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PUBLIC SERVICE COMMISSION

July 2, 2008

Ms. Illona Jeffcoat-Sacco
North Dakota Public Service Commission
600 E. Boulevard Avenue, Dept. 408
Bismarck, ND 58505-0480

RE: Midcontinent Communications, a South Dakota partnership v. Missouri Valley Communications, Inc.
Case No. PU-08-61
OAH No. 20080079
Our File No. 28-16

Dear Ms. Jeffcoat-Sacco:

Enclosed please fine one original and eight copies of the following document:

1. ***Opposition of Midcontinent Communications to Motion for Immediate Order Compelling Discovery or, in the alternative, Motion to dismiss Petition of Midcontinent Communications, Inc. for removal of rural exemption, with Exhibits 1, 2, and 3; and***

2. ***Direct Testimony of Timothy J. Gates (Exhibit 2 above) on behalf of Midcontinent Communications, with Exhibits 1, 2, and 3; and***

3. ***Direct Testimony of W. Thomas Simmons on behalf of Midcontinent Communications; and***

4. ***Direct Testimony of Scott Lundquist on behalf of Midcontinent Communications, with Exhibits 1 and 2.***

If you have any questions regarding the same, please do not hesitate to contact my office.

Sincerely,

John M. Olson
Attorney at Law

22 PU-08-61 Filed 07/02/2008 Pages: 137
Opposition to Motion Compelling Discovery and Alternative - Motion to Dismiss Petition
Midcontinent Communications
John M. Olson, P.C.

JMO/tbb

enclosures

cc: ALJ Allen C. Hoberg
David Hogue
Mary Lohnes
J.G. Harrington
Nancy Vogel

CERTIFICATE OF SERVICE

A copy of the foregoing **Opposition of Midcontinent Communications to Motion for Immediate Order Compelling Discovery or, in the alternative, Motion to dismiss Petition of Midcontinent Communications, Inc. for removal of rural exemption, with Exhibits 1, 2, and 3; Direct Testimony of Timothy J. Gates (Exhibit 2 above) on behalf of Midcontinent Communications, with Exhibits 1, 2, and 3; Direct Testimony of W. Thomas Simmons on behalf of Midcontinent Communications, and Direct Testimony of Scott Lundquist on behalf of Midcontinent Communications, with Exhibits 1 and 2** was mailed to the following on July 2nd, 2008:

Mr. David J. Hogue
P.O. Box 1000
Minot, ND 58702

Mr. Allen C. Hoberg
Office of Administrative Hearings
State of North Dakota
1707 North 9th Street
Bismarck, ND 58501-1882

John M. Olson

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

MIDCONTINENT COMMUNICATIONS, A SOUTH DAKOTA PARTNERSHIP, COMPLAINANT VS. MISSOURI VALLEY COMMUNICATIONS INC., RESPONDENT	)	Case No. PU-08-61 OAH No. 20080079
MISSOURI VALLEY COMMUNICATIONS INC. APPLICATION FOR SUSPENSION OR MODIFICATION PURSUANT TO 47 U.S.C. § 251(F)(2)	)	Case No. PU-08-176 OAH No. 20080079

OPPOSITION OF MIDCONTINENT COMMUNICATIONS TO MOTION FOR IMMEDIATE ORDER COMPELLING DISCOVERY OR, IN THE ALTERNATIVE, MOTION TO DISMISS PETITION OF MIDCONTINENT COMMUNICATIONS, INC. FOR REMOVAL OF RURAL EXEMPTION

Midcontinent Communications ("Midcontinent"), by its attorneys, hereby submits this opposition to the Motion for Immediate Order Compelling Discovery or, in the alternative, Motion to dismiss Petition of Midcontinent Communications, Inc. for removal of rural exemption (the "Motion"), filed in the above-referenced proceeding by Missouri Valley Communications, Inc. ("Missouri Valley"). As shown below, the Motion is without merit.

The Motion misstates or omits nearly all of the facts relevant to the issues it raises. Perhaps most significantly, even while complaining that it has been denied the opportunity to have access to analyses that do not exist, Missouri Valley fails to acknowledge that it agreed with Midcontinent to a specific deadline for prefiled direct testimony and that it filed its motion before that deadline had passed. Even if the parties had not reached such an agreement, Missouri Valley's assumption that Midcontinent must have prepared an analysis of the economic burden issue before now is both incorrect and illogical. Indeed, Missouri Valley seems to think that Midcontinent should have completed an analysis of the economic issues before it obtained any of the relevant data