.S. and another country.

Interstate – Refers to communications between states within the Continental U.S., unless otherwise noted.

(T)
(T)

Issue Date: October 13, 2006

Effective Date: October 16, 2006

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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Intrastate – Refers to communications within a single state.

Local Calling Service Area – The area throughout which communication service is rendered to a customer or users without the application of toll charges.

Local Exchange Service – Telephone communications within a local service area in accordance with the provisions of the Telephone Company's Local Exchange Tariff.

Local Message – A completed communication between customers' stations located within the same exchange area or local service area.

Location – A physical premise to or from which the Telephone Company provides Service.

Main Terminal – The termination of a central office line on a customer's premises, usually at a protector.

Message – A completed customer call.

MRC – Monthly Recurring Charge.

New Customer – a customer who has not had service within the last 30 days. (T)

NXX – The designation for the first three digits of a local telephone number where N represent 2-9 and X represents 0-9.

NPA – An area code, otherwise called Numbering Plan Area.

Non-Listed Telephone Number – Telephone numbers that are not listed in the telephone directory; but are provided via Directory Assistance.

Non-Published Telephone Number – Telephone numbers that are not listed in the telephone directory or provided via Directory Assistance.

Primary IntraLATA/InterLATA Carrier (PIC) Code – A code that is assigned to an interexchange long distance carrier that identifies to whom the customer is presubscribed for intrastate and/or interstate long distance services.

Premises – The buildings, portion or portions of a building on continuous property used and/or occupied at one time by the customer as a residence. Where floor space in adjoining buildings is made continuous at one or more floor levels, all floor space in both buildings is considered as the same premises insofar as the customer who uses and occupies such continuous floor space is concerned, the two buildings otherwise being considered as separate buildings.

Registered Terminal Equipment – Equipment registered in accordance with FCC regulations that may be connected to access services of the Telephone Company.

Residence Service – Telephone service furnished to customers when the actual or obvious use is for domestic "non-business" purposes.

Issue Date: October 13, 2006

Effective Date: October 16, 2006

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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Subscriber – The term “Customer” is synonymous with the term “subscriber”.

Supplemental Facilities or Service – Services or facilities other than primary service.

Switch – A unit of dial switching equipment that provides interconnection between station lines or trunks.

Tariff – The schedule of Local and Intrastate Interexchange rates and charges, rules and regulations, terms and conditions adopted and filed by the Telephone Company and approved by the Tennessee Regulatory Authority.

Telephone Company – Charter Fiberlink-Tennessee, LLC

Telecommunications Relay Service (TRS) – TRS enables deaf, hard-of-hearing or speech-impaired persons who use a text telephone or similar devices, to communicate with the hearing population not using text telephone and visa versa.

Telephone Set – A telephone instrument consisting of a transmitter, receiver, and associated apparatus connected to permit transmission and receipt of telephone messages.

Terminal Equipment – Equipment at the terminal of a communication circuit.

Terminal Equipment Accessories – Devices, apparatus and their associated wiring, provided by a customer, which do not constitute a communications system and which when connected to the telecommunications system of the Telephone Company, are connected electrically, acoustically or inductively.

Termination Charge – A charge applied under certain conditions when service is terminated by the customer before the expiration of the minimum commitment period.

Timely Payment – A payment on a customer’s account made on or before the due date.

Underground Service Connection – A customer’s “drop” wire that is run underground from a pole line or an underground distributing cable.

Issue Date: September 6, 2005

Effective Date: September 12, 2005

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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2. Exchange Areas

The following exchanges comprise the exchanges and local calling service area of the Telephone Company

Exchange Area	Local Exchange	Exchanges in Local Calling Area	
BellSouth	Ashland City	Ashland City	(N) (N)
		Goodlettsville	
		LaVergne	
		Nashville	
		Nolensville	
		Old Hickory	
		Pleasant View	
	Bean Station	Bean Station	
		Bulls Gap	
		Concord	
		Halls Crossroads	
		Knoxville	
		Mascott-Strawberry Plains	
		Morristown	
		Powell	
		Rutledge	
		Solway	
		Tate Springs	
		Washburn	
	Bells	Bells	
		Alamo	
		Friendship	
		Maury City	
	Bethel Springs	Bethel Springs	
		Adamsville	
		Milledgeville (687 only)	
		Selmer	
	Bulls Gap	Bulls Gap	
		Bean Station	
		Greenville	
		Morristown	
		Mosheim	
		Rogersville	
		Surgoinsville	
	Camden	Camden	
		Big Sandy	

Issue Date: December 13, 2006

Effective Date: December 14, 2006

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

Charter Fiberlink-Tennessee, LLC
Local and Intrastate Interexchange Services Tariff

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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in Local Calling Area	
BellSouth	Clarksville	Clarksville	(N)
		Cunningham	
		East Sango	
		Fredonia	
		Oak Grove, KY	
		Palmyra	
		Sango	
		South Cunningham	
		South Fredonia	(N)
	Cunningham	Cunningham	(N)
		Clarksville	
		East Sango	
		Fredonia	
		Oak Grove, KY	
		Palmyra	
		Sango	
		South Cunningham	
		South Fredonia	(N)
	Dandridge	Dandridge	(M)
		Concord	
		Halls Crossroads	
		Jefferson City	
		Knoxville	
		Mascot-Strawberry Plains	
		Powell	
		Solway	
		White Pine	(M)
	Gatlinburg	Gatlinburg	
		Concord	
		Halls Crossroads	
		Knoxville	
		Mascot-Strawberry Plains	
		Powell	
		Sevierville	
		Solway	
	Fredonia	Fredonia	(N)
		Clarksville	
		Cunningham	
		East Sango	
		Oak Grove, KY	
		Palmyra	
		Sango	
		South Cunningham	
		South Fredonia	(N)

Issue Date: December 13, 2006

Effective Date: December 14, 2006

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

Charter Fiberlink-Tennessee, LLC
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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in Local Calling Area	
BellSouth	Gibson	Gibson	(M)
		Bradford	
		Brazil	
		Dyer	
		Humboldt	
		Medina	
		Milan	
		Rutherford	
		Trenton	
		Yorkville	
	Gleason	Gleason	(M)
		Dresden	
		Greenfield	
		Latham	
		Martin	
		Palmer'sville	
		Sharon	
		Sidonia	
	Greenfield	Greenfield	
		Dresden	
		Gleason	
		Latham	
		Martin	
		Palmer'sville	
		Sharon	
		Sidonia	
	Henderson	Henderson	(M)
		Milledgeville (687 only)	
	Huntington	Huntington	
		Atwood	
		Bruceton	
		Cedar Grove	
		McKenzie	
		Tezevant	
	Jackson	Jackson	
	Jefferson City	Jefferson City	
		Concord	
		Dandridge	
		Halls Crossroads	
		Knoxville	
		Mascot-Strawberry Plains	
		Powell	
		Solway	
		White Pine	

Issue Date: December 13, 2006

Effective Date: December 14, 2006

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in Local Calling Area	
BellSouth	Knoxville	Knoxville	(N)
		Bean Station	
		Bent Creek	
		Chestnut Hill	
		Claxton	
		Clinton	
		Concord	
		Dandridge	
		Gatlinburg	
		Greenback	
		Halls Crossroads	
		Harriman	
		Jefferson City	
		Kingston	
		Lake City	
		Lenoir City	
		Loudon	
		Maryville	
		Mascot-Strawberry	
		Plains	
		Maynardville	
		Norris	
		Oak Ridge	
		Oliver Springs	
		Powell	
		Rockwood	
		Rutledge	
		Sevierville	
		Sharps Chapel	
		Solway	
		Tate Springs	
		Washburn	
		West Sweetwater	
		White Pine	(N)
	Lexington	Lexington	(N)
		Parsons	
		Sardis	
		Scotts Hill	(N)

Issue Date: March 29, 2006

Effective Date: March 31, 2006

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in Local Calling Area	
BellSouth	Lenoir City	Lenoir City Concord Greenback Halls Crossroads Knoxville Loudon Mascot-Strawberry Plains Powell Solway	(N)
	Loudon	Loudon Concord Greenback Halls Crossroads Knoxville Lenoir City Mascot-Strawberry Plains Powell Solway	
	Madisonville	Madisonville Ball Play Coker Creek Sweetwater Tellico Plains Vonore West Sweetwater	
	Maryville	Maryville Concord Greenback Halls Crossroads Knoxville Mascot-Strawberry Plains Powell Solway	

Issue Date: March 29, 2006

Effective Date: March 31, 2006

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

Charter Fiberlink-Tennessee, LLC
Local and Intrastate Interexchange Services Tariff

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1st Revised Page 10.3.1
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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in Local Calling Area	
BellSouth	McKenzie	McKenzie Atwood Bruceton Cedar Grove Henry Huntingdon Trevezant	
	Milan	Milan Atwood Bradford Brazil Dyer Gibson Humboldt Medina Rutherford Trenton Yorkville	
	Morristown	Morristown Bean Station Bulls Gap	(M)
	Newbern	Newbern Dyersburg Trimble Yorkville	
	Newport	Newport Bent Creek Chestnut Hill Waterville, NC	
	Paris	Paris Big Sandy Cottage Grove Henry Puryear	(M)
	Pleasant View	Pleasant View Ashland City Goodlettsville LaVergne Nashville Nolensville Old Hickory	(N)
			(N)

Issue Date: December 13, 2006

Effective Date: December 14, 2006

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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2nd Revised Page 10.4
Cancels 1st Revised Page 10.4

2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in Local Calling Area	
BellSouth	Rogersville	Rogersville Bulls Gap Surgoinville	
	Sango	Sango Clarksville Cunningham East Sango Fredonia Oak Grove, KY Palmyra South Cunningham South Fredonia	(N) (N)
	Savannah	Savannah Adamsville Milledgeville (687 only) Shiloh	
	Selmer	Selmer Adamsville Bethel Springs Milledgeville (687 only)	
	Sevierville	Sevierville Concord Gatlinburg Halls Crossroads Knoxville Mascot-Strawberry Plains Powell Solway	

Issue Date: December 13, 2006

Effective Date: December 14, 2006

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in Local Calling Area	
BellSouth	South Fredonia	South Fredonia Clarksville Cunningham East Sango Fredonia Goodlettsville LaVergne Nashville Nolensville Oak Grove, KY Old Hickory Palmyra Sango South Cunningham	(N)
	South Oak Grove	South Oak Grove Bluff Springs, KY Clarksville Crofton, KY Cunningham East Sango Fredonia Gracey, KY Hopkinsville, KY Lafayette, KY Oak Grove, KY Palmyra Pembroke, KY Sango South Cunningham South Fredonia	(N)
	Springfield	Springfield Adams-Cedar Hill Cross Plains-Orlinda Goodlettsville Greenbrier LaVergne Nashville Nolensville Old Hickory White House	(N)

Issue Date: December 13, 2006

Effective Date: December 14, 2006

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area
Bell South	Sweetwater	Sweetwater Ball Play Coker Creek Madisonville Tellico Plains Vonore West Sweetwater
	Troy	Troy Hornbreak Kenton Union City
	Union City	Union City Hornbreak Jordan, KY Kenton Mason Hall
	White Pine	Troy White Pine Concord Dandridge Halls Crossroads Jefferson City Knoxville Mascot-Strawberry Plains Powell Solway

(M)

(M)

Issue Date: February 21, 2007

Effective Date: February 22, 2007

Issued By: Carrie L. Cox, Vice President - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
United Telephone Southeast, Inc./ Sprint	Blountville	Blountville	(M)
		Baileyton	(C)
		Bluff City-Piney Flats	(M)
		Bristol	(M)
		Bristol, VA	(M)
		Butler	(C)
		Church Hill-Mount Carmel	(M)
		Elizabethton	(C)
		Erwin	(C)
		Fall Branch	(M)
		Greeneville	(C)
		Hampton	(C)
		Johnson City	(C)
		Jonesborough-Sulphur Springs	(C)
		Kingsport	(M)
		Limestone	(C)
		Midway (Sullivan County)	(M)
		Midway (Washington County)	(C)
		Morrison City, VA	(M)
		Mosheim	(C)
		Mountain City	(C)
		Roan Mountain	(C)
		Stoney Creek	(C)
		Sullivan Gardens	(M)

Issue Date: February 21, 2007

Effective Date: February 22, 2007

Issued By: Carrie L. Cox, Vice President - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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Local and Intrastate Interexchange Services Tariff**

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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
United Telephone Southeast, Inc./ Sprint	Bluff City-Piney Flats	Bluff City-Piney Flats	(M)
		Baileyton	(C)
		Blountville	(M)
		Bristol	(M)
		Bristol, VA	(M)
		Butler	(C)
		Church Hill-Mount Carmel	(M)
		Elizabethton	(C)
		Erwin	(C)
		Fall Branch	(M)
		Greeneville	(C)
		Hampton	(C)
		Johnson City	(C)
		Jonesborough-Sulphur Springs	(C)
		Kingsport	(M)
		Limestone	(C)
		Midway (Sullivan County)	(M)
		Midway (Washington County)	(C)
		Mosheim	(C)
		Mountain City	(C)
		Roan Mountain	(C)
		Stoney Creek	(C)
		Sullivan Gardens	(M)

Issue Date: February 21, 2007

Effective Date: February 22, 2007

Issued By: Carrie L. Cox, Vice President - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
United Telephone Southeast, Inc./ Sprint	Bristol	Bristol	(M)
		Baileyton	(C)
		Blountville	(M)
		Bluff City-Piney Flats	(M)
		Bristol, VA	(M)
		Butler	(C)
		Church Hill-Mount Carmel	(M)
		Elizabethton	(C)
		Erwin	(C)
		Fall Branch	(M)
		Greeneville	(C)
		Hampton	(C)
		Johnson City	(C)
		Jonesborough-Sulphur Springs	(C)
		Kingsport	(M)
		Limestone	(C)
		Midway (Sullivan County)	(M)
		Midway (Washington County)	(C)
		Mosheim	(C)
		Mountain City	(C)
		Roan Mountain	(C)
		Stoney Creek	(C)
		Sullivan Gardens	(M)

Issue Date: February 21, 2007

Effective Date: February 22, 2007

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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area
United Telephone Southeast, Inc./ Sprint	Church Hill-Mount Carmel	Church Hill-Mount Carmel
		Baileyton (C)
		Blountville (M)
		Bluff City-Piney Flats (M)
		Bristol (M)
		Butler (C)
		Elizabethton (C)
		Erwin (C)
		Fall Branch (M)
		Greeneville (C)
		Hampton (C)
		Johnson City (C)
		Jonesborough-Sulphur Springs (C)
		Kingsport (M)
		Limestone (C)
		Midway (Sullivan County) (M)
		Midway (Washington County) (C)
		Morrison City, VA (M)
		Mosheim (C)
		Mountain City (C)
		Roan Mountain (C)
		Stoney Creek (C)
		Sullivan Gardens (M)

Issue Date: February 21, 2007

Effective Date: February 22, 2007

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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
United Telephone Southeast, Inc./ Sprint	Elizabethton	Elizabethton	(M)
		Baileyton	(C)
		Blountville	(C)
		Bluff City-Piney Flats	(C)
		Bristol	(C)
		Butler	(M)
		Church Hill-Mount Carmel	(C)
		Erwin	(C)
		Fall Branch	(C)
		Greeneville	(C)
		Hampton	(M)
		Johnson City	(C)
		Jonesborough-Sulphur Springs	(C)
		Kingsport	(C)
		Limestone	(C)
		Midway (Sullivan County)	(C)
		Midway (Washington County)	(C)
		Mosheim	(C)
		Mountain City	(C)
		Roan Mountain	(M)
		Stoney Creek	(M)
		Sullivan Gardens	(C)

Issue Date: February 21, 2007

Effective Date: February 22, 2007

Issued By: Carrie L. Cox, Vice President - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
United Telephone Southeast, Inc./ Sprint	Johnson City	Johnson City	(M)
		Baileytown	(C)
		Blountville	(C)
		Bluff City-Piney Flats	(C)
		Bristol	(C)
		Butler	(C)
		Church Hill-Mount Carmel	(C)
		Elizabethton	(C)
		Erwin	(C)
		Fall Branch	(C)
		Greeneville	(C)
		Hampton	(C)
		Jonesborough-Sulphur Springs	(M)
		Kingsport	(C)
		Limestone	(M)
		Midway (Sullivan County)	(C)
		Midway (Washington County)	(M)
		Mosheim	(C)
		Mountain City	(C)
		Roan Mountain	(C)
		Stoney Creek	(C)
		Sullivan Gardens	(C)

Issue Date: February 21, 2007

Effective Date: February 22, 2007

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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
United Telephone Southeast, Inc./ Sprint	Kingsport	Kingsport	(M)
		Baileyton	(C)
		Blountville	(M)
		Bluff City-Piney Flats	(M)
		Bristol	(M)
		Butler	(C)
		Church Hill-Mount Carmel	(M)
		Elizabethton	(C)
		Erwin	(C)
		Fall Branch	(M)
		Greeneville	(C)
		Hampton	(C)
		Johnson City	(C)
		Jonesborough-Sulphur Springs	(C)
		Limestone	(C)
		Midway (Sullivan County)	(M)
		Midway (Washington County)	(C)
		Morrison City, VA	(M)
		Mosheim	(C)
		Mountain City	(C)
		Roan Mountain	(C)
		Stoney Creek	(C)
		Sullivan Gardens	(M)

Issue Date: February 21, 2007

Effective Date: February 22, 2007

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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
United Telephone Southeast, Inc./ Sprint	Midway (Sullivan County)	Midway (Sullivan County)	(M)
		Baileyton	(C)
		Blountville	(M)
		Bluff City-Piney Flats	(M)
		Bristol	(M)
		Butler	(C)
		Church Hill-Mount Carmel	(M)
		Elizabethton	(C)
		Erwin	(C)
		Fall Branch	(M)
		Greeneville	(C)
		Hampton	(C)
		Johnson City	(C)
		Jonesborough-Sulphur Springs	(C)
		Kingsport	(M)
		Limestone	(C)
		Midway (Washington County)	(M)
		Morrison City, VA	(M)
		Mosheim	(C)
		Mountain City	(C)
		Roan Mountain	(C)
		Stoney Creek	(M)
		Sullivan Gardens	(M)

Issue Date: February 21, 2007

Effective Date: February 22, 2007

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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
United Telephone Southeast, Inc./ Sprint	Stoney Creek	Stoney Creek	(M)
		Baileyton	(C)
		Blountville	(C)
		Bluff City-Piney Flats	(C)
		Bristol	(C)
		Butler	(M)
		Church Hill-Mount Carmel	(C)
		Elizabethton	(M)
		Erwin	(C)
		Fall Branch	(C)
		Greeneville	(C)
		Hampton	(M)
		Johnson City	(C)
		Jonesborough-Sulphur Springs	(C)
		Kingsport	(C)
		Limestone	(C)
		Midway (Sullivan County)	(C)
		Midway (Washington County)	(C)
		Mosheim	(C)
		Mountain City	(C)
		Roan Mountain	(M)
		Sullivan Gardens	(C)

Issue Date: February 21, 2007

Effective Date: February 22, 2007

Issued By: Carrie L. Cox, Vice President - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
United Telephone Southeast, Inc./ Sprint	Sullivan Gardens	Sullivan Gardens	(M)
		Baileyton	(C)
		Blountville	(M)
		Bluff City-Piney Flats	(M)
		Bristol	(M)
		Butler	(C)
		Church Hill-Mount Carmel	(M)
		Elizabethton	(C)
		Erwin	(C)
		Fall Branch	(M)
		Greeneville	(C)
		Hampton	(C)
		Johnson City	(C)
		Jonesborough-Sulphur Springs	(C)
		Kingsport	(M)
		Limestone	(C)
		Midway (Sullivan County)	(M)
		Midway (Washington County)	(C)
		Morrison City, VA	(M)
		Mosheim	(C)
		Mountain City	(C)
		Roan Mountain	(C)
		Stoney Creek	(C)

Issue Date: February 21, 2007

Effective Date: February 22, 2007

Issued By: Carrie L. Cox, Vice President - Regulatory Affairs
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Exchange Area	Local Exchange	Exchanges in the Local Calling Area
Concord Telephone Company	Concord	Concord Bean Station Bent Creek Chestnut Hill Claxton Clinton Dandridge Gatlinburg Greenback Halls Crossroads Harriman Jefferson City Kingston Knoxville Lake City Lenoir City Loudon Maryville Mascot-Strawberry Plains Maynardville Norris Oak Ridge Oliver Springs Powell Rockwood Rutledge Sevierville Sharps Chapel Solway Tate Springs Washburn West Sweetwater White Pine

Effective Date: March 31, 2006

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
Bell South	Charleston	Charleston	(N)
		Apison	
		Athens	
		Chattanooga	
		Cleveland	
		Collegedale	
		Englewood	
		Etowah	
		Georgetown	
		Niota	
		Ootelwah	
		Riceville	
		Soddy-Daisy	
	Chattanooga	Chattanooga	
		Apison	
		Charleston	
		Chicamauga, GA	
		Cleveland	
		College Station	
		Collegedale	
		Dayton	
		Decatur	
		Dunlap	
		Fall Creek Falls	
		Georgetown	
		High Point, GA	
		Jasper	
		Kensington, GA	
		Lafayette, GA	
		Nine Mile	
		Noble, GA	
		Ootelwah	
		Pikeville	
		Ringgold, GA	
		Rising Fawn, GA	
		Rossville, GA	
		Soddy-Daisy	(N)

Issue Date: September 15, 2006

Effective Date: September 18, 2006

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
Bell South	Chattanooga	South Pittsburg Spring City Trenton, GA Villanow, GA West Brow, GA Whitwell	
	Cleveland	Cleveland Apison Benton Charleston Chattanooga Collegedale Georgetown Ootelwah Soddy-Daisy	
	Columbia	Columbia Culleoka Hampshire Mount Pleasant North Spring Hill Santa Fe Spring Hill Summertown Williamsport	(N)
	Culleoka	Culleoka Columbia Hampshire Mount Pleasant North Spring Hill Santa Fe Spring Hill Williamsport	(N)

Issue Date: November 15, 2006

Effective Date: November 16, 2006

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
Bell South	Dayton	Dayton	(M)
		Apison	
		Chattanooga	
		Collegedale	
		Georgetown	
		Ootelwah	
		Soddy-Daisy	
		Spring City	
	Decatur	Decatur	
		Apison	
		Athens	
		Chattanooga	
		Collegedale	
		Georgetown	
		Ootelwah	
		Soddy-Daisy	(M)
	Franklin	Franklin	(N)
		College Grove	
		Fairview	
		Goodlettsville	
		LaVergne	
		Nashville	
		Nolensville	
		North Spring Hill	
		Old Hickory	
		Triune	(N)
	Georgetown	Georgetown	
		Apison	
		Benton	
		Charleston	
		Chattanooga	
		Cleveland	
		Collegedale	
		Dayton	
		Decatur	
		Jasper	
		Ootelwah	
		Soddy-Daisy	
		South Pittsburg	
		Spring City	
		Whitwell	

Issue Date: November 15, 2006

Effective Date: November 16, 2006

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
Bell South	Hampshire	Hampshire	
		Columbia	
		Culleoka	
		Mount Pleasant	
		North Spring Hill	
		Santa Fe	
		Spring Hill	
		Williamsport	
	Hohenwald	Hohenwald	
	Jasper	Jasper	
		Apison	
		Chattanooga	
		Collegedale	
		Georgetown	
		Ootelwah	
		Soddy-Daisy	
		South Pittsburg	
		Whitwell	
	Lawrenceburg	Lawrenceburg	
		Ethridge	
		Five Points	
		Leoma	
		Loretto	
		Saint Joseph	
		Summertown	
	Lynchburg	Lynchburg	(N)
	Manchester	Manchester	(N)
		Beech Grove	
		Hillsboro	
		Pelham	
		Tullahoma	(N)
			(M)
			(M)

Issue Date: June 4, 2007

Effective Date: July 9, 2007

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
Bell South	Mount Pleasant	Mount Pleasant	(M)
		Columbia	
		Culleoka	
		Hampshire	
		North Spring Hill	
		Santa Fe	
		Spring Hill	
		Summertown	
		Williamsport	(M)
	Normandy	Normandy	(N)
		Flat Creek	
		Fosterville	
		Shelbyville	
		Tullahoma	
		Unionville	
		Wartrace	(N)
	North Spring Hill	North Spring Hill	
		Columbia	
		Culleoka	
		Fairview	
		Franklin	
		Goodlettsville	
		Hampshire	
		LaVergne	
		Mount Pleasant	
		Nashville	
		Nolensville	
		Old Hickory	
		Santa Fe	
		Spring Hill	
		Triune	
		Williamsport	
	Pulaski	Pulaski	
		Elkton	
		Lynnville	
		Minor Hill	
		Veto, AL	

Issue Date: June 4, 2007

Effective Date: July 9, 2007

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
Bell South	Santa Fe	Santa Fe	(M) (M)
		Columbia	
		Culleoka	
		Hampshire	
		Mount Pleasant	
		North Spring Hill	
		Spring Hill	
		Williamsport	
	South Pittsburg	South Pittsburg	
		Apison	
		Chattanooga	
		Collegedale	
		Georgetown	
		Jasper	
		Ootewah	
		Soddy-Daisy	
		Whitwell	
	Spring Hill	Spring Hill	
		Columbia	
		Culleoka	
		Hampshire	
		Mount Pleasant	
		North Spring Hill	
		Santa Fe	
		Williamsport	
	Summertown	Summertown	
		Columbia	
		Ethridge	
		Five Points	
		Lawrenceburg	
		Leoma	
		Loretto	
		Mount Pleasant	
		Saint Joseph	

Issue Date: June 4, 2007

Effective Date: July 9, 2007

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
Bell South	Tullahoma	Tullahoma	(N)
		Hillsboro	
		Manchester	
		Normandy	
		Pelham	(N)
	Wartrace	Wartrace	(N)
		Beech Grove	
		Flat Creek	
		Fosterville	
		Normandy	
		Shelbyville	
		Unionville	(N)
	Whitwell	Whitwell	
		Apison	
		Chattanooga	
		Collegedale	
		Georgetown	
		Jasper	
		Ootelwah	
		Soddy-Daisy	
		South Pittsburg	
	Williamsport	Williamsport	
		Columbia	
		Culleoka	
		Hampshire	
		Mount Pleasant	
		North Spring Hill	
		Santa Fe	
		Spring Hill	
	Winchester	Winchester	(N)
		Estill Springs	
		Huntland	
		Sewanee	(N)

Issue Date: June 4, 2007

Effective Date: July 9, 2007

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

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2. Exchange Areas (cont'd.)

Exchange Area	Local Exchange	Exchanges in the Local Calling Area	
Citizen's Telecom	Cookeville	Cookeville Algood Baxter Cookeville South Monterey	
	Crossville	Crossville Pleasant Hill Tansi	
	Martin	Martin Dresden Gleason Greenfield Latham Palmer'sville	
	Monterey	Monterey Baxter Cookeville Cookeville South Crawford	(N) (N)
	Sharon	Sharon Sidonia Sharon Dresden Gleason Greenfield Latham Martin Palmer'sville Sidonia	
	Tansi	Tansi Crossville Pleasant Hill	

Issue Date: November 2, 2007

Effective Date: November 5, 2007

Issued By: Betty Sanders, Director Regulatory Affairs
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2. Exchange Areas (cont'd.)

County-Wide Calling

In addition to the exchange areas described above, toll free calling on a (1+) or (0+) basis is provided between all local exchange service locations within the same county. On operator-assisted calls, appropriate local operator service charges will apply. Intra-county toll calls that terminate to a Local Exchange Company that is not participating in County-Wide Calling will be rated at appropriate toll charges. A maximum of 30 days will be required to provide this service.

These toll free calling areas are not provided to the following:

Sent paid Customer-Provided Public Telephone Service
Outward Wide Area Telecommunications Service (WATS) and 800/888 Service
Cellular and Paging Service
Quoted Charges
Foreign Exchange
Remote Call Forwarding

Issue Date: September 6, 2005

Effective Date: September 12, 2005

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
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The Telephone Company will bill the customer a monthly 911 surcharge, per voice grade equivalent line in order to fund the E-911 system. Funds collected will be remitted to the required agency.

3.2.14 Directory Assistance

The Telephone Company shall list its customers with the directory assistance operators to provide the requested telephone numbers of all customers, except telephone numbers unlisted at the customer's request.

In the event of an error in the listed numbers of any customer, the Telephone Company shall intercept all calls to the listed number for a reasonable period of time provided existing telephone equipment will permit and the number is not in service. In such event of an error or omission in the name listing of a customer such customer's correct name and telephone number shall be filed with directory assistance operators. The correct number furnished the calling party either upon request or interception.

Whenever any customer's telephone number is changed after a directory is published, the utility shall intercept all calls to the former number for a reasonable period of time and give the calling party the new number provided existing telephone equipment will permit and the customer so desires.

Directory Assistance Direct-Dialed calls for the physically impaired customers are provided at no charge. Customers who are physically impaired and unable to use the telephone directory must obtain an exemption from the Telephone Company by completing an exemption form supplied by the Telephone Company.

3.2.15 711 Access for Telecommunications Relay Service

Telecommunications Relay Service (TRS) enables deaf, hard-of-hearing or speech-impaired persons who use a Text Telephone (TT) or similar devices to communicate with the hearing population not using TT. It also allows the hearing population not using a TT to communicate with deaf, hard-of-hearing or speech-impaired persons who do use a TT. A Customer will be able to access the state provider to complete such calls by either dialing the applicable telephone number directly or by dialing the number 711.

4. Rates

This Local and Intrastate Interexchange Tariff applies to the Services furnished or made available by the Telephone Company in the State of Tennessee. Customer must reside in a serviceable area of the Telephone Company to subscribe to the services outlined in this Tariff. All current charges quoted are for period of one (1) month unless otherwise noted and are payable monthly in advance.

4.1 Basic Service

Description

Telephone Company will provide basic local exchange service to residential Customers only. Basic local exchange service is defined as "two-way switched voice service" for unlimited calls

Issue Date: September 6, 2005

Effective Date: September 12, 2005

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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placed within the local calling areas described in Section 2 and comprised of any of the following features and services and their recurring and nonrecurring charges:

- A. Basic Single Line with Touchtone Service
- B. E911 Emergency Service
- C. One standard white page Directory Listing
- D. Access to Operator Services
- E. Access to Directory Assistance
- F. Access to Customer Service and Repair Services
- G. Access to Line Intercept Services
- H. Access to TRS; (using 711, where available)
- I. Access to Interexchange Carriers for Intrastate InterLATA, Intrastate IntraLATA, Interstate InterLATA and Interstate IntraLATA (if exists) toll calling.
- J. Free standard intercept service for 30 days
- K. Free unlimited local calling within the local exchange area of the end-user.

The Lifeline program is designed to increase the availability of telecommunications services to low income subscribers by providing a credit to monthly recurring local service to qualifying residential subscribers. The amount of the credit will not exceed the charge for basic service. No deposit is required for the Lifeline program. To be eligible for a Lifeline credit, a customer must be a current recipient of any one of the following low-income assistance programs:

- A. Temporary Assistance to Needy Families (TANF), previously known as AFDC
- B. Supplemental Security Income (SSI)
- C. Food Stamps
- D. Medicaid, as provided under TennCare
- E. Total household gross monthly income equal to or less than 125% of the Federal Poverty Level, as determined by the Tennessee Regulatory Authority.

Customers eligible under the Lifeline program are also eligible for a reduction in their Service Connection Charge under the Link-Up program.

Note: Basic local telecommunications service does not include optional toll free calling outside of the designated local calling area as specified in Section 4.1.

Issue Date: September 6, 2005

Effective Date: September 12, 2005

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
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Rates

Service Name	Monthly Charge	
Basic Service	\$24.99 for one primary line - no calling features included	
Lifeline Program	\$5.99 monthly recurring charge for one primary line – no calling features included	(R)
Additional Line	\$8.99 per line – no calling features included	

4.2 Custom Calling Features

Name	Description	Monthly Charge
Anonymous Call Rejection	Allows subscribers to reject calls from numbers that have private or anonymous designation and route to an announcement	\$1.50
Call Forward	Provides four types of forwarding capabilities:	
Selective	1) Forwards list up to 12 selected Incoming calls to a designated number	\$2.75
Variable	2) Forwards all incoming calls to a Designated number	\$2.75
Busy	3) Forwards all incoming calls when Line is busy	\$2.75
Busy/No Answer	4) Forwards all incoming calls when Line is busy or unanswered	\$2.75
Call Return	Provides the telephone number of the Last incoming call and offers the option To return the call by dialing *69 (Available IntraLATA calls only)	\$3.25 or \$.50 Per Use (Note 2) Maximum \$4.00 per month
Repeat Dialing	Auto Redials a specified busy outgoing Number by dialing *66 (Available IntraLATA calls only)	\$1.75 or \$.50 Per Use (Note 2) Maximum \$2.00

Note 2: Credits will not be given for attempts to complete interstate or interLATA calls

Name	Description	Monthly
Call Screening	Provides the customer with the ability to route 12 selected incoming calls to a recorded message stating calls are not being accepted at this time.	\$4.00

Issue Date: October 12, 2005

Effective Date: October 12, 2005

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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	Incoming call.	
Call Waiting/Cancel Call Waiting	Identifies incoming calls via an audible signal while on a call and allows the Call Waiting feature to be temporarily disabled	\$7.25
Caller ID	Displays incoming telephone number and listed name on a customer display device or telephone (Customer must have a Caller ID capable telephone or display unit)	\$6.75
Call Waiting with Caller ID	Identifies incoming calls via an audible signal while on a call and displays incoming caller information (Must have a Caller ID capable phone or display unit) (Customer must subscribe to Call Waiting and Caller ID)	N/C
Caller ID Blocking	Allows subscriber (customer) to block the display of their name/number to the person they are calling on a per call basis.	N/C
Custom Ring	Provides the customer the ability to have a list of up to twelve telephone numbers in order to differentiate the callers on the list from other callers	\$3.50 per month
Distinctive Ring	Allows for two distinct phone numbers on one telephone line	\$3.50 per month
Selective Call Acceptance	Limits incoming calls up to 12 designated numbers and auto-routes all other incoming calls to a recorded message	\$ 4.00 per month
Speed Dial 8	Allows one-digit keypad dialing for up to 8 frequently dialed numbers	\$2.75 per month
Speed Dial 30	Allows two-digit keypad dialing for up to 30 frequently dialed numbers	\$6.00 per month
3-Way Calling	Allows the customer to add a third party to an existing call and talk to two different parties simultaneously	\$2.75 per month

Issue Date: September 6, 2005

Effective Date: September 12, 2005

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

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4.3 Other Services and Charges

Name	Description	Nonrecurring Charge	
Seasonal Service	Allows a telephone account to remain active while suspending service for 4 or 6 consecutive months (Only one time per calendar year)	Refer to Section 4.5	(C) (C)
Suspension Service*	Allows a telephone account to remain active while suspending service for 3 - 6 consecutive months (Only one time per calendar year)	\$15.00 per number per month	(C)
Non-Listed Number	Number listed with Directory Assistance but not in the telephone directory	\$2.00 per number, per month	
Non-Published Number	Number not listed with Directory Assistance or in the telephone Directory	\$2.50 per listing per month	
Operator Services	Operator dialed calls to a specific called number, collect, person or station	\$1.10 per use	
Directory Assistance	Directory 411 Operator Assisted Calls Directory Assistance for certified Physically Impaired	\$1.25 per use No Charge	
Directory Assistance Call Completion	Allows Directory Assistance calls to be automatically completed	\$.25 per use	
Block Collect Calls	Prevent the acceptance of collect Calls	N/C	
Block Third Party Calling	Prevent third party calling	N/C	
Block International Calling	Prevents international calling	N/C	
Busy Line Interrupt	Operator Assisted Interruption of a busy line	\$20.00 per use	
Busy Line Verify	Operator assisted verification of a busy line	\$20.00 per use	
Extended Referral Message	Extends the length of disconnect intercept message from 30 to 60 days	\$ 2.00	
Directory Listing Change	Change to Directory Listing	\$5.00	

* Suspension Service has been discontinued to residential customers as of August 25, 2007. Existing subscribers will be able to keep this service until the suspension has lapsed. (C)

Issue Date: August 24, 2007

Effective Date: August 25, 2007

Issued By: Betty Sanders, Director - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

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Add/Change Feature	Add or remove a feature	\$ 5.00 (one change per order)
Telephone Number Change	Change telephone number	\$20.00 per change
Returned Check/Non Sufficient Fund Charge	Fee assessed for forms of payment returned or declined	\$25.00
Preferred Carrier Freeze	Local and Long Distance carrier freeze	N/C
Toll Restriction	Block long distance calling originating from a specified telephone line	N/C

4.4 Service and Equipment Charges

Name	Description	Nonrecurring Charge
New Installation	Residential Service Connection (up to 2 telephone lines)	\$ 30.00
	Additional jack installed on new Installation	\$ 30.00
Link-up Program	Residential Service Connection for Qualifying customers as described In section 4.1	\$ 15.00
Add a telephone line to an existing active account	Residential Service Connection (includes service dispatch)	\$ 75.00
Service Dispatch/ Maintenance Visit	Dispatch subsequent to initial installation or for trouble visits beyond the demarcation point. Also applies transfer of service from one location to another.	\$ 45.00
Reconnection	Restore service at same location after a voluntary disconnection	\$ 30.00
Non-Pay Reconnection	Restore service after disconnection Non-payment (not temporarily suspension)	\$ 60.00
Additional New Phone Jack	Install a new phone jack (includes service dispatch)	\$ 30.00
Reconfigure an Existing Jack	Charge to change the telephone line associated with an existing jack (includes service dispatch)	\$ 10.00
Repair/Maintenance	Charges to repair customer caused incidents	
	Regular Time: Mon.-Sat. 8a.m-8p.m	\$ 115.00 per visit
	Overtime: Mon-Sun. 8p.m.-8a.m.	\$ 175.00 per visit
	Premium: Sundays and Holidays	\$ 230.00 per visit

(C)
(C)

(C)

Issue Date: August 24, 2007

Effective Date: August 25, 2007

Issued By: Betty Sanders, Director - Regulatory Affairs
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Charter Fiberlink-Tennessee, LLC

4.5 Customer Initiated Temporary Suspension of Service – Seasonal Service

(T)

A residential customer may request a temporary suspension of Service to accommodate extended absence needs for vacation, etc. Requests for Seasonal Suspension Service may be in four (4) or six (6) consecutive month increments, and can only be applied to the Telephone Company customer's account one (1) time per calendar year.

(C)

|

(C)

This service will maintain full dialing and alarm system capabilities. Seasonal Service also includes access to Call Forwarding service as well as Voice Mail if requested by the customer. If the customer does not provide a restore service date, Telephone Company will restore service and resume billing after the suspend date option requested. The restored service will be the same and will reflect the same features as the service prior to the suspension.

(C)

(C)

Use of the Seasonal Service option allows the customers to not be charged a service and equipment charge, while maintaining their telephone number. All other monthly recurring charges are waived for the suspended period. If promotional pricing is in effect at the start of the suspension period, the promotional period will not be extended for the period of the seasonal disconnect.

(C)

(C)

For example, in June, a customer requests an additional line promotion that is priced at fifty percent (50%) of the regularly tarified rate for the first six (6) months. The customer requests a seasonal disconnect for six (6) months beginning in October. When the service is restored in March, the original promotional time frame has expired and the customer will no longer receive the promotional rate.

(T)

(T)

Additionally, if rates for any of the services that the customer subscribes to have been increased or decreased during the suspension period, the customer's service will be billed at the rate in place at the time of termination of seasonal disconnect.

Rate	Per Month	(C)
Unlimited Long Distance Package – Standalone & Double Pak rate	\$ 10.99 per number	(R)
Unlimited Long Distance Package – Triple Pak rate	\$ 9.00 per number	(R)

4.6 Number Intercept Treatment

Description

If a customer changes local service providers or disconnects from his or her local exchange service provider and does not retain his current telephone number, the Telephone Company will provide a recording for thirty (30) days from the effective date of the change/cancellation which will provide a caller with either a notification of disconnection if no new telephone number is provided to the Telephone Company or with the new telephone number of the end user if the new number is provided to the Telephone Company. An additional thirty (30) days of notification may be requested by the customer at the rate specified in section 4.3 of this Tariff.

Number intercept treatment will not be provided beyond sixty (60) days

Issue Date: August 24, 2007

Effective Date: August 25, 2007

Issued By: Betty Sanders, Director - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

The Telephone Company furnishes operator assistance to its customers via a third-party provider. This service provides Customers with assistance using operators or the automated Interactive Voice System (IVS) whereby Customers may request assistance in: dialing a local or intrastate number; requesting a local and intrastate person-to-person call; billing a local and intrastate call to a calling card, a third number or as a collect call.

Regulation

The Telephone Company will not bill for incomplete calls where answer supervision is available.

The Telephone Company will not bill for incomplete calls and will remove any charges for incomplete calls upon subscriber notification or Telephone Company's knowledge.

The caller and billed party, if different from the caller, will be advised that the Telephone Company is the operator service provider at the initial contact.

Rate quotes will be given upon request, at no charge, including all rate components and any additional charges.

Only Local Exchange Tariff rates approved by the Tennessee Regulatory Authority shall appear on any local exchange Telephone Company (LEC) billings.

Telephone Company shall be listed on the LEC billing.

Telephone Company will employ reasonable calling card verification procedures.

Telephone Company will route all 0- or 00- calls to the emergency service provider, at no charge.

Upon request, Telephone Company will transfer calls to another authorized interexchange Telephone Company or to the LEC, if billing can list the caller's actual origination point.

The Operator Assisted charge is in addition to applicable local or toll message usage charges billed to that telephone number

4.8 Line Status Verification and Busy Line Interrupt

Description

The Telephone Company furnishes Line Status Verification and Busy line Interrupt Service to customers upon request to provide line status or busy interrupt of a requested access line.

The provision of Line Status Verification involves a Telephone Company-provided operator determining the condition of an access line that a customer requests be checked. The status of the access line is verified to the requesting customer.

The provision of Busy Line interrupt involved a Telephone Company-provided operator interrupting a conversation in progress to ascertain willingness to establish conversation with an alternate party.

Issue Date: September 6, 2005

Effective Date: September 12, 2005

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

The provision of Busy Line interrupt involved a Telephone Company-provided operator interrupting a conversation in progress to ascertain willingness to establish conversation with an alternate party.

Regulation

This Service is provided where facilities exist for line status and busy interrupt through a Telephone Company-provided operator.

No request will be processed on a collect or reversal-of-charge or person-to-person basis. However, in the case of an Emergency Busy Line Interrupt, the caller may bill collect, if necessary.

The rates set forth for Line Status Verification and Busy Line Interrupt are in addition to the rates associated with Local Exchange Services, if the calling party requests the operator to place the call.

The charge for Busy Line Interrupt applies whenever the operator interrupts the conversation even though one or the other parties interrupted refuses to terminate the conversation in progress.

If the line verified is not in use or as the result of interrupt the line is cleared, and at the calling party's request the operator completes the call, the current applicable Operator Assistance Service charges apply as described in section 4.3 in addition to the line status Verification or Busy Line Interrupt Charge.

Exemptions

Charges for Line Status Verification and Busy Line Interrupt are not applicable to calls placed from authorized emergency agencies. Police, Fire, Ambulance and 911/911-Like agencies are those agencies that qualify for this exemption.

4.9 Directory Assistance

Telephone Company will provide end user with access to Directory Assistance for obtaining telephone numbers. Current charges associated with obtaining Directory Assistance information are located in Section 4.3 of this Tariff.

Exemptions are described in Section 3.2.14 of this tariff.

(M)

(M)

Issue Date: July 2, 2007

Effective Date: July 10, 2007

Issued By: Betty Sanders, Director - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

4.10 Directory Assistance Call Completion (DACC) Service

Directory Assistance Call Completion Service provides a Customer calling Directory Assistance (N) with the option of having the call to the last requested number completed. A service message will inform the Customer that he or she may be connected to the requested number automatically for a specified additional charge.

Directory Assistance charges and, if applicable, usage charges apply in addition to the Directory Assistance Call Completion Service charge. The use of this feature to complete a long distance call will incur charges at the current Charter rate. Directory Assistance Call Completion Service is furnished over the Telephone Company's network and where facilities are available.

When a caller requests more than one number from Directory Assistance, Directory Assistance Call Completion Service is offered only for the last number requested.

The Directory Assistance Call Completion Service charge applies only to calls actually completed. The Directory Assistance Call Completion Service charge will be credited for completion of calls to the wrong number, incomplete connections or calls with unsatisfactory transmission.

The Directory Assistance Call Completion Service charge does not apply to disabled persons who are exempt from the Directory Assistance charge pursuant to this Tariff.

Current charges associated with Directory Assistance Call Completion are located in Section 4.3 of this tariff. (N)

4.11 Employee Discount Service (T)

The Telephone Company may provide a discount from the current rates described in this tariff (M) to active employees of Charter Communications, Inc., affiliated agencies or of companies where reciprocal agreements are provided and where Charter telephone residential service is available. Employee discounts are subject to change based on the discretion of the Telephone Company. (N)

Issue Date: July 2, 2007

Effective Date: July 10, 2007

Issued By: Betty Sanders, Director - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

5. Long Distance Service

5.1 Rules and Regulations

The Telephone Company undertakes to provide intrastate interexchange telecommunications services within the State of Tennessee on the terms and conditions and at the rates and charges specified herein.

The Telephone Company installs, operates and maintains the communication Services provided hereunder in accordance with the terms and conditions set forth under this Tariff. It may act as the Customer's agent for ordering access connection facilities provided by other carriers or entitles when authorized by the Customer to allow connection of a Customer's location to the Telephone Company's network. The Customer shall be responsible for all charges due for such service arrangements.

The Telephone Company's Services and facilities are available twenty-four (24) hours per day, seven (7) days per week.

5.2 Use of Service

Services provided under this Tariff may be used only for the transmission of communications in a manner consistent with the terms of this Tariff and regulations of the Federal Communications Commission.

5.3 Limitations

Service is offered subject to the availability of the necessary facilities or equipment, or both facilities and equipment, and subject to the provisions of this Tariff. The obligation of the Telephone Company to provide Service is dependent upon its ability to procure, construct, and maintain facilities that are required to meet the Customer's order for Service. The Telephone Company will make all reasonable efforts to secure the necessary facilities.

The Telephone Company reserves the right to limit or to allocate the use of existing facilities, or additional facilities offered by the Telephone Company, when necessary because of lack of facilities, relevant resources, or due to causes beyond the Telephone Company's control. In addition, the Telephone Company reserves the right to discontinue Service when the Customer is using the Service in violation of law or the provisions of this Tariff. The Telephone Company also reserves the right to block international calls when usage surpasses the threshold set by the Company and/or the account is delinquent.

The Telephone Company does not undertake to transmit message, but offers the use of its facilities when available, and will not be liable for errors in transmission nor for failure to establish connections.

The Telephone Company reserves the right to refuse service to Customers due to insufficient or invalid charging information.

Issue Date: September 6, 2005

Effective Date: September 12, 2005

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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The Telephone Company may block calls that are made to certain cities or central office exchanges, or use certain Authorization Codes as the Telephone Company, in its sole discretion, deems reasonably necessary to prevent unlawful or fraudulent use of Service.

The Telephone Company will use reasonable efforts to maintain only the facilities and equipment that it furnishes to the Customer. The Telephone Company may substitute, change, or rearrange any equipment or facility at any time and from time to time, but shall not thereby alter the technical parameters of the service provided the Customer. The Telephone Company shall have the right to make necessary repairs or changes in its facilities at any time and will have the right to suspend or interrupt service temporarily for the purpose of making the necessary repairs or changes in its system. When such suspension or interruption of service for any appreciable period is necessary, the Telephone Company will give the Customers who may be affected reasonable notice thereof as circumstances will permit, and will prosecute the work with reasonable diligence, and if practicable at time that will cause the least inconvenience. When the Telephone Company is repairing or changing its facilities, it shall take appropriate precautions to avoid unnecessary interruptions of Customer's service.

5.4 Liabilities of The Telephone Company

The Telephone Company's liability for damages arising out of mistakes, omissions, interruptions, delays, errors, or defects in the installation, provision, termination, maintenance, repair, or restoration occurring in the course of furnishing service, channels, or other facilities, and not caused by the negligence of the subscribers, commences upon activation of service. In no event does the Telephone Company's liability exceed an amount equivalent to the proportionate charge to the Customer for the period of service during which such mistakes, omissions, interruptions, delays, errors or defects occur.

When the facilities of other carriers are used in establishing connections to points not reached by the Telephone Company's facilities, the Telephone Company is not liable for any act or omission of the other carrier(s). The Customer will indemnify and save harmless the Telephone Company from any third-party claims for such damages referred to in this Section.

In no event will the Telephone Company be responsible for consequential damages or lost profits suffered by a Customer as a result of interrupted or unsatisfactory service. The Telephone Company will not be liable for claims or damages resulting from or caused by:

- A. Customer's fault, negligence or failure to perform Customer's responsibilities;
- B. Claims against Customer by another party;
- C. Any act or omission of any other party; or
- D. Equipment or service furnished by a third party.

The Telephone Company does not guarantee or make any warranty with respect to any equipment provided by it or leased on the Customer's behalf where such equipment is used in locations containing an atmosphere that is explosive, prone to fire, dangerous or otherwise unsuitable for such equipment. The Customer shall indemnify and hold the Telephone Company harmless from any and all loss, damage or destruction of any property, whether owned by the Customer or others, cause or claimed to have been caused directly or indirectly by the installation, operations, failure to operate, maintenance, removal, presence, condition, location or use of such equipment so used.

The Telephone Company is not liable for any defacement of, or damage to, the premises of a Customer resulting from the furnishing of services or the attachment of equipment, instruments,

Issue Date: September 6, 2005

Effective Date: September 12, 2005

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

apparatus, and associated wiring furnished by the Telephone Company on such Customer's premises or by the installation or removal thereof, when such defacement or damage is not the result of the Telephone Company negligence. No agents or employees of other participating carriers shall be deemed to be agents or employees of the Telephone Company without written authorization. The Customer will indemnify and save harmless the Telephone Company from any claims of the owner of the Customer's premises or other third party claims for such damages.

The Telephone Company and Customer shall be excused from performance under this Tariff and under the application for service for any period, and to the extent that the party is prevented from performing any service pursuant hereto, in whole or in part, as a result of delays caused by the other party or an Act of God, governmental agency, war, civil disturbance, court order, lockouts or work stoppages or other labor difficulties, third party nonperformance (including the failure of performance for reasons beyond the control of common carriers, interexchange carriers, local exchange carriers, suppliers and subcontractors), or other cause beyond its reasonable control, including failures or fluctuations in electrical equipment, and such nonperformance shall not be deemed a violation of this Tariff or of the application of service or grounds for termination of service. Both parties retain all rights of recourse against any third parties for any failures that may create a *force majeure* condition for the other party.

The Telephone Company is not liable for any damages, including toll usage charges, the Customer may incur as a result of the unauthorized use of its telephone facilities. This unauthorized use of the Customer's facilities includes, but is not limited to, the placement of calls from the Customer's premises, and the placement of calls through Customer-Provided Equipment that are transmitted or carried on the Telephone Company network.

Where there is a connection via Customer-provided terminal equipment or Customer-provided communications systems, the point of demarcation shall be defined as the Telephone Company facility that provides interconnection. The Telephone Company shall not be held liable for Customer-provided access media or equipment. Any maintenance service or equipment arrangements shall be addressed on an individual case basis.

The Telephone Company will not be responsible if any changes in its service cause hardware or software not provided by the Telephone Company to become obsolete, require modification or alternation, or otherwise affect the performance of such hardware or software.

The Telephone Company shall use reasonable efforts to make services available by the estimated service date. The Telephone Company shall not be liable for any damages whatsoever resulting from delays in meeting the estimated service date due to delays resulting from normal installation procedures. Such delays shall include, but not be limited to delays in obtaining necessary regulatory approvals for construction, delays in obtaining right-of-way approvals, delays in actual construction work being done by our vendor(s), and any delays due to any LEC where the Telephone Company is relying solely upon such LEC to meet such estimated due date which is beyond the Telephone Company's control.

With respect to the services, materials and equipment provided hereunder, the Telephone Company makes no promises, agreements, understandings, representations or warranties, expressed or implied, and hereby expressly disclaims all warranties, expressed or implied, not stated in this Tariff, and in particular disclaims all warranties of merchantability and fitness for a particular purpose.

Issue Date: September 6, 2005

Effective Date: September 12, 2005

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

5.5 Responsibilities of the Customer

The Customer may not, nor may the Customer permit others to, rearrange, disconnect, remove, attempt to repair, or otherwise interfere with any of the facilities or equipment installed by the Telephone Company, except upon the written consent of the Telephone Company. The equipment the Telephone Company provides or installs at the Customer premises for use in connection with the service the Telephone Company offers shall not be used for any purpose other than for which it was provided.

The Customer shall ensure that the equipment and/or system is properly interfaced with the Telephone Company's facilities or service. If the FCC or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, the Telephone Company will permit such equipment to be connected with its channels without the use of protective interface devices.

The Customer shall be responsible for securing its telephone equipment against being used to place fraudulent calls using the Telephone Company's service. The Customer shall be responsible for payment of all applicable charges for services provided by the Telephone Company and charged to the Customer's accounts, even where those calls are originated by fraudulent means either from Customer's premises or from remote locations.

The Telephone Company shall be indemnified and held harmless by the Customer against claims of libel, slander, or the infringement of copyright, or for unauthorized use of any trademark, trade name, or service mark, arising from the material transmitted over the Telephone Company's service, against claims for infringement of patents arising from, combining with, or using in connection with, service, the Telephone Company's apparatus and systems of the Customer; against all other claims arising out of any act or omission of the member in connection with the Telephone Company's service. The Customer shall be liable for:

- A. Loss due to theft, fire, flood, or other destruction of the Telephone Company's equipment or facilities on Customer's premises.
- B. Reimbursing the Telephone Company for damages to facilities or equipment caused by the negligence or willful acts of the Customer.

Charges incurred with interconnect or local operating companies for service or service calls made to the Customer's premises or on the Customer's leased or owned telephonic equipment unless the Telephone Company specifically authorizes said visit or repairs in advance of the occurrence and the Telephone Company agrees in advance to accept the liability for said repairs or visit.

Payment for all the Telephone Company service charges incurred through usage or direct action on the part of the Customer.

5.6 Payment of Charges

The Customer is responsible for the payment of all charges for facilities and services furnished by the Telephone Company to the Customer, and to all users authorized by the Customer, regardless of whether those services are used by the Customer itself or shared with other persons.

Issue Date: September 6, 2005

Effective Date: September 12, 2005

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

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For billing of monthly charges, service is considered to be established upon the confirmation of third party verification processes.

Usage charges will be billed monthly in arrears. Customer will be billed for all usage accrued beginning immediately upon access to the service. Customers will be billed for usage occurring during their specific 30-day billing cycle, which for purposes of computing charges shall be considered a month. The rates charged to a Customer will be the rates in effect on the first day of the Customer's billing cycle.

Monthly charges for all access service components, provided hereunder, are billed in advance of service and reflect the rates in effect as of the date of the invoice.

The Telephone Company will generate and mail customer bills seven (7) days prior to the close of the customer monthly billing period. Bills are due and payable as specified on the bill. Bills may be paid by mail or in person at the business office of the Telephone Company or an agency authorized to receive such payment. All charges for service are payable only in United State currency. Payment may be made by cash, check, money order, cashier's check or certain major credit cards. Customers shall have thirty (30) days from the receipt (normally three days after rendition of bill) of bill to pay the charges stated before charges are considered delinquent.

If any portion of the payment is not received by the Telephone Company, or if any portion of the payment is received by the Telephone Company in funds that are not immediately available, within thirty-three (33) days after rendition of bill, then a late payment penalty may be assessed. The penalty for late payments shall be in accordance with 220 CMR 26.09.

The Telephone Company may assess a charge for each returned check or credit card chargeback. (C)

The Customer is responsible to pay the Telephone Company for all toll calls or other third party charges resulting from the origination of calls to points outside the local exchange and for charges or calls billed to the Customer's number.

If service is suspended/disconnected by the Telephone Company in accordance with the provisions of the Tariff and later restored, restoration of service will be subject to all applicable reconnection charges.

5.7 Billing Disputes

Any disputed charge may be brought to the Telephone Company's attention by verbal or written notification. In the case of a billing dispute between the Customer and the Telephone Company that cannot be settled to their mutual satisfaction, the undisputed portion and subsequent bills must be paid on a timely basis, or the service may be subject to disconnection.

The Customer may request investigation into the disputed amount by the Telephone Company. During the period that the disputed amount is under investigation, the Telephone Company shall not pursue any collection procedures or assess late fees with regard to the disputed amount. The Customer shall be required to pay the undisputed part of the bill, and if not paid, the Telephone Company may discontinue service. In the event the dispute is not resolved, the Telephone Company shall inform the customer that the customer has the option to pursue the matter with the TRA and provide the contact information for TRA.

Issue Date: February 21, 2007

Effective Date: February 22, 2007

Issued By: Carrie L. Cox, Vice President - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

5.8 Disconnection of Service by Customer

By giving notice, Customer may disconnect service at any time following its minimum service requirement(s). The monthly service charge, plus associated taxes, shall be pro-rated for the actual number of days in which service has been provided, with non-used portion being refunded to the Customer.

5.9 Cancellation for Cause

The Telephone Company may discontinue service or cancel an application for service, pursuant to applicable Commission rules, without incurring any liability for any of the following reasons:

- A. Nonpayment of a delinquent bill for non-disputed regulated telecommunications services within a period;
- B. Violation of or noncompliance with any provision of law, or of the tariffs or terms and conditions of service of the Telephone Company filed with and approved by the Commission;
- C. Refusal to permit the Telephone Company reasonable access to its telecommunications facilities for recovery, maintenance and inspection thereof;
- D. Interconnection of a device, line, or channel to the Telephone Company's facilities or equipment contrary to the Telephone Company's terms and conditions of service on file with and approved by the Commission;
- E. Use of telephone service in such manner as to interfere with reasonable service to other end users.

Service shall not be discontinued on a day when the offices of the Telephone Company are not available to facilitate reconnection of service or on a day immediately preceding such a day.

At least two (2) days preceding a suspension, the Telephone Company shall make reasonable efforts to contact the Customer to advise him of the proposed discontinuance and what steps must be taken to avoid it.

Service shall not be disconnected unless written notice shall be sent or delivered to the Customer at least fifteen (15) days prior to the date of the proposed discontinuance, followed by a second written notice five (5) days prior to the discontinuance of service, Notices will be sent via First Class U.S. Mail.

5.10 Description of Services

The Telephone Company provides intrastate interexchange services, including direct dialed message telecommunications services, to residential customers who subscribe to the Telephone Company's Local Exchange Service, as described in this TRA Tariff No. 1. The services offered are available only on an interstate and intrastate bundled basis. Customer must choose the Telephone Company as both their intrastate and interstate carrier in order to subscribe to the long distance services outlined in this Tariff. Rates for long distance calls include only direct-dialed (C) (1+) intrastate calls & interstate calls. The Telephone Company reserves the right to review usage of any long distance service and discontinue or block long distance services without further notice if Customer is utilizing the service for non-residential purposes or is exceeding normal usage. (C)

Issue Date: July 2, 2007

Effective Date: July 10, 2007

Issued By: Betty Sanders, Director - Regulatory Affairs
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Charter Fiberlink-Tennessee, LLC

Calls are measured in duration increments of sixty (60) seconds. All calls which are a fraction of (M) a measurement increment are rounded up to the next whole unit. Timing on completed calls begins when the call is answered by the called party. Answering is determined by hardware answer supervision in all cases where signaling is provided by the terminating local carrier and any intermediate carrier(s). Timing terminates on all calls when the calling party hangs up or the Telephone Company's network receives an on-hook signal from the terminating carrier. (M)

5.11 Product Description

Switched Outbound (1+)

Service provides the Telephone Company's customers with the ability to originate calls from a Telephone Company-provided access line to all other stations on the public switched telephone network bearing the designation of any central office exchanges outside the Customer's local calling area. This service is available on a switched basis only.

These services are available to Local Exchange Telecommunications Service customers of the Telephone Company pursuant to the terms and conditions of this tariff.

5.12 Rates and Charges - Residential Service

The following rates and charges are applicable to Residential Customers:

Switched Outbound (1+)

For all customers who choose the Telephone Company as their intraLATA toll, interLATA and interstate long distance provider:

Charter Basic Long Distance

Rate Per Minute	\$0.07 (Interstate and Intrastate)
-----------------	------------------------------------

- No peak or off-peak rates
- Intrastate includes intraLATA/toll and interLATA calls
- Interstate includes Continental United States and Canada

Charter Basic Long Distance Plan

Monthly Recurring Charge (MRC) Per Line	\$2.50
---	--------

Rate Per Minute	\$0.05 Interstate
	\$0.07 Intrastate

- No peak or off-peak rates
- Intrastate includes intraLATA/toll and interLATA calls
- Interstate includes Continental United States and Canada

The per minute of use rates apply to 1+ calls only (i.e. direct dialed) and not 0+. The MRC of \$2.50 is applied to each customer line and not per account. Also, this charge will be pro-rated for the first month and will be billed in advance.

Issue Date: July 2, 2007

Effective Date: July 10, 2007

Issued By: Betty Sanders, Director - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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6. Promotions

From time to time, the Telephone Company will introduce promotional offerings. The Telephone Company may offer services at a reduced rate, free of charge, or offer incentives including gift certificates and coupons for promotional, market research or rate experimentation purposes. Such offerings will be in accordance with rules as specified by Tennessee code.

Trials

Services may be offered periodically on a trial basis by the Company for technical and/or marketing purposes under the terms and conditions listed following. These trials shall be for the purpose of evaluating, in an operating environment, the performance and pricing of the specific service in conjunction with other marketing and environmental factors that can influence customer demand as follows:

- A. Marketing and/or technical trials shall be governed by the regulations set forth in this section of the tariff.
- B. A marketing and/or technical trial shall not require a tariff filing. However, a transmittal letter shall be provided to the Regulatory Authority before the start of the trial which will include the following information:
 - 1. A description of the new service proposed to be offered;
 - 2. The specific geographic area(s) or telephone exchange(s) in which the service is to be offered;
 - 3. The rates and charges for the service;
 - 4. All rules and regulations governing the offering of the trial service to customers;
 - 5. The targeted number of customers to be included in the trial.
 - 6. The Regulatory Authority will be notified via transmittal letter of any subsequent changes to rates in advance.
- C. A trial service may be offered to a subscriber, a group of subscribers, or to all subscribers in the classification(s) of service and the specific area(s) for which the trial service is made available. Rates for a trial service may also change for a specific location during the trial period to determine the appropriate rate(s).
- D. The applicable terms and conditions for the trial services shall be determined by the Company and provided for a test period of not more than twelve months.
- E. The Company reserves the right to alter the rates after letter notification to the Regulatory Authority.

(N)

(N)

Issue Date: October 13, 2006

Effective Date: October 16, 2006

Issued By: Carrie L. Cox, Vice President - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

**Charter Fiberlink-Tennessee, LLC
Local and Intrastate Interexchange Services Tariff**

TRA Tariff No. 1
1st Revised Page 46
Cancels Original Page 46

(D)
|
(D)

Issue Date: March 29, 2006

Effective Date: March 31, 2006

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

7.3. Rights of Customer

Customers may cancel without termination fees or penalties any new tariffed service or any new contract for service within thirty (30) days after the new service is initiated. This does not relieve the customer from payment for per use and normal recurring charges applicable to the service incurred before canceling, or for the reasonable cost of work done on the customer's premises (such as wiring or equipment installation) before the customer canceled.

The Telephone Company shall be in default if one (1) or more of the following Occur and the Telephone Company fails to remedy each noncompliance or Occurrence within thirty (30) days of receipt of written notice from Customer:

1. The Telephone Company fails to comply with the terms of this Tariff or individual contract and/or any or all of the applicable service orders;
2. The Telephone Company files or initiates proceedings or has proceedings filed or initiated against it, seeking liquidation, reorganization or other relief, or proceedings not dismissed within sixty (60) days.

If termination is due to noncompliance by the Telephone Company, the Telephone Company shall reimburse the Customer for any pre-paid, unused monthly service charges attributed to such terminated service. In addition, if termination is due to noncompliance by the Telephone Company within one (1) year of the applicable turn-up (installation) date, the Telephone Company shall waive the termination charge, equal to a portion of any one time charge has been paid by the Customer to the Telephone Company relative to the services covered by the terminated service order and/or individual contract.

7.4. Exchange Service

Telephone Company will provide local exchange service via Telephone Company's facilities to business customers within its local service areas. Local exchange service includes the following:

Basic Local Touchtone Service
E911 Emergency Service
One white page directory listing per account
One yellow page directory listing per account
Access to Operator Services
Access to Directory Assistance
Access to Customer Service and Repair Services
Access to Line Intercept Services
Access to services for the physically impaired
Free unlimited local calling within the local exchange area of the end user
Free standard intercept service for thirty (30) days

(C)
(C)

Issue Date: April 13, 2007

Effective Date: April 16, 2007

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

7.7. Rates - Business Service

7.7.1. Recurring Rates

Various pricing plans, including month to month and term discount pricing, will be available to business customers within the local serving areas of the Telephone Company. Rates that are listed in this section are monthly recurring charges, unless otherwise noted. All rates shown are on a per line basis and require purchase of a Charter Long Distance Service.

Services that are terminated by the customer prior to the contract expiration date may be assessed a termination liability of fifty (50%) of the monthly service charges for the remaining months of the contract term plus one hundred percent (100%) of (a) the outstanding balance of any and all One-Time Charges and (b) any and all previously waived one-time charges. For those Services provided under contract terms which have an initial service period identified below, upon expiration of the initial service period, the Services shall automatically renew for the same service period term as originally contracted at Charter's then-current applicable business rates, unless either party gives thirty (30) days prior written notice to the other party before the expiration of the current service period.

(N)
|
(N)

	<u>Month-To-Month (MTM)</u>	<u>Contract</u>			
		<u>12 Months</u>	<u>24 Months</u>	<u>36 Months</u>	
Basic Line	\$21.99	\$19.99	\$18.99	\$17.99	(T)
**Additional Service Line	\$19.99	\$17.99	\$16.99	\$15.99	
Multi Media (MTA) Terminal Adapter Lease Charge - \$0.60 per line, per month Applicable to new Basic Lines as of 4/16/07					(N) (N)

**As of 4/16/07 this service will be unavailable to customers who don't currently subscribe. Existing customers who currently subscribe to this service will be "grandfathered" and allowed to retain this service until:

1. the service is discontinued and/or moved at the customer's request;
2. non-pay disconnection of telephone service; or
3. Customer notified by the Telephone Company that the "grandfathered" service has been discontinued

(N)
|
(N)

Issue Date: April 13, 2007

Effective Date: April 16, 2007

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
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7.7.2. Custom Calling Features

The following is a description and rate for a la carte features. The monthly recurring charge will apply unless specified on a per use basis.

<u>Name</u>	<u>Description</u>	<u>Monthly Recurring Charge (MRC)</u>	
Anonymous Call Rejection	Allows subscribers to reject calls from numbers that have blocked identification of their line on Caller ID display devices.	\$2.00	
Caller ID	Displays incoming caller information. Customer must have a Caller ID capable phone or display unit	\$6.00**	(R)
Call Waiting With Caller ID	Identifies incoming calls via and an audible signal while on a call	\$6.00**	(R)
Call Waiting with Caller ID	Identifies incoming calls via and an audible signal while on a call and displays incoming caller information. *Must have a Call Waiting ID capable phone and/or display unit	N/C	
Call Forward Busy/ No Answer	Forwards all incoming calls when the line is busy or Unanswered	\$4.00	
Call Forward No Answer	Forwards all incoming calls when the line is unanswered	\$4.00	
Call Forward Variable	Forwards all incoming calls to a designation number	\$4.00	
Call Forward Variable Remote Access	Allows subscribers to make changes to Call Forwarding services from other locations	\$2.00	
Call Forward	Forwards up to 12 selected Incoming calls to a designated number	\$4.00	

**This rate is effective for new customers as of 4/16/07. Existing customers will be "grandfathered" at \$8.00 for Caller ID and \$7.00 for Call Waiting/Cancel Call Waiting until:

1. the service is discontinued and/or moved at the customer's request;
2. non-pay disconnection of telephone service;
3. Customer is notified by the Telephone Company that the "grandfathered" rate has been discontinued.

Issue Date: April 13, 2007

Effective Date: April 16, 2007

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
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7.7.3. Other Services and Charges

Name	Description	Monthly Recurring Charge	
Additional Listing	Additional directory listing in white and yellow pages	\$5.00, per line, per month	
Busy Line Interrupt	Operator assisted interruption of a busy telephone line	\$20.00, per use	
Busy Line Verify	Operator assisted verification of a busy telephone line	\$20.00, per use	
Directory Assistance	Charges to obtain telephone numbers from operator	\$ 1.25, per use	
	Physically Impaired Customers	No Charge	(T)
Directory Assistance	Allows Directory Assistance calls	\$.25 per use	(N)
Call Completion	to be automatically completed		(N)
Non-Listed Number	Telephone number not listed in Directory but, available via 411 information	\$4.00, per number, per month	
Non-Published Number	Telephone number not listed in directory or available for 411 Information	\$5.00, per number, per month	
Operator Services	Operator Assisted Calls in dialing a local number, 3rd number, collect call	\$1.10 per use	
Seasonal Suspension	Allows a telephone account to Remain active while suspending Service for 3, 4, 5, or 6 consecutive months. Only 1 allowed per calendar year.	\$10.00 per line per month	

Issue Date: July 2, 2007

Effective Date: July 10, 2007

Issued By: Betty Sanders, Director - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

Charter Fiberlink-Tennessee, LLC
Local and Intrastate Interexchange Services Tariff

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7.7.4. Service and Equipment Charges

Service and Equipment (S&E) charges are one-time charges associated with the connection, change or termination of business local exchange service. These charges are as follows:

<u>Description</u>	<u>Charge</u>	
Business Service Connection -Includes the installation of up to 2 lines, one jack per line	\$49.00	
Business Service Connection For 3 or more lines – per line	\$25.00	
Additional New Phone Jack With new installation	\$30.00	
Additional Phone Jack to an existing, active account (Service Dispatch Charge must be added)	\$35.00	
Reconfigure an Existing Jack (Service Dispatch Charge must be added)	\$25.00	
Service Dispatch Charge Charge applies for service after initial installation for actual dispatch. Also applies to transfer of service from one location to another.	\$45.00	(C) (C)
Directory Listing Change Charge to change directory listing, per order	\$10.00	
Add/Change/Remove Feature, per order	\$10.00	
Extended Referral Message Charge to extend the length of the Disconnect intercept message from the Standard 30 days to 60 days. (One time extension only)	\$ 2.00	
Telephone Number Change Charge to change telephone number	\$20.00	
Non Pay Reconnection Reconnection charge after non pay Disconnection	\$60.00	
Reconnection Restore service after at same location customer-initiated (voluntary) disconnection	\$30.00	(C)
Non Sufficient Fund Charge Charge for returned or declined payment	\$25.00	

Issue Date: August 24, 2007

Effective Date: August 25, 2007

Issued By: Betty Sanders, Director - Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

7.7.5. Long Distance Services - Business Service

The following services and associated rates and charges are applicable to business customers who choose the Telephone Company as their intraLATA toll and InterLATA long distance provider. Services are available to business customers within the local service area of the Telephone Company and subscribe to the local exchange service of the Telephone Company. Calls are measured in duration increments of six (6) seconds. Usage that results in a fraction of a cent will be rounded to the nearest cent.

Charter Business™ Basic Long Distance

Rate per Minute \$.07 interstate and intrastate

(T)

- Interstate includes Continental United States (including Alaska and Hawaii), Canada and Puerto Rico
- Intrastate includes IntraLATA/local toll and InterLATA calls

Charter Business™ Long Distance Plans

(T)

The following Charter Long Distance Plans can be combined with the Charter Basic Local Service line on an account basis. The amount of long distance provided in each long distance plan will be shared by the total number of lines, per account, per location and not on a per line basis.

Charter Business™ Long Distance 100 Minutes Plan

\$5.99 per month

\$.06 per minute over 100 minutes

(N)

(N)

Charter Business™ Long Distance 300 Minutes Plan

\$14.99 per month

\$.06 per minute over 300 minutes

(T)

Charter Business™ Long Distance 600 Minutes Plan

\$26.99 per month

\$.06 per minute over 600 minutes

(T)

Charter Business™ Long Distance 1000 Minutes Plan

\$39.99 per month

\$.06 per minute over 1000 minutes

(T)

Charter Business™ Long Distance 2,500 Minutes Plan

\$99.99 per month

\$.05 per minute over 2,500 minutes

(T)

Charter Business™ Long Distance 5,000 Minutes Plan

\$199.99 per month

\$.04 per minute over 5,000 minutes

(T)

Charter Business™ Long Distance 10,000 Minutes Plan

\$349.99 per month

\$.035 per minute over 10,000 minutes

(N)

(N)

All long distance plans include interstate and intrastate calling.

- Interstate includes Continental United States (including Alaska and Hawaii), Canada and Puerto Rico
- Intrastate includes IntraLATA/local toll and InterLATA calls

Issue Date: April 13, 2007

Effective Date: April 16, 2007

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

7.7.5. Long Distance Services – Business Service

Charter Business™ Unlimited Long Distance Plan

The Charter Business™ Unlimited Long Distance service includes unlimited minutes for interstate and intrastate calls. This service is only available to Business Customers using Charter basic business lines on a single account at a single location. The Customer must select Charter as the IntraLATA and InterLATA toll carrier and subscribe to Charter Business™ Unlimited Long Distance on each line of the account for a minimum of 1 (one) year. Early termination fees may apply to package discount offerings. Charter Business™ Unlimited Long Distance applies to calls within the US (including Alaska and Hawaii), Puerto Rico and Canada. International calling is not included with this plan. Taxes, fees and other charges will apply. Prices do not include local line or feature charges.

Callers must dial 1 + telephone number for a domestic call to be included without an additional charge. The Charter Business™ Unlimited Long Distance service does not include calls to directory assistance, calling card, or operator services. Auto-dialing (including automatic outbound dialing systems or call distribution systems), broadcast fax, long distance internet or intranet access, call center and certain switching applications are not included. Usage may be monitored for compliance/abnormal usage and the Customer may be required to demonstrate compliance with these restrictions where monitoring indicates non-compliance. If Charter determines that Customer's use of the Service violates any of these and other restrictions, Charter, at its sole option, may move the Customer to another long distance plan or may suspend, restrict or cancel the Customer's service.

\$19.99 per line, per month

(N)

(N)

Issue Date: April 13, 2007

Effective Date: April 16, 2007

Issued By: Carrie L. Cox, Vice President Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink-Tennessee, LLC

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

DOCUMENT CONTROL

AT RICHMOND, DECEMBER 14, 2007

2007 DEC 14 P 1:06

APPLICATION OF

VERIZON VIRGINIA INC.
AND VERIZON SOUTH INC.

CASE NO. PUC-2007-00008

For a Determination that Retail
Services are Competitive and
Deregulating and Detariffing of the Same

ORDER ON APPLICATION

On January 17, 2007, Verizon Virginia Inc. ("Verizon Virginia") and Verizon South Inc. ("Verizon South") (collectively, "Verizon" or "Company") filed an application with the State Corporation Commission ("Commission") requesting "that the Commission, pursuant to 5 VAC 5-20-80(A) and Va. Code § 56-235.5(E), declare certain retail services competitive and deregulate and detariff those services" ("Application").¹ Exhibit VA-1 to the Application "lists these retail services, which are generally classified in Verizon's Alternative Regulat[ory] Plan as [Basic Local Exchange Telephone Services ('BLETS'), Other Local Exchange Telephone Services ('OLETS')], and Bundled Services. Verizon does not seek to have its switched access, special access, E911 or Lifeline² services declared competitive."³

Verizon states that the "retail telecommunications market in Virginia is robustly competitive. Intermodal technologies now offer multiple physical connections to the customer, in turn enabling a variety of competing telecommunications platforms, including cable telephony, cable modem, wireless, fixed wireless, traditional [competitive local exchange carrier

¹ Application at 1.

² Verizon refers to this service in its tariff as the Virginia Universal Service Plan.

³ Application at 1 (footnote added).

('CLEC')] broadband, traditional CLEC telephony, Verizon broadband, and broadband over powerline, over which dozens of competitive providers vie to meet Virginians' communications needs."⁴ The Company concludes that its "retail services are competitive statewide," and that "competition or the potential for competition in the marketplace is or can be an effective regulator of the price of Verizon's retail services."⁵

In addition, the Company asserts that "[g]iven the pervasive and effective competition Verizon faces for its retail voice services across the Commonwealth, the Commission should not stop at reclassifying those services as competitive. It should exercise the further discretion the Code grants to deregulate and detariff those services."⁶ Verizon states that "[o]nce the Commission determines in this case that services are competitive under Va. Code § 56-235.5(F), (*i.e.*, 'when it finds competition or the potential for competition in the market place is or can be an effective regulator of the price of those services'), regulatory mechanisms intended to approximate market forces are no longer required."⁷ The Company further contends that, "[i]ndeed, in a competitive market, regulations developed under a monopoly regime can hinder a company's ability to provide adequate service at reasonable and just rates by preventing it from responding to changes in the marketplace as rapidly as its competitors."⁸

On February 7, 2007, the Commission issued an Order for Notice and Hearing that, among other things: (1) established a procedural schedule for this case; (2) permitted any person to submit written or electronic comments on the Application on or before April 20, 2007;

⁴ *Id.*

⁵ *Id.* at 7-8 (typeface and case modified).

⁶ *Id.* at 17.

⁷ *Id.* at 18.

⁸ *Id.*

(3) scheduled a public hearing to commence on July 23, 2007 to receive testimony from members of the public and evidence on the Application; and (4) required the Company to provide notice of its Application. The Commission also requested participants to address the following nine questions, noted that this case is not necessarily limited to these questions, and provided Verizon an opportunity to supplement its Application in response to these questions:

- (1) The Commission may determine that telephone services are competitive "on a statewide or a more limited geographic basis," or "on the basis of a category of customers." What is the appropriate market(s) for the Commission to consider in determining whether Verizon's retail services are competitive?
- (2) What market test(s), if any, should be used to determine that (a) competition, or (b) the potential for competition, in the appropriate market "is or can be an effective regulator of the price of those services?"
- (3) What constitutes an effective competitor in the relevant market, such that the competitor's presence reasonably meets the needs of consumers pursuant to § 56-235.5 F of the Code of Virginia ("Code")?
- (4) In determining whether competition or the potential for competition effectively regulates the prices of services, what "other factors," if any, should the Commission consider to be relevant in addition to "(i) the ease of market entry," and "(ii) the presence of other providers reasonably meeting the needs of consumers?"
- (5) If and where the Commission finds telephone services to be competitive, should the Commission deregulate, detariff, or adopt a modified form of regulation for those services pursuant to § 56-235.5 E of the Code? What factors should the Commission consider in determining which methods are in the public interest for such competitive services?
- (6) How should the Commission monitor, pursuant to § 56-235.5 G of the Code, the competitiveness of any telephone services it finds to be competitive?

- (7) For any telephone services it finds to be competitive, what competitive safeguards should the Commission adopt pursuant to § 56-235.5 H of the Code?
- (8) Are any of the above questions not relevant to the legal and/or factual determinations that the statute requires the Commission to make?
- (9) Are there other issues that are relevant to the Commission's implementation of the applicable statutory criteria in this proceeding?

On or before April 20, 2007, the Commission received numerous written or electronic comments from individuals and from the Board of Supervisors of Tazewell County, Cavalier Telephone, LLC ("Cavalier"), Communications Workers of America ("CWA"), NTELOS Companies ("NTELOS"), and the Town of Bluefield, Virginia. The Commission also received numerous comments subsequent to April 20, 2007.

Verizon, the Commission's Staff ("Staff"), and the following respondents submitted pre-filed testimony in this case: Board of Supervisors of Fairfax County ("Fairfax County"); United States Department of Defense and all other Federal Executive Agencies ("DOD/FEA"); Cox Virginia Telcom, Inc. ("Cox Telcom"); Cavalier; XO Virginia, LLC ("XO"); Sprint Communications Company of Virginia, Inc., Sprint Spectrum, LP, Sprint Com, Inc., Nextel Communications of the Mid-Atlantic, Inc., and NPCR, Inc., doing business as Nextel Partners (collectively, "Sprint Nextel"); CWA; and the Division of Consumer Counsel, Office of the Attorney General ("Attorney General"). Verizon submitted pre-filed rebuttal testimony, and an errata thereto, on July 16 and 25, 2007, respectively.

The public evidentiary hearing was held on July 23-27 and August 6-7, 2007. Lydia R. Pulley, Esquire, Jennifer L. McClellan, Esquire, Joseph M. Ruggiero, Esquire, Ann Marie Whittemore, Esquire, Scott Angstreich, Esquire, and David Hill, Esquire, appeared on behalf of

Verizon. Douglas C. Nelson, Esquire, and David E. Anderson, Esquire, appeared on behalf of Sprint Nextel. E. Ford Stephens, Esquire, and Cliona Mary Robb, Esquire, appeared on behalf of Cox Telcom. Joseph Creed Kelly, Esquire, appeared on behalf of CWA. T. Scott Thompson, Esquire, K.C. Halm, Esquire, and Brian A. Nixon, Esquire, appeared on behalf of XO. Stephen T. Perkins, Esquire, Frances McComb, Esquire, Troy Savenko, Esquire, and Noah Bason, Esquire, appeared on behalf of Cavalier. Peter Q. Nyce, Jr., Esquire, appeared on behalf of DOD/FEA. Dennis R. Bates, Esquire, appeared on behalf of Fairfax County. C. Meade Browder, Jr., Esquire, Ashley Beuttel Macko, Esquire, and Kiva Bland Pierce, Esquire, appeared on behalf of the Attorney General. Robert M. Gillespie, Esquire, and Raymond L. Doggett, Jr., Esquire, appeared on behalf of the Staff.

The following public witnesses testified at the hearing: Douglas Henigin, of Henrico County; Heyward C. Thompson, of Buchanan; Claude W. Reeson, of Surry County and representing the Surry County Chamber of Commerce; George Hunnicutt, of Wise County; and Irene Leech, of Elliston.

The following witnesses testified for Verizon: Robert W. Woltz, Jr.; William M. Newman; Harold E. West; Jeffrey A. Eisenach, Ph.D.; William E. Taylor, Ph.D.; Margaret Detch; and Mark S. Calnon, Ph.D. Harry Gildea testified for DOD/FEA. Bion C. Ostrander and Charles Buttiglieri testified for CWA. Trevor R. Roycroft, Ph.D., testified for the Attorney General. James A. Appleby testified for Sprint Nextel. Martin W. Clift, Jr., testified for Cavalier. Stephen D. Sinclair and Susan Hafeli testified for Fairfax County. Jonathan Flack and Joseph Gillan testified for Cox Telcom. Steven C. Bradley, Chris Harris, Kathleen A. Cummings, and Ben Johnson, Ph.D., testified for the Staff. The participants agreed to allow the

pre-filed direct testimony of Gary Case, on behalf of XO, to be admitted to the record without cross-examination.

The following participants submitted post-hearing briefs on or before September 14, 2007: Verizon; DOD/FEA; CWA; Sprint Nextel; Cavalier; Fairfax County; Cox Telcom; XO; Attorney General; and the Staff.

Verizon "requests that the Commission declare the services listed in Exhibit 13 as competitive under Va. Code § 56-235.5(F), detariff them pursuant to Va. Code § 56-235.5(E), deregulate them pursuant to Va. Code § 56-235.5(E) by declaring that they are no longer subject to Verizon's Deregulation Case, and provide such other relief as appropriate."⁹

DOD/FEA states that "Verizon's proposals to virtually eliminate regulatory surveillance are a vital concern to DOD/FEA as a major user of telecommunications services provided by this carrier and other carriers in Virginia," and DOD/FEA "urges the Commission to reject Verizon's proposals."¹⁰

CWA states that the "Commission should reject Verizon's radical and unprecedented proposal for complete statewide deregulation and detariffing of all retail services" and "should use this proceeding to adopt a methodology for competitive analysis, and reject Verizon's application."¹¹

⁹ Verizon's September 14, 2007 Post-Hearing Brief at 260.

¹⁰ DOD/FEA's September 14, 2007 Post-Hearing Brief at 2-3 (case and typeface modified).

¹¹ CWA's September 14, 2007 Post-Hearing Brief at 22.

Sprint Nextel "urges the Commission to lower Verizon's composite intrastate switched access rates to a level equal to the composite economic cost of providing local switching, tandem switching and common transport as a competitive safeguard."¹²

Cavalier and XO assert that "the evidence in this case does not support the full, or even partial, grant of Verizon's Application" and that "[o]n key issues, Verizon's evidence fails to satisfy the standards set forth by the Legislature, and as a result, Verizon's Application should be denied, in its entirety."¹³

Fairfax County "respectfully request[s] that the Application filed by Verizon dated January 17, 2007, be dismissed or denied because it contains insufficient facts to support a finding by the Commission that competition would be an effective regulator of price pursuant to Va. Code Ann. § 56-235.5(E) and (F) (2003) in the public interests and for failure to contain adequate safeguards to protect market competition and consumers pursuant to Va. Code Ann. § 56-235.5(H) (2003)."¹⁴

Cox Telcom "respectfully requests that the Commission deny Verizon's request to make its retail services competitive and for deregulation and detariffing of the same throughout the state," and "[s]hould the Commission endeavor to proceed with retail telephone deregulation, Cox Telcom respectfully requests that it consider the policy guidelines offered in [Cox Telcom's Post-Hearing] brief."¹⁵

The Attorney General states that: (a) it "supports Verizon's request as it applies to Bundles in the Virginia Beach, Richmond, Roanoke, and Washington-Arlington-Alexandria

¹² Sprint Nextel's September 14, 2007 Post-Hearing Brief at 14.

¹³ Cavalier's and XO's September 14, 2007 Joint Post-Hearing Brief at 31.

¹⁴ Fairfax County's September 10, 2007 Post-Hearing Brief at 12.

¹⁵ Cox Telcom's September 14, 2007 Post-Hearing Brief at 16.

Metropolitan Statistical Areas ('MSAs') . . . subject to modest safeguards as required by statute;" and (b) "[h]owever, because the evidence reveals there are not yet sufficient alternative providers available to reasonably meet the needs of consumers of BLETS (and OLETS) – provided outside of a package or bundled offering – those services cannot be classified as competitive pursuant to the statute, and [the Attorney General] cannot support deregulating those services at this time."¹⁶

The Staff "respectfully urges the Commission to not grant Verizon's Application," and "[i]n lieu of the blanket classification of Verizon's services as competitive, the Staff suggests a careful examination of specific services, in cohesive local markets, where customers are able to make meaningful telecommunications choices."¹⁷

NOW THE COMMISSION, having considered the record, the pleadings, and the applicable law, is of the opinion and finds as follows. The Application is granted in part and denied in part as set forth herein. We have evaluated the evidence presented in this case according to the statutory criteria set forth below, and we find that the pricing and service provisions approved herein satisfy such criteria.

Statutes Governing this Case

The General Assembly has established four levels of regulation over incumbent local exchange carriers ("ILECs") in Virginia. First, traditional regulation which, while largely unused in recent years, remains a legal alternative.¹⁸ Second, the General Assembly has provided for a form of regulation that allows for much more flexibility than traditional regulation for ILECs,

¹⁶ Attorney General's September 14, 2007 Post-Hearing Brief at 3-4.

¹⁷ Staff's September 14, 2007 Post-Hearing Brief at 16.

¹⁸ See Va. Code § 56-235.2.

through the use of alternative regulatory plans.¹⁹ Third, the General Assembly has allowed, though not mandated, deregulation of an unspecified scope when and where this Commission finds that "competition or the potential for competition" exists for a telephone service or services and "is or can be an effective regulator of the price" of the telephone service or services.²⁰

Further, the General Assembly has directed this Commission, in its actions with regard to local exchange telephone service, to "promote competitive product offerings, investments, and innovations from all providers of local exchange telephone services in all areas of the Commonwealth. . . ." ²¹

Considering together the various statutes that govern this case, we find that the General Assembly has set forth a general policy that directs this Commission to favor, within the parameters of those statutes, the promotion of competition for local exchange telephone services and to recognize in our regulatory structures competition where it already exists or may soon realistically exist. In promoting competition and deregulating as competition develops, however, we find that the General Assembly has also directed this Commission to proceed carefully and cautiously.²² The General Assembly could have repealed all forms of regulation and completely deregulated all telephone services in Virginia, yet the General Assembly has not done that.

In its Application, "Verizon respectfully requests that the Commission declare the services listed in Exhibit VA-1 as competitive under Va. Code § 56-235.5(F), detariff them pursuant to Va. Code § 56-235.5(E), deregulate them pursuant to Va. Code § 56-235.5(E) by

¹⁹ See Va. Code § 56-235.5 B-D. Section 56-481.2 of the Code also references the Commission's authority to adopt alternative forms of regulation for the "incumbent local exchange company" under Va. Code § 56-235.5.

²⁰ Va. Code § 56-235.5 E-F ("Subsection E" and "Subsection F"). A fourth level of regulation, not applicable to Verizon, is available to small investor-owned telephone utilities. See Va. Code § 56-531 *et seq.*

²¹ Va. Code § 56-235.5:1.

²² See, e.g., Va. Code § 56-235.5 G-H ("Subsection G" and "Subsection H").

declaring that they are no longer subject to Verizon's Alternative Regulatory Plan, and provide such other relief as appropriate."²³

In this regard, Subsection E specifically provides as follows:

The Commission shall have the authority, after notice to all affected parties and an opportunity for hearing, to determine whether any telephone service of a telephone company is subject to competition and to provide, either by rule or case-by-case determination, for deregulation, detariffing, or modified regulation determined by the Commission to be in the public interest for such competitive services.

Subsection F further directs the Commission as follows:

The Commission may determine telephone services of any telephone company to be competitive when it finds competition or the potential for competition in the market place is or can be an effective regulator of the price of those services. Such determination may be made by the Commission on a statewide or a more limited geographic basis, such as one or more political subdivisions or one or more telephone exchange areas, or on the basis of a category of customers, such as business or residential customers, or customers exceeding a revenue or service quantity threshold, or some combination thereof. The Commission may also determine bundles composed of a combination of competitive and noncompetitive services to be competitive if the noncompetitive services are available separately pursuant to tariff or otherwise. In determining whether competition effectively regulates the prices of services, the Commission shall consider: (i) the ease of market entry, (ii) the presence of other providers reasonably meeting the needs of consumers, and (iii) other factors the Commission considers relevant. . . .

In addition, Subsection G places the following monitoring requirement on the Commission:

The Commission shall monitor the competitiveness of any telephone service previously found by it to be competitive under any provision of subsection F above and may change that conclusion, if, after notice and an opportunity for hearing, it finds

²³ Application at 23-24.

that competition no longer effectively regulates the price of that service.

Next, Subsection H directs the Commission to adopt safeguards pursuant to the following:

Whenever the Commission adopts an alternative form of regulation pursuant to subsection B or C above, or determines that a service is competitive pursuant to subsections E and F above, the Commission shall adopt safeguards to protect consumers and competitive markets. At a minimum these safeguards must ensure that there is no cross subsidization of competitive services by monopoly services.

Finally, Va. Code § 56-235.5:1 specifically mandates as follows:

The Commission, in resolving issues and cases concerning local exchange telephone service under the federal Telecommunications Act of 1996 (P.L. 104-104), this title, or both, shall, consistent with federal and state laws, consider it in the public interest to, as appropriate, (i) treat all providers of local exchange telephone services in an equitable fashion and without undue discrimination and, to the greatest extent possible, apply the same rules to all providers of local exchange telephone services; (ii) promote competitive product offerings, investments, and innovations from all providers of local exchange telephone services in all areas of the Commonwealth; and (iii) reduce or eliminate any requirement to price retail and wholesale products and services at levels that do not permit providers of local exchange telephone services to recover their costs of those products and services.

Verizon's Application to Deregulate and Detariff Statewide Most Local Telephone Services

Verizon's Application asks this Commission to deregulate and detariff essentially all local residential and business telephone services throughout its Virginia service territory.²⁴ We note at the outset that it appears only two other states, Rhode Island and South Dakota – both much smaller and far more homogeneous than Virginia – have deregulated local telephone service on a

²⁴ See Application at 1.

scale comparable to that which Verizon asks this Commission to do and it does not appear that *any* state has detariffed essentially all local telephone services.²⁵

In support of its application, Verizon asserts that the appropriate market for local telephone services in Virginia is statewide and that the statewide telephone market is currently characterized by either competition or the potential for competition.²⁶ For example, Verizon states that "96 percent of households in Virginia have access to two or more communications platforms, 90 percent have access to 3 [sic] or more, and 78 percent have access to four or more," and that "99 percent of Virginia households have access to two or more competitive providers, 92 percent have access to five or more and 73 percent have access to eight or more."²⁷

We agree in general with Verizon that the telecommunications market in Virginia has changed significantly over the past quarter century since the "modified final judgment"²⁸ began the restructuring of the old Bell system telephone monopoly. We find that new competitors, including cable television companies and CLECs, and new technologies (wireless telephone, Voice over Internet Protocol ("VoIP"), WiFi, WiMax, *etc.*) have collectively enabled significant competition to emerge that offers many consumers an alternative to purchasing telephone service from those ILECs that are the descendants of the former Bell system monopoly.

Competition to an ILEC such as Verizon presently comes from a number of sources. There are four types of CLECs, many of which fall under the jurisdiction of the Commission. First, a CLEC may resell the tariffed service offerings of Verizon. Second, a CLEC may

²⁵ See Exhs. 52 and 53; Ostrander, Tr. at 913.

²⁶ Application at 7-8.

²⁷ Verizon's September 14, 2007 Post-Hearing Brief at 94-95.

²⁸ *United States v. American Telephone & Telegraph Co.*, 552 F. Supp. 131 (D. C. Dist. 1982).

purchase "Wholesale Advantage" from Verizon through a commercial contract.²⁹ Both resellers and Wholesale Advantage competitors rely primarily on the facilities and services of the ILEC in providing services to their end-user customers.

Third, a CLEC may also utilize a combination of its own facilities and facilities leased (*i.e.*, unbundled network element loops ("UNE-L")) from the ILEC. Cavalier is an example of such a UNE-L competitor. Finally, a CLEC, such as a cable television provider which chooses to offer telephone services, may operate its own wireline-based network as Comcast and Cox have done in much of their respective service areas in Virginia.

In addition, competition or the potential for competition to an ILEC's local telephone services can come from alternative mediums and/or technologies to provision telephone services that are not traditional wireline-based. Included in this category are mobile wireless telephone providers (*i.e.*, cellular). Emerging technologies such as WiFi and WiMax, which allow certain providers (*e.g.*, T-Mobile Hotspot and ClearWire) to utilize a wireless broadband technology to offer telephone services to some customers, also fit into this category. In addition, "over the top" VoIP providers, such as Vonage, can provide voice services to customers over an end-user's existing broadband connection.

In beginning our analysis, we recognize that Virginia is not an island unto itself, immune from national economic and industry trends. Nationally, the evidence indicates that wireline connections peaked at 192.4 million in December 2000 and declined to a reported 172 million by

²⁹ Wholesale Advantage is the term Verizon uses for its commercially available unbundled network element-platform ("UNE-P") type service that it is no longer required to offer under its unbundling obligations pursuant to Section 251 of the Telecommunications Act of 1996. *See, e.g., In the Matter of Unbundled Access to Network Elements; Review of Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, W.C. Docket No. 04-313, FCC 04-290: Rel. February 4, 2005; West, Exh. 12 at 13, 88-89; Exh. 21C.

June 2006.³⁰ Usage of the traditional wireline network is decreasing, with ILEC interstate switched access minutes of use declining by a substantial 29% between 2000 and 2005, and the total number of local calls carried by large ILECs reported to the Federal Communications Commission ("FCC") falling from 554 billion to 336 billion, a decline of 39%, during roughly the same time period, (*i.e.*, 1999-2005).³¹ At the same time, wireless connections nationally have increased dramatically. From June 2000 to June 2006, wireless subscriptions increased 140%, from 90.6 million to 217.4 million and now exceed total wireline connections.³²

Competition has been advancing in Virginia. Verizon has lost landline connections in significant numbers, even as the population in Virginia has grown.³³ What is less clear is how many of Verizon's lost landline connections represent a one-for-one loss of a customer from Verizon to a competitor.³⁴ Some lost lines no doubt represent losses to changing technology rather than to competitors. Many Verizon business customers who once purchased additional landlines from Verizon dedicated to FAX usage, now use email rather than FAX for document transmittal and no longer need a dedicated FAX line, even though they remain revenue-producing customers of Verizon. Some of Verizon's residential customers who have children have traded in the second "children's" line for a wireless phone for the children, even as they remain revenue-producing Verizon customers for the primary landline service to the home.

³⁰ NRRI Report Assessing Wireless and Broadband Substitution in Local Telephone Markets, June 2007 ("NRRI Report"), Exh. 271 at 32.

³¹ *Id.*

³² *Id.*

³³ *See, e.g.*, Application at 2; West, Exh. 12C at 37; Roycroft, Tr. at 1033.

³⁴ "Growth of wireless and broadband does not, by itself, imply that consumers are substituting them for wireline service. Nonetheless, the growth of other platforms at a time when the wireline platform is experiencing decline in connections and usage, supports the hypothesis that *some* substitution is taking place" (emphasis added). NRRI Report, Exh. 271 at 34, n.93.

Other customers have dropped their second lines that were previously dedicated primarily to dial-up internet access and purchased DSL or other broadband (*e.g.*, Verizon's fiber-based service, "FiOS") lines from Verizon. In both cases, these customers remain revenue-producing customers of Verizon.

The evidence does demonstrate that the number of wireless customers in Virginia has grown substantially,³⁵ and unquestionably some of Verizon's wireline customers have "cut the cord"³⁶ entirely and converted into exclusively wireless customers either of Verizon Wireless³⁷ or its competitors. Some Verizon customers have switched to VoIP providers,³⁸ which Verizon counts as wireline losses even though Verizon may retain these customers and some of their revenues.³⁹ Some customers have switched to those cable television providers now offering telephone service. Cox, for example, has a significant market share of the local telephone market in the areas of Virginia in which it competes, including Virginia Beach/Norfolk, Roanoke County, and Northern Virginia.⁴⁰ Other Verizon landline customers undoubtedly have switched to CLECs.⁴¹ Determining the exact number of Verizon customers who have switched to

³⁵ *See, e.g.*, West, Exh. 12 at 58.

³⁶ According to a May 2007 report by the National Center for Health Statistics based on the National Health Interview Survey of over 13,000 households, 12.8% of households nationally had only wireless telephones during the second half of 2006 (citation omitted). NRRI Report, Exh. 271 at 33. Other studies by Forrester Research and In-State/MDR report lower percentages of "cord cutters," 8% and 9.4%, respectively. West, Exh. 12 at 63-64. Evidence in this case, however, indicates that the Virginia percentage of complete "cord cutters" is even lower, about 6%. *See* Application at 2.

³⁷ Verizon Wireless, a majority of which is owned by Verizon, is one of the largest wireless providers in Virginia. *See, e.g.*, Taylor, Tr. at 818, 2101-2102.

³⁸ If Verizon loses a customer to an "over the top" VoIP provider, that customer may continue to generate revenues for Verizon if that customer uses Verizon's underlying DSL service for VoIP.

³⁹ *See, e.g.*, Taylor, Tr. at 858-859.

⁴⁰ *See, e.g.*, West, Exh. 12C at 41-42.

⁴¹ *Id.*, at 91-92.

competitors for local telephone service is likely to be unachievable, however, since neither wireless, VoIP, nor broadband providers are under the primary jurisdiction of this Commission and have only a limited obligation to submit customer or line data.

Consequently, we need to analyze and review more closely each major source of statewide competition cited by Verizon.

Competition from CLECs and Traditional Interexchange Carriers

As discussed previously, CLECs compete by utilizing several methods. A number of CLECs compete by purchasing the tariffed retail services of Verizon at a discount and then reselling those services to their own retail customers. Other CLECs purchase Wholesale Advantage and/or UNE-L service from Verizon as a means to offer service to their customers. We find that these CLECs, which must rely on service and facilities leased from Verizon in order to provide retail service in Virginia, should not be considered "facilities-based" providers for purposes of our discussion and findings herein.⁴²

In addition, national data indicates that the ability of CLECs to compete with ILECs was adversely affected by FCC action regarding the ILECs' obligation to offer UNE-P at total element long run incremental cost (generally referred to as "TELRIC") prices to CLECs.⁴³ Indeed, the national share of CLEC wireline connections was actually lower in June 2006 than in June 2004 and after ten years of facing competition from CLECs, ILECs still held a national market share of wireline connections of more than 80%.⁴⁴

⁴² Cable companies are discussed in the following section.

⁴³ See NRRI Report, Exh. 271 at 48, n.141; *In the Matter of Unbundled Access to Network Elements; Review of Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, W.C. Docket No. 04-313, FCC 04-290: Rel. February 4, 2005.

⁴⁴ See NRRI Report, Exh. 271 at 48.

Generally, CLECs represent a type of local telephone service closely comparable in price, service quality and reliability to that offered by Verizon's traditional landline network. The evidence demonstrates that certain CLECs are currently competitors to Verizon in some local geographic markets in Virginia, but the actions in 2005 of the FCC with regard to UNE-P make it far more likely that competition from CLECs as a category of competitor will decrease, not increase, in Virginia. Verizon is correct that we must make a "forward looking" analysis of the market that considers trends and market dynamics, and not just look at static market shares or statistics.⁴⁵ Consequently, considering the evidence of trends and market dynamics and as further analyzed below, we find that CLECs as a category of competitor do not meet the "potential for competition" standard in Subsection F in geographic areas where they are not currently present and therefore do not represent a statewide competitor to Verizon. They are, nonetheless, a close substitute for Verizon's landline service, and we include them as a competitor in geographic areas where they are present, as discussed further below.

As far as competition from historically traditional interexchange carriers, two of the largest and most aggressive competitors to Verizon for telephone service five years ago, MCI and AT&T, have both been acquired by ILECs. Verizon itself purchased MCI, eliminating MCI as a competitor in Virginia. AT&T was purchased by SBC⁴⁶ and the evidence demonstrates that AT&T is presently not an aggressive or active competitor in Virginia for wireline-based residential telephone service.⁴⁷ We do not find that other regional Bell Operating Companies such as today's AT&T or Qwest, or former interexchange carriers such as MCI and the "old"

⁴⁵ See Application at 5; Verizon's September 14, 2007 Post-Hearing Brief at 46.

⁴⁶ SBC chose to rename itself AT&T after the purchase.

⁴⁷ See Petition of AT&T Communications of Virginia, LLC for Approval to Exceed Price Ceilings, filed on January 3, 2007, Case No. PUC-2007-00001, at 3-4; Cummings, Tr. at 1408-10.

AT&T, meet the "potential for competition" standard under Subsection F to be considered statewide competitors to Verizon for mass market, residential wireline telephone service.

Competition from Cable Television Companies

Verizon cites cable companies as a significant statewide source of competition for local telephone service.⁴⁸ Cable television providers that choose to offer traditional telephone or internet-enabled telephone service offer a product that is comparable, though not identical, to Verizon's wireline service in terms of reliability and service quality. We find that of all the intermodal platforms, stand-alone cable telephony services come the closest to providing the functional equivalent to traditional wireline services.⁴⁹ Cable companies own their own wireline network and provide local telephone service either through traditional circuit-switched technology (technically as a CLEC), or increasingly through the use of IP-based technology that is fully connectible to the public switched telephone network ("PSTN").

We find that cable telephony is a competitive option that may reasonably meet the needs of consumers under Subsection F in terms of reliability and service quality. Verizon is correct that telephone service from cable companies is available in many of the larger urban and suburban areas of Virginia, *e.g.*, Fairfax, Virginia Beach, Richmond, and Roanoke County. In many small cities, towns, and rural areas of Virginia, however, local telephone service is not available from the cable company; indeed, in some areas of Virginia there is no cable provider at

⁴⁸ See, *e.g.*, Application at 11; West, Exh. 12 at 41-51.

⁴⁹ See, *e.g.*, Johnson, Exh. 192P at 45. For some cable customers, we note that E-911 service may be negatively affected after a prolonged electric power outage to the customer's home.

all.⁵⁰ Verizon argues that even though a cable company may not be currently offering local telephone service, the threat that a cable company *could* choose to offer local telephone service should Verizon raise its rates too high should be considered as meeting the statutory standard of "potential for competition."⁵¹ We find, however, that the capital and human resources investments necessary for a cable company to offer local telephone service are significant barriers to entry under Subsection F and are unlikely to be made simply because Verizon raises prices for basic local telephone service.⁵² We further find that sparsely populated counties or towns in which no cable company has heretofore found economic incentives sufficient to justify investing millions of dollars to build a cable television network are unlikely, to say the least, to attract a cable company willing to invest millions of dollars in order to compete with Verizon for local telephone service, a fact acknowledged by Verizon Witness Eisenach.⁵³ Thus, contrary to Verizon's assertion that cable companies currently present *statewide* competition to Verizon for local telephone service, we find that competition from cable television companies to Verizon is non-existent in many of the more rural geographic areas of Virginia. We find that to be considered under the statute as competitors to Verizon for local telephone service, a cable company must be present in the local market and currently offering telephone service.

Verizon states that "[t]he record contains overwhelming evidence that cable provides a competitive alternative to Verizon's services *where a provider has upgraded its network to*

⁵⁰ Verizon states that 90% of Virginia households are passed by cable (taking Verizon's statement as true, we note that means that at least 10% of Virginia households are not), but only 60% are passed by cable providers presently offering telephone service. See Exh. 19. In the 96 counties Verizon witness Dr. Taylor identified as counties in which Verizon has operations, 60 of those counties do not have cable telephone services available to consumers. See, e.g., Roycroft, Ex. 129P at 56.

⁵¹ See Eisenach, Tr. at 515-518; Verizon's September 14, 2007 Post-Hearing Brief at 46-47, nn.57, 58

⁵² See, e.g., Johnson, Tr. at 1573-1574.

⁵³ Eisenach, Tr. at 480-483, 518-519.

provide digital voice or broadband services."⁵⁴ We agree with Verizon that where a cable company has upgraded its network to provide telephone service, it represents a competitive alternative to Verizon. We would add that we find that to be the case whether the cable company offers a traditional circuit-switched telephone service (which would make the cable company technically a CLEC) or uses IP-based technology to connect to the PSTN. In our competitiveness test adopted herein, we include cable companies as facilities-based competitors to Verizon where there is a cable provider that has upgraded its network to offer telephone service.

Verizon also asserts that:

where a cable company has deployed broadband facilities, it is a current competitor to Verizon's voice services, even if it has not yet deployed telephony . . . [T]he broadband services permit an end user to use 'over-the-top' VoIP services in lieu of a wireline phone. . . .⁵⁵

We discuss below whether a cable provider should be included as a competitor to Verizon simply because it offers a broadband internet connection, even when it does not offer telephone service of its own.

On the other hand, we disagree with the Attorney General that a cable company (or, for that matter, a CLEC or wireless provider) must be offering a stand-alone BLETs product at roughly the same price as Verizon to be considered a competitor to Verizon.⁵⁶ We find that if a cable company is presently offering local telephone service in a geographic market area, in any price or bundled configuration, it meets the "potential for competition" standard in Subsection F

⁵⁴ Verizon's September 14, 2007 Post-Hearing Brief at 19 (emphasis added).

⁵⁵ *Id.* at 21 (citing Verizon Witness Eisenach at Tr. 478-83, 599).

⁵⁶ Attorney General's September 14, 2007 Post-Hearing Brief at 8-10, 13-15.

to be considered a competitor to Verizon that can effectively regulate Verizon's prices. Since that cable company has already invested the capital and human resources necessary to offer telephone service, there are no significant barriers to entry to prevent that cable provider from competing directly on price with Verizon for BLETs, should Verizon raise its BLETs prices.

Competition from Wireless Telephone Providers

Verizon cites wireless telephone providers as statewide competitors for its local telephone service.⁵⁷ As noted above, the evidence shows that the number of wireless customers has grown substantially in Virginia. Verizon's own evidence demonstrates, however, that while the overall number of wireless lines has grown, very few Virginia consumers have "cut the cord" entirely and replaced landline telephone service with wireless service as their only platform for local telephone service.⁵⁸ As stated in the NRRI Report introduced by Verizon: ". . . growth in wireless and broadband do not, by themselves, provide conclusive evidence of competition with or substitutability for wireline service. . . ."⁵⁹

For various reasons wireless telephone service may not be a reasonable substitute under Subsection F for landline service for many consumers; for example, wireless service does not provide the same level of reliability as landline telephone service, particularly inside the home or office structure.⁶⁰ Further, while significant technological progress has been made, wireless 911 service has yet to reach the standard of landline E-911 service, and this represents a major public safety issue that we cannot ignore when determining whether wireless telephone service is a statewide substitute to Verizon's landline service that "reasonably meets the needs of consumers"

⁵⁷ See, e.g., Application at 1-3, 10-12; West, Exh. 12 at 51-67, 114-119.

⁵⁸ See, e.g., Application at 2; West, Exh. 12C at 7.

⁵⁹ NRRI Report, Exh. 271 at 48.

⁶⁰ See, e.g., Roycroft, Exh. 129P at 58-62, 66-72.

under the statutory standard in Subsection F.⁶¹ Because of these reliability and public safety concerns, we find that wireless cannot be considered a statewide substitute for Verizon's wireline services at this time.⁶²

Nevertheless, while wireless is not a perfect substitute for Verizon's landline service, we believe it would underestimate the actual amount of competition to Verizon if we did not include wireless competition at all in determining market competitiveness. We find that wireless service is an adequate substitute for *some* consumers, and this number is growing. Wireless service is not just an option for the laughing teenagers often featured in wireless companies' television advertising. It may be an increasingly preferred option for small businesses like plumbers, carpenters, sales persons, home builders and realtors, who have their offices in their cars, trucks or on their own persons. Moreover, a competitor does not have to be a perfect substitute to Verizon's landline service to act as a price regulator of Verizon's local telephone service under Subsection F. As discussed in more detail below, we find that it is appropriate to include wireless competition to Verizon in the geographic market areas in which it is available in the competitiveness test we adopt herein.

Competition from Broadband-enabled Telephone Providers

Whenever a home or business has a broadband connection, the potential exists for the consumer to purchase telephone service from a VoIP provider. That potential exists whether the consumer purchases the broadband "pipe" from Verizon itself, from the cable company, from a provider using wireless technology such as WiMAX or WiFi, or from a provider using a

⁶¹ *Id.* at 68-69.

⁶² In addition, we note that there are areas of Virginia in which wireless service may not be regularly available. *See, e.g.,* Thompson, Tr. at 111 (public witness); Roycroft, Exh. 129P at 61-62 (citation omitted).

Broadband over Power Line ("BPL") platform. Verizon cites VoIP as a major source of statewide competition for their local landline telephone service.⁶³

At the outset, we find that so-called "peer to peer" VoIP services, such as Skype-to-Skype, cannot be considered as competitors to Verizon for local telephone service because calls can only be made between Skype users. These types of "peer to peer," or "computer to computer," calling schemes do not include calls to the PSTN and thus cannot be considered as reasonably meeting the needs of consumers under Subsection F. So competition to Verizon that would qualify under the statute must come from the "over the top" VoIP providers such as Vonage that use another provider's broadband "pipe" into the home and which offer telephone service that connects to the PSTN.

As discussed above, it is difficult to determine the exact number of customers in Virginia who have switched from Verizon to VoIP providers such as Vonage, since such VoIP providers are not under the jurisdiction of this Commission. There is a lack of persuasive evidence in this record demonstrating that VoIP providers have currently gained any significant foothold in the local telephone market in Virginia. On the contrary, what evidence is available appears to show that the market share of "over the top" VoIP providers in Virginia is so small that such providers cannot be considered as serious statewide competitors to Verizon for local telephone service at this time.⁶⁴ Further, Vonage, which according to Verizon is "reputed to be the leading broadband telephony provider [*i.e.*, VoIP competitor)] in the United States,"⁶⁵ thus likely in Virginia as well, has recently lost two patent infringement lawsuits brought by Verizon and

⁶³ See, e.g., Application at 3; West, Exh. 12 at 78-87, 120-125.

⁶⁴ See Eisenach, Tr. at 1871-1873; Exh. 210C.

⁶⁵ West, Exh. 12 at 83.

Sprint Nextel.⁶⁶ Another significant VoIP provider in Virginia, SunRocket, Inc., has ceased providing VoIP services to its customers.⁶⁷

Verizon cites the BPL platform as facilitating the growth of broadband-enabled competition.⁶⁸ We find that providing local telephone service over power lines is not at this time a major source of competition to Verizon in Virginia nor a realistic threat of potential competition in the foreseeable future. According to Verizon, BPL is offered only in Manassas, Radford, and in parts of Amherst and Nelson counties.⁶⁹ Further, there is no evidence whatsoever in this record that the largest owners of power lines in Virginia, Dominion Virginia Power and Appalachian Power Company, have any plans to use their networks to offer widespread BPL service in the near future, either as direct providers of service or as lessors of their facilities. That could obviously change as BPL technology continues to develop and BPL could conceivably become a major source of broadband availability in the future, because the network is already in place throughout Virginia, but we find it is not at this time nor likely in the imminent future.

Apart from the availability of broadband, even when the consumer has a broadband connection, "over the top" VoIP providers do not presently provide nearly the same level of reliability, service quality or, most importantly, 911 service, as landline telephone service, to be

⁶⁶ See *Verizon Services Corp. v. Vonage Holdings Corp.*, 503 F.3d 1295 (Fed. Cir. 2007), affirming in part judgment of U.S. District Court in *Verizon Services Corp. v. Vonage Holdings Corp.*, 2007 U.S. Dist. LEXIS 26714 (E.D.Va. April 6, 2007); *Sprint Communs. Corp. LP v. Vonage Holdings Corp.*, Case No. 05-2433 (Kan. Dist. Ct. September 25, 2007).

⁶⁷ See Eisenach, Tr. at 1784.

⁶⁸ "[BPL] technology has the potential of being 'a ubiquitous third pipe to the home.'" West, Exh. 12 at 103 (citation omitted).

⁶⁹ *Id.* at 106-107.

considered as reasonably meeting the needs of consumers, as the statute requires us to consider.⁷⁰

We believe it likely that the continuing development of VoIP technology will result in improvements to reliability and 911 service in the future, and as those technological improvements take place, VoIP service may become more of a reasonable substitute for landline telephone service, but present-day reliability and public safety concerns with VoIP cannot be ignored.

Nevertheless, just as we found above that totally excluding wireless competition would underestimate the amount of actual competition to Verizon, we also find that totally excluding actual or potential competition from broadband-enabled providers would underestimate competition to Verizon as well, and thus we find that VoIP should be included in our competitiveness analysis, as we discuss below.

The key issue in determining whether VoIP is a *statewide* competitor to Verizon is, of course, broadband penetration, for the simple reason that "over the top" VoIP cannot pose a threat of competition to Verizon unless the customer both has a broadband connection available *and* has chosen to purchase broadband internet service. As Verizon Witness Eisenach stated:

The question is 'is voice telephone service available,' and it's not available if there's no broadband. VoIP – over-the-top VoIP – is not available if there's no broadband, [] and if there is broadband then over-the-top VoIP is available to a hundred percent of – depending on how you want to look at it, either a hundred percent of the households where the broadband is available or, *at a minimum, a hundred percent of the households who already subscribe to broadband*. So broadband is simply a proxy – the broadband availability is simply a proxy for looking at VoIP availability, and VoIP is clearly a telephone service.⁷¹

⁷⁰ See, e.g., Roycroft, Ex. 129P at 88-92; Gillan, Tr. at 1274.

⁷¹ Eisenach, Tr. at 1834 (emphasis added).

We agree with Dr. Eisenach that broadband availability is an initial proxy for VoIP availability. As Dr. Eisenach also recognized, however, for a consumer to have access to "over the top" VoIP service, a consumer not only must have broadband available, but *also must have chosen to purchase a broadband internet connection*. We find that actual broadband penetration by household and by business is an important indicator of the scope of competition to Verizon posed by VoIP. Thus, we find it appropriate to include "over the top" VoIP in our market competitiveness test as a competitor to Verizon for local telephone service when it is both available and the customer has chosen to purchase broadband internet service.

Statewide Competition to Verizon's Local Telephone Service Is Not Uniform and Should Be Considered in Smaller Geographic Areas, by Product/Service Categories, and by Types of Customers

Verizon is the largest ILEC in Virginia and faces significantly more competition today compared to that which its corporate ancestors faced a quarter century ago. We find that while competition or the potential for competition for local telephone service has increased significantly, the degree varies substantially by geographic area, by product and service, and by type of customer. It is not yet advanced in *all* geographic areas of Virginia and for *all* products and services and types of customers sufficient to fulfill the statutory standards in Subsections E and F that we must follow in considering Verizon's request for complete deregulation and detariffing of virtually all local telephone services on a statewide basis. We agree with the NRRI Report introduced by Verizon that "a whole state is generally too large to be used to define the geographic market. . .,"⁷² particularly in a state as large and economically diverse as Virginia, and that "larger ILECs' service territories are also likely to exhibit too much variation in

⁷² NRRI Report, Exh. 271 at 47.

competitors to be considered as the geographic market."⁷³ Consequently, we find that, given the evidence, the applicable statutes require that we consider Verizon's request for deregulation and detariffing of most local telephone services by geographic markets smaller than Verizon's statewide service territory, by categories of products and services, and by types of customers.⁷⁴

Further, even if we did agree to Verizon's request to consider its entire Virginia service territory as one market, the evidence shows that many geographic areas of Virginia lack a facilities-based competitor to Verizon, and as we found above, the barriers to entry for facilities-based wireline competitors such as cable companies are substantial. While cable and CLEC competitors present significant competition to Verizon where they exist, we find that neither cable nor CLEC providers meet the "potential for competition" statutory standard in geographic areas of Virginia in which they currently are not present at all, or in the case of cable, present but not offering telephone service. Further, while we find that wireless and broadband-based competitors such as "over the top" VoIP should be considered in determining competitiveness – and we include them in our competitiveness test herein – most other states that have deregulated local telephone service have required at least one competitor in their market competitiveness tests to be "facilities-based," effectively either a cable company or a CLEC that owns its own wireline network.⁷⁵

We believe that to fulfill our statutory obligations given us by the General Assembly, we should deregulate with caution and with due attention to safeguards to protect both consumers and competition, as required by Subsections G and H. Accordingly, this Order:

⁷³ *Id.*

⁷⁴ As discussed below, we find that competition to Verizon's bundled services may appropriately be considered on a statewide basis. We also find below that the "enterprise market" is appropriately considered to be statewide.

⁷⁵ See Exhs. 52, 53, 308. "Competition, for the most part, is defined as the existence of at least one facilities-based competitor and another carrier competing with the incumbent." Exh. 53 at 2.

- (i) deregulates where the facts demonstrate that the statutory standards have been met,
- (ii) maintains regulation where the statutory standards have not been met,
- (iii) establishes an expeditious administrative process for additional deregulation in the future when and where additional evidence of competitiveness warrants deregulation pursuant to the findings in this Order, and
- (iv) establishes safeguards for competition and consumers and a process for monitoring competition in the future, as required by statute.

BLETS, OLETS and Bundled Services Defined

Verizon identifies over 180 specific services that it requests the Commission to declare competitive. Verizon separates these services into the following categories, which are in accordance with the categorization in Verizon's Alternative Regulatory Plan: BLETS; OLETS; and Bundled Services.⁷⁶

First, Verizon lists seven BLETS for Verizon Virginia and eight BLETS for Verizon South that the Company requests be declared competitive on a statewide basis.⁷⁷ The category BLETS includes basic telephone service, sometimes referred to as "Plain Old Telephone Service," or "POTS," to continue the parade of telephonic acronyms. For purposes of this Order, we exclude (1) pay telephone services, and (2) Extended Local Service from our determinations herein regarding competition for BLETS. We find that pay telephone services are sufficiently distinct from other BLETS to warrant separate analyses; in this regard, we note that Verizon may file a request with the Commission under its Alternative Regulatory Plan or pursuant to Va.

⁷⁶ See Exh. 13.

⁷⁷ Verizon Virginia's BLETS are listed as: (1) Residential Dial Tone Line, and any included local calling allowance (flat rate, message rate or measured rate); (2) Business Dial Tone Line, and any included local calling allowance (flat rate, message rate or measured rate); (3) Centrex Exchange Access; (4) Exchange Usage; (5) Extended Area Calling; (6) Extended Local Service (ELS); and (7) Pay Telephone Lines. Verizon South's BLETS are listed as: (1) Residential Dial Tone Line, and any included local calling allowance (flat rate, message rate or measured rate); (2) Business Dial Tone Line, and any included local calling allowance (flat rate, message rate or measured rate); (3) Centrex Exchange Access; (4) Residential, Business and Centrex Local Calling Plans that include: Basic Calling Plan, Community Plus Calling Plan, and Premium Calling Plan; (5) Customer Owned Coin and Coinless – Operated Telephones – Line Service; (6) Customer Owned Pay Telephone Coin Line Service (COPT); (7) Exchange Usage; and (8) Extended Local Service (ELS). *Id.*

Code § 56-235.5, with supporting data specific to these services, to reclassify them as competitive. The rates for Extended Local Service are separately governed by Va. Code § 56-484.2, and, as a result, Verizon's Alternative Regulatory Plan does not permit the Company to increase any tariffed Extended Local Service rates outside the provisions of Va. Code § 56-484.2; likewise, we find that Extended Local Service rates shall continue to be established pursuant to Va. Code § 56-484.2.

Next, Verizon lists over 80 services as OLETS for Verizon Virginia and over 70 services as OLETS for Verizon South that the Company requests be declared competitive on a statewide basis. As a brief example, the OLETS listed by Verizon include services such as: Custom Calling Services (*e.g.*, call forwarding, caller I.D., and call waiting); Answering Bureau Services; Billing and Collection Analysis; Do Not Disturb; Easy Number Call Routing; Fixed Call Forwarding; Home Business Service; Operator Verification; Operator Call Completion; Remote Call Forwarding; Repeat Dialing; Selective Call Screening; Analog Channel Services; Custom Operating Center Services; CyberDS1 Service; Digital Data Services; High Capacity Digital Service – DS1; and High Capacity Digital Service – DS3. We note that there is significant, yet not complete, overlap in OLETS identified for Verizon Virginia and Verizon South.⁷⁸

Finally, Verizon lists eight Bundled Services for Verizon Virginia and six Bundled Services for Verizon South that the Company requests be declared competitive on a statewide basis.⁷⁹ These services generally represent a designated group of services or products offered to

⁷⁸ See Exh. 13.

⁷⁹ Verizon Virginia's bundled services are listed in Exh. 13 as: Verizon Affiliate Bundle Discount; Verizon Local Package; Verizon Local Package Extra; Verizon Regional Essentials; Verizon Regional Package Extra; Verizon Regional Package; Verizon Regional Value; and Unlimited Local and Toll Usage for Business. Verizon South's bundled services are listed in Exh. 13 as: CENTRANET CustoPAK Service & Assoc. Features; Verizon Local Package; Verizon Local Package Extra; Verizon Regional Package Extra; Verizon Regional Package; and Unlimited Local and Toll Usage for Business.

customers at a package or set price, which may consist of BLETS, OLETS and/or competitive services or products.

Residential and Business Markets

We find that the mass market residential and business local telephone services and products are separate product markets in Virginia and should be treated separately in this Order, consistent with Subsections E and F. We note that several of the states (and Canada) that have deregulated local telephone services to varying extents have treated mass market residential and business services separately in their deregulation frameworks.⁸⁰ We further treat the so-called "enterprise" business market separately, for the reasons discussed below.

Appropriate Geographic Market Area for Residential BLETS and OLETS

Subsection F authorizes us to make a finding of competition "on a statewide or a more limited geographic basis, such as one or more political subdivisions or one or more telephone exchange areas" Pursuant to this statute, and based on the evidence provided in this proceeding, we find that an appropriate geographic market area ("GMA") for determining the competitiveness of residential BLETS and OLETS should be telephone exchange areas.

While the statute itself uses political subdivisions or telephone exchange areas as examples of less-than-statewide geographic units, Verizon asks us to use "MSAs" and "non-MSAs" if we use a smaller than statewide geographic area to determine competitiveness.⁸¹ We find, however, that while an MSA may encompass a collection of telephone exchanges or political subdivisions, an MSA is too large and economically diverse to be an appropriate geographic market area for making a competitiveness determination under Subsections E and F.

⁸⁰ See Exhs. 52, 53, and 308.

⁸¹ See Verizon's September 14, 2007 Post-Hearing Brief at 64-69. For ease of reference in this Order hereinafter, references to "MSAs" also include those geographically-defined areas that Verizon refers to as "non-MSAs."

We note, for examples, that the Virginia Beach-Norfolk-Newport News MSA includes the Surry and Windsor exchanges and the Richmond MSA includes the King and Queen and King William exchanges. Rural exchanges such as these on the perimeters of MSAs are not similar enough in economic and demographic characteristics to the more urban and suburban exchanges in those MSAs, such as Virginia Beach and Richmond, for us to find that those still-rural exchanges are similarly situated in terms of currently having – or likely to have – competitive options comparable to those available, or likely to be available, to consumers in the more densely populated jurisdictions.⁸² Rather, we find that Verizon will not be able effectively to discriminate, in its service offerings, against customers in these rural exchanges if the exchange itself is required to meet the competitiveness test set forth below.

The NRRI Report white paper cites the U.S. Department of Justice ("DOJ") merger guidelines for an appropriate market definition that is, in both product and geographic space, described as the "smallest market in which a hypothetical monopolist could exercise market power."⁸³ Market power is, of course, the ability of a seller of a product or service to impose and sustain a price above that which would obtain in a competitive market.

We find that telephone exchange areas – units specifically listed in the Code of Virginia – most closely fit the definition of an appropriate geographic market as contained in the DOJ merger guidelines, which is a recognized definition and the one specifically cited in the NRRI Report introduced as Verizon Exhibit 271, which also asserts that using the entire state as the market is generally inappropriate.⁸⁴

⁸² See, e.g., Johnson, Exh. 192C at 21-22; Johnson, Tr. at 1517-1518; Reeson, Tr. at 118-121 (public witness).

⁸³ NRRI Report, Exh. 271 at 21 (citation omitted).

⁸⁴ *Id.* at 47.

Since MSAs generally encompass on a regional basis a number of telephone exchanges, Verizon can still demonstrate that an entire MSA is competitive by showing that the individual exchanges within that MSA satisfy the test set forth below. Our market competitiveness test, however, which is similar to those applied in several states that have adopted procedures to deregulate local telephone service, will ensure that *each* local exchange area will have at least one facilities-based competitive option to Verizon, which could not be guaranteed in every exchange if we used only MSAs as the geographic market area.

Finally, we note that the statute does not require a finding, prior to a determination of competitiveness, that *each* consumer in the chosen GMA has the *same* competitive alternatives. Indeed, we recognize that any finding of competitiveness in a geographic area listed by the statute may result in at least one or more individual consumers who do not share in all the competitive alternatives available to others in that same area. We find, however, that telephone exchange areas meeting the criteria below represent sufficiently small enough geographic areas for us to be satisfied that Verizon will not be able effectively to discriminate, in its service offerings, against consumers who do not have the same competitive alternatives as others in the exchange. That is, we conclude that if the competitiveness test below is satisfied for a specific local telephone exchange area, then competition or the potential for competition is or can be an effective regulator of the price for all consumers in that area.

Competitiveness Test for Residential BLETS

Subsection F states that the Commission:

may determine telephone services of any telephone company to be competitive when it finds that competition or the potential for competition in the market place is or can be an effective regulator of the price of those services . . . In determining whether competition effectively regulates the prices of services, the Commission shall consider: (i) the ease of market entry, (ii) the

presence of other providers reasonably meeting the needs of consumers, and (iii) other factors the Commission considers relevant. . .

As set forth above, we do not find that "competition or the potential for competition in the market place is or can be an effective regulator of the price"⁸⁵ for residential BLETs on a statewide basis. Rather, based on the record developed in this case, we find that competition or the potential for competition can be an effective regulator of the price for residential BLETs in a telephone exchange area if *each* of the following criteria is satisfied:

- a. A minimum of 75% of the households in the telephone exchange area can choose residential local telephone service from among at least two (2) competitors to Verizon;
- b. A minimum of two (2) of the competitors to Verizon in part "a" must offer residential local telephone service that may be purchased by the residential consumer without a corresponding requirement to purchase non-telecommunications services (*e.g.*, video or broadband internet service) from that competitor; and
- c. At least 50% of the households in the telephone exchange area can choose a facilities-based competitor that owns its own wireline network facilities.

Examples of an acceptable facilities-based competitor in "c" above would include (1) a cable telephony provider that owns its own network, or (2) a CLEC provider that owns its own network and is not dependent on Verizon for leasing UNE-P or UNE-L facilities to the CLEC. Wireless or "over the top" VoIP providers are not included as facilities-based providers for purposes of this Order, for the reasons further discussed below.

⁸⁵ Va. Code § 56-235.5(F).

Examples of an acceptable competitor in "a" above could be a cable company, CLEC,⁸⁶ or any wireless provider not affiliated with Verizon⁸⁷ which offers residential local telephone service. Since "over the top" VoIP providers are only available to customers who have access to, and have chosen to purchase, broadband internet service, for "over the top" VoIP to qualify as a competitor for local telephone service to Verizon in a telephone exchange, at least 75% of the households in Verizon's service territory in the exchange must have chosen to purchase broadband internet service, whether via DSL, cable modem, wireless (WiMAX or WiFi), BPL or Verizon's own fiber to the home product. "Over the top" VoIP cannot be an effective competitor to Verizon unless broadband penetration is substantial throughout the exchange, which means that broadband is not only available, but consumers have chosen to purchase broadband internet service.

In requiring at least one facilities-based competitor to have a substantial presence in the exchange area, we apply Subsection F's directive to "consider ... the presence of other providers reasonably meeting the needs of consumers" As discussed above, we find that for many consumers of basic local telephone service, reliability of service and, in particular, reliable 911 service, are reasonable needs. Neither wireless nor VoIP provides the same level of consistent reliability and, in particular, 911 service reliability, that is delivered by Verizon's

⁸⁶ We do not include herein resellers, which simply resell another provider's (often Verizon's) services and which do not provide sufficient competition to Verizon to be considered a competitor under this test. Resellers do not represent an acceptable competitor in part "a."

⁸⁷ We find that requiring the wireless competitor not to be affiliated with Verizon (which owns a majority share in Verizon Wireless), will result in a more accurate indicator of actual or potential competition to Verizon's landline service. While Verizon Wireless competes with other wireless providers such as AT&T and Sprint Nextel, Verizon Wireless can cooperate and market jointly with Verizon's other services, including landline. Just as we found that not including wireless at all could understate the amount of competition to Verizon's landline service, we also find that including Verizon Wireless as a competitor to Verizon for local telephone service could overstate the amount of competition in a geographic market area.

wireline service or, to a lesser extent, cable providers.⁸⁸ Most importantly, for purposes of acting as a price regulator of Verizon's BLETs, we find that a competitor that owns its own wireline network presents the strongest actual or potential competition to Verizon's wireline service.

While wireless and "over the top" VoIP telephone services do not provide the same level of consistent reliability and E-911 service as Verizon's landline service so as to be a reasonable product substitute for all consumers under Subsection F, we do find that, in particular, wireless service, and to a lesser extent, VoIP, are acceptable substitutes for enough consumers to act as price regulators of Verizon's local telephone service under Subsection F when wireless and VoIP competitors are sufficiently present in an exchange. Consequently, we include wireless providers as acceptable competitors under the competitiveness test we adopt herein. We also include "over the top" VoIP as a competitor wherever broadband penetration, defined as households having a broadband internet service, has reached 75% in the exchange.

As discussed above, we do not find it necessary under Subsection F that each and every competitor to Verizon offer an array of products and services identical to Verizon or at prices identical to Verizon's stand-alone BLETs in order to act as a price regulator of Verizon's local telephone services and products. Consistent with Subsection F's directive to consider "competition or the potential for competition," we find that including cable, CLEC, wireless and VoIP providers in the competitiveness test as acceptable competitors fulfills the statute's "potential for competition" criterion, even though none may be presently offering an exact duplicate of Verizon's BLETs product offerings at prices identical to Verizon's. Each competitor presently offering residential telephone service represents a potential threat to match or undercut Verizon's pricing.

⁸⁸ See, e.g., Roycroft, Exh. 129P at 58-70, 88-92; Johnson, Exh. 192P at 36-40, 43-45.

Further, Subsection F requires us to consider "the ease of market entry" in determining competitiveness. Accordingly, while we do not require that each competitor presently offer an identical array of BLETs at prices identical to Verizon's, we do require in our competitiveness test that at least two competitors already are substantially present in the telephone exchange area offering residential telephone service. We find that the statute does not allow us to include in our competitiveness determination the mere threat that a cable company or CLEC not already present in an exchange will decide to make the substantial capital investment necessary to enter a market simply in response to price increases for BLETs by Verizon.

We note that the "two competitor" test, with at least one required to be facilities-based,⁸⁹ which we adopt herein, is well within the mainstream of competitiveness tests used in the majority of other states (and Canada) that have deregulated their BLETs to various extents.⁹⁰ We also note that the "two competitor" test we adopt herein is similar in some respects to the competitiveness test in the federal Cable Act of 1992, discussed by Verizon Witness Eisenach⁹¹ and cited in Verizon's Post Hearing Brief.⁹²

The test we adopt herein does not depend upon extensive collection of provider line counts or detailed market share data, which would be difficult to obtain since VoIP and wireless competitors do not have a legal obligation to provide actual line counts to this Commission.

⁸⁹ The facilities-based competitor is potentially a third competitor if it is available to at least 50% but less than 75% of the households in the exchange.

⁹⁰ See Exhs. 52, 53, and 308. Texas uses a "three competitor" test, but Texas has no requirement that most consumers' households in the GMA have access to all three competitors. Canada requires two competitors to the ILEC, with availability of each to at least 75% of households in the GMA. We find that the Canadian requirement of 75% availability is a more accurate indicator of actual or potential competition in the GMA as required by § 56-235.5(F) than the Texas "three competitor" test, with no such availability requirement.

⁹¹ See Eisenach, Tr. at 1678-82, 1735-44.

⁹² Verizon's Post-Hearing Brief at 92-93 (citing the Cable Act of 1992). See also 47 U.S.C. § 543(1)(l).

Instead, this test looks at the availability of competitive options to Virginia consumers and seeks to ensure that consumers in each exchange have at least two alternatives for residential local telephone service other than Verizon landline before that exchange is declared competitive.

Further, we find that the competitiveness test described herein is sufficient to protect consumers in an exchange area from the exercise of market power by Verizon for BLETs. The requirement that at least two other competitors be available to at least 75% of the households in the exchange area (with an additional requirement that at least 50% of the households have access to a facilities-based provider) will prevent Verizon from raising its BLETs prices without incurring a significant risk of losing customers. Consequently, in an exchange area meeting this test we find that "competition or the potential for competition" can act as a regulator of Verizon's BLETs prices, in accordance with Subsection F, even though there may be some consumers in the exchange area who do not have access to one or more of the competitors to Verizon in the exchange.

We could not make this finding had we accepted Verizon's proposal to consider as the appropriate market area Verizon's entire statewide service territory or the MSAs proposed by Verizon. Statewide or even within an MSA, there would be far too many households without access to sufficient competition to Verizon for our competitiveness test to act as an effective deterrent to Verizon's potential exercise of market power. A local exchange area, however, is sufficiently small so that we can be reasonably confident that the competitiveness test adopted herein will act as an effective deterrent to the exercise of market power by Verizon for BLETs.

We believe that this market test will deter the exercise of market power in exchanges declared competitive. We have a duty under Subsection G, however, to monitor continually our determinations. For example, if evidence comes to this Commission that Verizon is charging

higher prices for BLETs to customers in an exchange who do not have access to a facilities-based competitor to Verizon than is charged to customers in that exchange who do, that evidence would be relevant to the question of whether Verizon still retains – and is exercising – market power in that exchange.⁹³ Under Subsection G, this Commission retains the authority to act as it deems necessary in such a situation.

In contrast to Verizon's request for statewide deregulation, we find that the "two competitor" test we adopt herein, as applied to a telephone exchange area, satisfies the statutory requirement for finding that "competition or the potential for competition" can be an effective regulator of price, as set forth in Subsection F, and is more likely to meet Subsection F's injunction that consumers will have options from competitors that "reasonably" meet their needs and that potential competitors will not face substantial barriers to entry.

We also find that this test satisfies the statutory requirement to encourage the offering of competitive products and services as set forth in Va. Code § 56-235.5:1.

Findings of Competitiveness

We find the following exchanges, categorized below by MSA for ease of reference, meet the competitiveness test for residential BLETs outlined herein:

Richmond MSA

- Ashland
- Bethia
- Chester
- Manakin
- Mechanicsville
- Midlothian
- Old Church

⁹³ Historically, Verizon has offered basic dial tone service (and other BLETs) at the same tariffed price(s) in a given exchange. Therefore, all customers in an exchange are able to obtain service at the same price even if all customers do not have all the same options. While we would expect that the "tariffed" price in an exchange would likely remain uniform at least in the near term, it is possible some customers could receive lower prices under promotions, which would not necessarily raise concern about market power.

- Providence Forge
- Richmond
- Sandston
- Rockville
- Varina

Roanoke MSA

- Roanoke
- Bent Mountain

Virginia Beach-Norfolk-Newport News MSA

- Gloucester
- Great Bridge
- Hayes
- Hickory
- Hampton
- Princess Anne
- Newport News
- Norfolk/Virginia Beach
- Peninsula
- Poquoson
- Portsmouth
- Toano
- Williamsburg

Washington-Arlington-Alexandria MSA

- Alexandria-Arlington
- Braddock
- Engleside
- Fairfax-Vienna
- Falls Church-McLean
- Haymarket
- Herndon
- Independent Hill
- Lorton
- Manassas
- Nokesville
- Occoquan

We have identified these telephone exchanges using various exhibits presented in this proceeding.⁹⁴ Our findings of competitiveness for these exchanges, however, do not represent findings that other telephone exchange areas in Verizon's service territory in Virginia do not meet the competitiveness test set forth above. Additional exchanges will be considered on a case-by-case basis under the administrative process outlined herein when and/or if Verizon submits specific tariffs with supporting data formatted and responsive to the competitiveness test described herein for additional exchanges.

We note that the telephone exchanges listed above and found competitive represent collectively approximately 62% – a majority – of Verizon's residential lines in Virginia, as measured by Verizon's total residential access lines.⁹⁵

We further note that, while the evidence in this proceeding demonstrates that each exchange listed above currently meets our competitiveness test, should Verizon merge with, purchase, or be purchased by, a major competitor in any of these exchanges, or if this Commission receives credible evidence that the exchange cited above no longer meets the competitiveness test established herein, we will re-evaluate our findings of competitiveness in the telephone exchanges potentially affected by such events, consistent with our statutory duty under Subsection G to monitor our findings of competitiveness. Should this Commission decide that an exchange area previously declared to be competitive no longer meets our test, such services in that area shall go back to being regulated under Verizon's Alternative Regulatory Plan.

⁹⁴ See, e.g., Exhs. 16C, 17, 18C, 19, 20, 21C, 22C, 23C, 24C, 25, 28, 29, 30C, 31C, 32C, 33C, 34C, 35C, 36C, 37C, 38C, 39C, 40C, 41C, 42C, 43C, 44C, 45C, 94C, 95C, 96C, 170C; Harris, Exh. 188C, Attachment CH-4.

⁹⁵ This calculation was derived from Staff Witness Harris' direct testimony, Exh. 188C, Attachment CH-4.

Competitiveness Test for Business BLETs

Large businesses who comprise the so-called "enterprise market" have the purchasing power to attract numerous competitors for their telephone business, and they typically have the legal and financial resources to protect their interests once a contract with a telecommunications provider has been executed. We are concerned, and we believe the General Assembly is equally concerned, about the tens of thousands of small businesses who make up the backbone of Virginia's economy, and who do not have the purchasing power or the legal or financial resources of the largest telephone customers.

Further, CLECs may use T-1 or DS-1 lines to serve small and medium-sized businesses and may provision those by purchasing wholesale special access lines from Verizon or another provider. We found in Case No. PUC-2005-00051 (Verizon-MCI merger case) that Verizon's purchase of MCI would eliminate the largest competitor to Verizon in Virginia for wholesale special access and would thus reduce the competitiveness of the wholesale special access market in Virginia.⁹⁶ To mitigate the impact of this significant reduction in competition, we attached a condition to our approval of the Verizon purchase of MCI.⁹⁷ We also ruled that this condition would be lifted immediately upon receiving sufficient proof from Verizon that the wholesale special access market in Virginia had become competitive.⁹⁸ To date, Verizon has not attempted to prove that the wholesale special access market in Virginia is competitive. In this proceeding,

⁹⁶ See *Joint Petition of Verizon Communications, Inc. and MCI, Inc. for approval of agreement and plan of merger*, Case No. PUC-2005-00051, 2005 S.C.C. Ann. Rept. 260, 268 (October 6, 2005).

⁹⁷ The Commission required MCI to "continue to offer to wholesale customers in Virginia its available intrastate and interstate special access, private line or its equivalent, and high capacity loop and transport facilities, without undue discrimination, at pre-merger terms and conditions and at prices that do not exceed pre-merger rates." *Id.*

⁹⁸ *Id.*

Verizon acknowledged, however, that the competitiveness of the wholesale special access market affects the retail price of certain business services such as T-1 and DS-1 lines.⁹⁹

Consistent with these concerns, we believe that caution in deregulating business BLETs and OLETs is required. We believe that the test for competitiveness below – and the price caps during the transition period discussed *infra* – will give Virginia's small and medium-sized business customers the ability to protect themselves during the transition to a more competitive telephone market place statewide.

We do not find that "competition or the potential for competition in the market place is or can be an effective regulator of the price"¹⁰⁰ for business BLETs on a statewide basis. Rather, based on the record developed in this case, we find that competition or the potential for competition can be an effective regulator of the price for business BLETs in a telephone exchange area if the competitiveness test below is met. That is, we find that a similar "two competitor" test for competitiveness as established herein for mass market residential BLETs should also apply to the mass market business BLETs offered by Verizon, using the same GMA described above, *i.e.*, telephone exchange area, as follows:

- a. A minimum of 75% of the businesses in the telephone exchange area can choose local telephone service from among at least two (2) competitors to Verizon;
- b. A minimum of two (2) of the competitors to Verizon in part "a" must offer local telephone service that may be purchased by the business customer without a corresponding requirement to purchase non-telecommunications services (*e.g.*, video or broadband internet service) from that competitor; and
- c. At least 50% of the businesses in the telephone exchange area can choose a facilities-based competitor that owns its own wireline network facilities.

⁹⁹ Verizon Witness West, answering question from Commissioner Christie, Tr. at 439.

¹⁰⁰ Va. Code § 56-235.5(F).

The limitations on the competitors that qualify under this test are the same as the limitations found above regarding residential BLETs. For "over the top" VoIP to count as a competitor, broadband penetration, defined as businesses who have purchased a broadband internet service, must be at least 75% in the telephone exchange area.

In addition, for purposes of this business BLETs competitiveness test, the following services are treated as separate business BLETs: (1) Individual Line; (2) PBX Trunk; and (3) Centrex services.¹⁰¹ Accordingly, the above competitiveness test must be separately applied to each of these three business BLETs in order for that business BLETs to be declared competitive in a telephone exchange. For example, if a specific telephone exchange satisfies the above test for Individual Line service but not for Centrex services, then only Individual Line services can be declared competitive in that exchange.

Findings of Competitiveness

We find the following telephone exchange areas, categorized below by MSA for ease of reference, meet the competitiveness test for Individual Line business BLETs:

Roanoke MSA

- Roanoke

Virginia Beach-Norfolk-Newport News MSA

- Great Bridge
- Hampton
- Newport News
- Norfolk/Virginia Beach
- Peninsula
- Poquoson
- Portsmouth
- Princess Anne
- Williamsburg

¹⁰¹ Such distinctions can be found in Exh. 13 and in the tariff cited therein by Verizon.

Washington-Arlington-Alexandria MSA

- Alexandria-Arlington
- Braddock
- Engleside
- Falls Church-McLean
- Fairfax-Vienna
- Herndon

We have identified these telephone exchanges using various exhibits presented in this proceeding and tariffs previously filed with the Commission.¹⁰² Our findings of competitiveness for Individual Line business BLETs in these exchanges, however, do not represent findings that other business BLETs in those exchanges, or other telephone exchange areas in Verizon's Virginia service territory, do not meet the competitiveness test set forth above for any of the three separate business BLETs. Additional geographic market areas will be considered on a case-by-case basis under the administrative process outlined herein when and/or if Verizon submits specific tariffs with supporting data formatted and responsive to the competitiveness test described herein for additional exchanges and/or business BLETs.

We also note that the telephone exchanges listed above and found competitive for Individual Line business BLETs collectively represent approximately 57% – a majority – of Verizon's individual business lines in Virginia, as measured by Verizon's total business access lines.¹⁰³

Administrative Process

We do not intend to require Verizon to initiate an entirely new formal proceeding for each telephone exchange area for which it intends to submit evidence that it believes meets the

¹⁰² See, e.g., Exhs. 16C, 17, 18C, 19, 20, 21C, 22C, 23C, 24C, 25, 28, 29, 30C, 31C, 32C, 33C, 34C, 35C, 36C, 37C, 38C, 39C, 40C, 41C, 42C, 43C, 44C, 45C, 94C, 95C, 96C, 170C; Harris, Exh. 188C, Attachment CH-4.

¹⁰³ This calculation was derived from Staff Witness Harris' direct testimony, Exh. 188C, Attachment CH-4. This percentage may be understated because it does not include individual line services purchased by enterprise customers in exchanges not declared competitive.

competitiveness tests for mass market residential and business BLETs that we have set forth in this Order. Rather, Verizon may submit tariffs with supporting data to the Commission's Division of Communications, which will determine administratively if such submissions are in accordance with this Order.

In this regard, we direct the Staff to implement an administrative process by which Verizon may submit tariffs to the Division of Communications it believes meet the competitiveness tests set forth in this Order for each exchange. The process shall include the following requirements: (1) Verizon shall file proposed tariffs with supporting data and an effective date 45 days from the date of filing with the Division for each telephone exchange and applicable services that it requests to be declared competitive;¹⁰⁴ (2) the Division shall accept or reject the proposed tariff(s) within 45 days unless both Verizon and the Division agree to extend the effective date for an additional 45 days; (3) if the Division accepts the proposed tariff(s), the tariff(s) shall go into effect on the initial or extended effective date; (4) if the Division rejects the proposed tariff(s), the Division must notify Verizon of the rejection and describe the reasons for such rejection within 45 days of the date of filing or extension; (5) any tariff(s) rejected by the Division are rejected without prejudice; (6) Verizon may challenge the Division's determination by filing a petition within 30 days of the Division's determination with the Commission pursuant to the Commission's Rules of Practice and Procedure, 5 VAC 5-20-10 *et seq.*; (7) any interested person may challenge the Division's acceptance of a tariff pursuant to the Commission's Rules of Practice and Procedure; and (8) the Commission's website (and any other means deemed

¹⁰⁴ For those BLETs and OLETs in exchanges determined to meet the competitiveness test pursuant to this Order, it is only necessary for Verizon to file the applicable tariff revisions.

appropriate by the Division) shall be used to provide information to the public of each tariff filing by Verizon and the Division's determination.¹⁰⁵

This administrative process will ensure that Verizon's proposed tariffs are handled in a timely and efficient manner, and that all interested persons have a reasonable opportunity for notice of the filing and determination, as well as an opportunity subsequently to challenge the Division's acceptance or rejection of the tariff pursuant to the Commission's Rules of Practice and Procedure.

Deregulation of Residential and Business BLETs and Price Ceilings in Geographic Market Areas Deemed Competitive

In telephone exchanges determined to be characterized by competition or the potential for competition under the tests set forth above, residential and/or business BLETs shall be deregulated as to price.

To protect *residential* consumers from the possibility of large rate increases for basic telephone service during the transition to a more deregulated, competitive market, we apply the following safeguard, pursuant to Subsection H: The price of residential BLETs as defined herein shall not increase more than one dollar (\$1.00) per year, on a per-line basis, during a transition period that shall run from January 1, 2008 through December 31, 2012, or five years.¹⁰⁶

To protect *business* consumers during the transition to a more deregulated, competitive market, we apply the following safeguard pursuant to Subsection H: The price of business BLETs as defined herein shall not increase more than three dollars (\$3.00) per year, on a per-

¹⁰⁵ We expect the Division to make such available as quickly as possible, recognizing that it may be necessary to develop procedures to do so.

¹⁰⁶ We also note that, in reference to a price cap, Verizon Witness Woltz stated as follows: "If you don't believe three years is long enough . . . you could make it five." Tr. at 2186.

line basis, during a transition period that shall run from January 1, 2008 through December 31, 2012, or five years.¹⁰⁷

To fulfill our statutory monitoring duties discussed below, we direct that Verizon shall continue to file tariffs for residential and business BLETs offered in telephone exchanges determined to be competitive. Verizon shall make such tariff filings in a manner comparable to those for CLECs as set forth in the CLEC regulations.¹⁰⁸

Finally, we have considered other safeguards proposed by participants in this proceeding for BLETs and for other services, and we find that such additional safeguards are not necessary at this time "to protect consumers and competitive markets" under Subsection H.

OLETs

As noted above, Verizon identifies over 150 OLETs that the Company requests be declared competitive on a statewide basis. As with individual "wireline a la carte" BLETs, Verizon argues that the Commission should not treat individual "wireline a la carte" OLETs as a product market separate and apart from bundled wireline services.¹⁰⁹ As with BLETs, however, we find that individual OLETs represent specific "telephone services" (as that term is used in Subsections E and F) provided to Virginia consumers, and that it is reasonable to apply the standards required in Subsections E and F to individual OLETs. We find that there is insufficient evidence – if any – in the record on each specific OLET for us to conclude that

¹⁰⁷ The average business BLET price is approximately three times the residential BLET price, so this increase represents a comparable increase to the residential BLET price increase of one dollar per year during the transition period. For example, in the Norfolk-Virginia Beach exchange, the monthly business individual line price is \$53.18, and the monthly residential individual line price is \$16.37. *See* Verizon Virginia Inc. Local Exchange Services Tariff, S.C.C.-Va.-No. 202, Section 2 at 7, 30c, and 31.

¹⁰⁸ *See* 20 VAC 5-417-10 *et seq.*

¹⁰⁹ *See* Verizon's September 14, 2007 Post-Hearing Brief at 78-80.

competition or the potential for competition in the market place is or can be an effective regulator of the price for each individual OLETS on a stand-alone basis.¹¹⁰

OLETS, however, are often provided in association – direct or indirect – with BLETS. In this regard, we find that competition or the potential for competition can be an effective regulator of price for residential and business services designated as OLETS by Verizon in a telephone exchange area for which BLETS (residential or business) has been declared competitive – *if the OLETS is offered by Verizon in association with a BLETS that is declared competitive (i.e., can only be purchased if the customer already purchases the BLETS)*. Therefore, if a residential or business BLETS is declared competitive in an exchange under the competitiveness tests above, then we find that an OLETS, offered in association with that competitive BLETS, shall also be declared competitive and price deregulated in that same exchange.

In this regard, based on a review and analysis of Verizon's tariffs on file with the Commission, we find that the following OLETS can be offered in association with the applicable residential and/or business BLETS:¹¹¹

Verizon Virginia - Residential

- Community Choice Plan
- Custom Calling Services
- Call Gate Service
- Call Mover Service
- Do Not Disturb Service

¹¹⁰ This discussion of OLETS excludes Directory Assistance Services, which are further addressed below.

¹¹¹ An individual OLETS may be associated with only a specific BLETS or in many instances more than one BLETS. This is particularly true for business BLETS since there are several different line products (*i.e.*, individual line, PBX trunk, and Centrex). For example, Break Rotary Hunt may be associated with all three types of business BLETS but will be made competitive only for the specific business BLETS that is made competitive in a given exchange. On the other hand, a service such as Direct Inward Dialing is associated with PBX Trunks, therefore would only be considered competitive in an exchange where PBX trunks are made competitive.

- Fixed Call Forwarding
- FX/FZ/FCO Services
- ISDN-BRI
- Maintenance Visit
- Non-List and Non Published Numbers
- Operator Call Completion Services
- Operator Service – Emergency & Troubles
- Operator Verification
- Operator Verification with Interrupt
- Optional Intercept Arrangements
- Preferred Telephone Number Service
- Remote Call Forwarding
- Repeat Dialing (Busy Redial)
- Select Forward
- 700/900 Blocking
- Temporary Suspension of Service
- White pages additional and bold listings

Verizon Virginia – Business

- Break Rotary Hunt
- Call Gate Service
- Call Mover Service
- Call Screening
- Centrex Extend
- Community Choice Calling Plan
- Custom Calling Services
- Custom Redirect Service
- Direct Inward Dialing
- Fixed Call Forwarding
- Four wire Service Terminating Arrangements
- FX/FZ/FCO
- Home Business Service
- Hunting Arrangement
- Identified Outward Dialing
- Line Side Answer Supervision
- Local Conference Service
- Maintenance Visit
- Make Busy Arrangements
- Messaging Services Interface and Premier Messaging Services Interface
- Non-List and Non Pub Numbers
- Number to Number Referral Service
- Operator Call Completion Services

- Operator Service – Emergency and Trouble
- Operator Verification
- Operator Verification and Interrupt
- Optional Intercept Arrangements
- PBX Night, Sunday, Etc. Arrangement
- Preferred Telephone Number Service
- Remote Call Forwarding
- Repeat Dialing (Busy Redial)
- Select Forward
- Selective Call Screening
- Split Supervisor Drop
- Switched 56 Kilobit Service
- Switched Redirect Service
- Temporary Suspension of Service
- Transfer Arrangements
- Unlimited Local Usage for Business
- White Page Additional and Bold Listings
- Work-At-Home Billing Service

Verizon South - Residential

- Anonymous Call Block
- Automatic Busy Redial
- Automatic Call Return
- Call Forwarding
- Call Tracing
- Call Waiting (all types)
- Caller ID-Name and Number5
- Caller ID – Number
- Calling Number ID/Anonymous Call Rejection
- Customized Number
- Customized Personal Intercept
- Detail Message Billing
- Dial DataLink
- Distinctive Ring
- Do Not Disturb
- Duplicate Bill Charge
- FX/FCO Services
- Intercept
- ISDN- SL and BRI
- Line Status Verification
- Maintenance Visit
- Metro Additive

- Non-List & Non-pub Numbers
- Operator Call Completion Services
- Operator Service- Emergency & troubles
- Operator Verification
- Optional Calling Plans
- Phone Number Referral Service
- Priority Call
- Referral Service
- Reminder Service
- Selective Call Screening
- Service Performance Guarantee
- Three Way Calling
- Toll Restriction Service
- Verification with Call Interrupt
- White Pages Additional Listings & Bold Type

Verizon South - Business

- Anonymous Call Block
- Automatic Busy Redial
- Automatic Call return
- Automatic Line Service
- Call Forwarding
- Call Block
- Call Waiting
- Caller ID-Name & Number
- Caller ID Number
- Caller ID/Anonymous Call Rejection
- Custom Redirect Service
- Custom Routing Service
- Customized Code Restrictions
- Customized Number
- Customized Personal Intercept
- Detail message Billing
- Dial DataLink
- Direct Inward-Outward Dialing Service (DIOD) (only with PBX trunks)
- Direct Inward Dialing (only with trunks)
- Distinctive Ring
- Do Not Disturb
- Duplicate Bill Charges
- Enhanced Call Forwarding
- FX/FCO service
- ISDN- SL & BRI

- Line Status Verification
- Maintenance Visit
- Metro Additive
- Non List & Non pub numbers
- Off premise extensions
- Operator Call Completion Services
- Operator Service- Emergency & Troubles
- Operator Verification
- Optional Calling Plans
- Phone number Referral
- Priority Call Redirect Service
- Referral Service
- Reminder Service
- Remote Call Forwarding
- Selective Call Screening
- Service Performance Guarantee
- Single Line Intercom
- Three Way Calling
- Toll Restriction Service
- Verification with Call Interrupt
- White Pages Additional Listings and Bold Type

We do not find that it is in the public interest to detariff OLETS at this time; rather, the tariff requirements applicable to CLECs under 20 VAC 5-417-50 shall apply to Verizon for OLETS deregulated as to price hereunder. In addition, as required above with BLETS, Verizon shall file revised tariffs, if necessary, for residential and business OLETS applicable in the telephone exchanges determined to be competitive. Verizon shall make such tariff filings in a manner comparable to those for CLECS set forth in the CLEC regulations.¹¹²

Bundled Services

As noted above, Verizon lists eight bundled services for Verizon Virginia and six bundled services for Verizon South that the Company requests be declared competitive.¹¹³ We

¹¹² See 20 VAC 5-417-10 *et seq.*

¹¹³ See Exh. 13.

find that the market for bundled services is characterized by either competition or the potential for competition throughout Verizon's service territory in Virginia. Not only do Verizon's bundled services face competition or the potential for competition from other providers of bundled telephone services in the various geographic market areas of Virginia found to be competitive under the tests we adopt herein, but just as importantly, Verizon's bundled services face pricing constraints in its entire service territory from the pricing of Verizon's individual BLETS and OLETS offerings. We find that the Attorney General's proposal to find bundles competitive only in the four largest MSAs does not account for the pricing constraints on Verizon's bundles from its individually priced and available BLETS and OLETS. We also find that the Attorney General's proposed advertising restrictions are not necessary since we have defined the geographic market area as smaller than an MSA.¹¹⁴

Subsection F reads in part:

. . . The Commission may also determine bundles composed of a combination of competitive and noncompetitive services to be competitive if the noncompetitive services are available separately pursuant to tariff or otherwise. . .

We find that competition or the potential for competition in the market place is or can be an effective regulator of the price – on a statewide basis – for Verizon's bundled services. Accordingly, we deregulate bundled services as to price effective immediately throughout Verizon's service territory in Virginia. We do not find, however, that it is in the public interest to detariff these services. Verizon shall continue to file tariffs for bundled services in a manner comparable to the tariff requirements for bundled services contained in the CLEC regulations.¹¹⁵

¹¹⁴ See Attorney General's September 14, 2007 Post-Hearing Brief at 20-23.

¹¹⁵ See 20 VAC 5-417-50.

Enterprise Market Services

The enterprise market can colloquially be described as the "big business" market. Enterprise customers are those which represent a large enough volume of business that they can negotiate their own deal with Verizon or another telephone provider, usually through a competitive bid or procurement process. We find that (i) an appropriate GMA is statewide, and (ii) in the enterprise market, competition exists throughout Verizon's Virginia service territory.¹¹⁶ Even if a large corporate customer is located or has locations in a rural area, there is no shortage of telecommunications providers willing to compete for what may be a multimillion-dollar account.¹¹⁷ Enterprise customers also generally have more legal and financial resources with which to protect their interests and enforce their contractual agreements with Verizon than do small business or residential consumers.

We find that competition or the potential for competition in the market place is or can be an effective regulator of the price – on a statewide basis – for telephone services in the enterprise market. For purposes of this Order, we adopt Verizon's definition that "the enterprise market consists of medium-sized and large business customers that typically procure services through a formal or informal competitive procurement or bidding process that solicits multiple bids."¹¹⁸ We find that the presence of other providers reasonably meeting the needs of these medium-sized and large business customers through a formal or informal competitive procurement or bidding process that solicits multiple bids can serve as an effective regulator of the price for these telephone services.

¹¹⁶ See, e.g., Taylor, Exh. 99C at 97-104.

¹¹⁷ See, e.g., Roycroft, Tr. at 1048-1050.

¹¹⁸ Verizon's September 14, 2007 Post-Hearing Brief at 73 (citing Calnon, Tr. at 2145).

We also find that it is in the public interest to allow Verizon to offer its services on a contractual basis in the enterprise market on a statewide basis.¹¹⁹ These contracts would not be regulated under Verizon's Alternative Regulatory Plan. As noted above, however, Subsections G and H require the Commission to "monitor the competitiveness of any telephone service previously found by it to be competitive" and to "adopt safeguards to protect consumers and competitive markets" that "[a]t a minimum . . . ensure that there is no cross subsidization of competitive services by monopoly services." Accordingly, Verizon is ordered: (1) to retain records regarding services provided to customers under contract in the enterprise market; and (2) to make such records and any agreements or contracts available to the Commission's Division of Communications upon request.

Construction Charges

The Staff contends that Verizon's construction charges are not competitive. We do not herein declare such services as competitive and likewise do not deregulate or detariff such charges. Indeed, at the hearing and on brief, Verizon clarified that it "is not seeking to have [construction] services declared competitive."¹²⁰

Directory Assistance

Verizon states that its "Directory Assistance Services ('DAS') enable customers to obtain local telephone numbers and listings of residential and business customers of Verizon, independent companies and CLECs."¹²¹ Verizon asserts that "DAS should be part of the same

¹¹⁹ Enterprise customers, however, would not be precluded from purchasing services available pursuant to tariffs.

¹²⁰ Verizon's September 14, 2007 Post-Hearing Brief at 15 n.16.

¹²¹ *Id.* at 146. Verizon explains that "[t]hese services include: (1) local directory assistance or '411', which enables customers to obtain assistance in determining telephone numbers and listings of customers who are located in Verizon's service area; (2) Connect Request, which provides local directory assistance customers with the option of having the requested telephone number automatically dialed for them; and (3) List Service, which provides telephone numbers in written form." *Id.* at n.154.

product market as all of its other retail services (BLETS, OLETS and Bundles)" and that "[c]ompetition to provide local exchange service necessarily entails competition to provide related DAS."¹²² Verizon also contends that "[e]ven if DAS were a separate product market, however, it should be declared competitive."¹²³

We find that DAS is a sufficiently distinct product to warrant treatment by the Commission as a separate "telephone service" under the provisions of the Code set forth above. In this regard, we find that competition or the potential for competition in the market place is or can be an effective regulator of the price – on a statewide basis – for DAS. We also find that, with the exception of the current three free call allowance, it is in the public interest to deregulate the price of DAS on a statewide basis. Specifically, we take judicial notice of our recent proceeding involving widespread errors and omissions in Verizon's directories, both for business and residential listings.¹²⁴ While we expect Verizon to do better in the future, to protect consumers, we find that it is reasonable to continue to require Verizon to offer the first three directory assistance calls per month at no cost to the consumer.

Price Floors and Cross-Subsidization

First, we find that the price floor restrictions set forth in Section K 2 of Verizon's Alternative Regulatory Plan shall no longer apply to the services declared competitive pursuant to this Order. As argued by Verizon, the price floor requirement does not apply to any of Verizon's competitors.¹²⁵ In addition, since the residential and business market test requires

¹²² *Id.* at 146-147.

¹²³ *Id.* at 147.

¹²⁴ *See Commonwealth of Virginia, ex rel. State Corporation Commission, Ex Parte: In the Matter of Investigating Directory Errors and Omissions of Verizon Virginia Inc. and Verizon South Inc.*, Case No. PUC-2005-00007, Order Approving Offer of Settlement (February 13, 2007).

¹²⁵ *See* Verizon's September 14, 2007 Post-Hearing Brief at 197.

there to be a facilities-based carrier serving at least 50% of households or businesses in an exchange, we believe that the price floor requirement is no longer warranted because Verizon's ability to exercise market power has been greatly diminished and it should be allowed to respond adequately to pricing signals from other competitors. We note that the significantly lowered intrastate switched access charges of both Verizon and the CLECs are an important component in this assessment as well.

Next, Subsection H requires the Commission to "adopt safeguards to protect consumers and competitive markets. At a minimum these safeguards must assure that there is no cross subsidization of competitive services by monopoly services." To be sure, and as explained by the Company, "Verizon is not asking the Commission to totally eliminate prohibitions on cross-subsidies, as it cannot change the Code."¹²⁶ Indeed, cross-subsidy prohibitions apply to both ILECs and CLECs and shall continue to apply to Verizon. Verizon notes that the Commission's CLEC rules, at 20 VAC 5-417-60(E), state as follows:

Should the commission determine that a new entrant has a monopoly over any of its services, whether or not those services are telephone services, it may order the new entrant to file annually with the Division of Communications data to demonstrate that its revenues from local exchange telecommunications services cover the long run incremental costs of such services in the aggregate.¹²⁷

Based on Verizon's position as the largest provider of telephone services in the Commonwealth, along with our removal of Verizon's current price floor requirement for competitive services in exchanges that are determined to be competitive, we find that it is reasonable – and a minimum safeguard to "ensure that there is no cross subsidization of competitive services by monopoly services" as required by Subsection H – to require Verizon to

¹²⁶ *Id.* at 198.

¹²⁷ *Id.* at n.235 (quoting 20 VAC 5-417-60(E)).

continue to file annually with the Division of Communications data to demonstrate that its revenues from competitive local exchange telecommunications services in the aggregate cover the direct incremental costs of such services, as it is currently required to do under Section K 3 of its Alternative Regulatory Plan.

Future Proceeding to Monitor the Status of Competition

Subsection G states:

The Commission shall monitor the competitiveness of any telephone service previously found by it to be competitive under any provision of subsection F above and may change that conclusion, if, after notice and opportunity for hearing, it finds that competition no longer effectively regulates the price of that service.

To fulfill our statutory duty under this provision, we intend to initiate a proceeding on or before March 1, 2012. This proceeding will take place prior to the removal of the price caps on mass market residential and business BLETs in those telephone exchange areas previously found to meet the competitiveness tests for residential and business BLETs set forth in this Order and deregulated. We agree with Verizon that the telecommunications market is dynamic, not static. This future proceeding will give the Commission and all interested parties and the public an opportunity to review the status of the telecommunications market in Virginia at that time, to review the economic and technological changes that will undoubtedly have taken place during the next four years, and to make any changes deemed appropriate to the findings, conclusions and directions contained in this Order or any subsequent order on this topic, as well as any tariffs accepted under the administrative process established herein. It will provide one additional and essential layer of protection for Virginia's telephone consumers prior to moving into a much more extensively deregulated telephone market place.

Intrastate Switched Access Charges

Ensuring reliable, easy and low-cost interconnection of calls between competing providers is an essential element of promoting competitive offerings from all telecommunications providers, as Va. Code § 56-235.5:1 requires us to do. We acknowledge the testimony from Sprint Nextel that the issue of Verizon's intrastate switched access charges needs to be addressed.¹²⁸ While the specific cost levels of Verizon's intrastate access charges are not before us in this proceeding, we find that as we move towards a much more competitive and deregulated telecommunications market in Virginia, the access charge levels of Verizon and other ILECs in Virginia should be reviewed and, where and if found appropriate, access charges should be adjusted, to promote increased competition. Accordingly, we subsequently will initiate an appropriate regulatory proceeding to review the intrastate access charges currently charged by Verizon Virginia and Verizon South.¹²⁹

Service Quality Rules

The Staff raised a concern in this case with regard to the continued applicability of the Commission's service quality rules and the Commission's continued oversight of service quality under § 56-247 of the Code.¹³⁰ In addition, CWA asserted that "there are service quality problems under the current form of regulation, and so it is extremely difficult to conclude that deregulation will result in improved service quality" and that "[m]arket forces alone cannot protect all classes of customers from poor service, and therefore the Commission should continue to regulate service quality to protect customers from further deterioration of service quality and

¹²⁸ See Appleby, Exh. 133.

¹²⁹ We take judicial notice of the recent proceeding initiated by Sprint Nextel to lower Embarq's intrastate access rates. See Case No. PUC-2007-00108. Thus we do not need to, in this Order, direct a review of Embarq's access rates.

¹³⁰ See Bradley, Exh. 187P at 4.

escalating rates."¹³¹ Verizon, however, acknowledges that the Commission "could simply clarify in its Order in this case that [service quality] rules continue to apply to specific detariffed services until it expressly rules otherwise."¹³² Because we have not detariffed any of Verizon's services herein, the Commission's service quality rules will continue to apply to Verizon.

Furthermore, Verizon states that even if the Commission granted Verizon the relief it seeks in this proceeding, "the Commission would retain its broad authority to review the market and any complaints over Verizon's rates or services, and take corrective action should the market fail to protect either consumers or competitors[.]" and, "[l]ikewise, the Commission would retain authority to enforce its generic rules applicable to public service companies and local exchange carriers."¹³³ Indeed, the Commission's rules on service quality will continue to apply to Verizon, and Verizon will still be subject to the Commission's broad authority to enforce Verizon's basic statutory duties by taking corrective action in the event that market forces fail to provide sufficient protections.¹³⁴

Verizon's Alternative Regulatory Plan

Services declared competitive pursuant to this Order are no longer regulated under Verizon's Alternative Regulatory Plan. Such services shall remain tariffed consistent with the rules for CLECs, and so that this Commission can fulfill its statutory duties under Subsection G. In addition, services previously classified as competitive under Verizon's Alternative Regulatory Plan are no longer subject to such plan. All future tariff filings for previously classified

¹³¹ CWA's September 12, 2007 Post-Hearing Brief at 18.

¹³² Verizon's September 14, 2007 Post-Hearing Brief at 186 n.222.

¹³³ *Id.* at 186 (citing Va. Code §§ 56-235.5(G) and 56-247) (footnote omitted).

¹³⁴ *See, e.g.,* Va. Code §§ 56-234 and 56-235.

competitive services shall be made in a manner consistent with the CLEC regulations, although the present tariffing status shall remain unchanged for such services.

Provider of Last Resort

Finally, we clarify that nothing in this Order modifies Verizon's statutory and regulatory obligations as the provider of last resort in its service territory, and we note that Verizon has not requested otherwise.

Accordingly, IT IS HEREBY ORDERED THAT:

- (1) The Application is granted in part and denied in part as set forth herein.
- (2) Retail services of Verizon Virginia and Verizon South are declared competitive and deregulated as set forth herein.
- (3) This matter is dismissed.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the State Corporation Commission, c/o Document Control Center, 1300 East Main Street, First Floor, Tyler Building, Richmond, Virginia 23219.

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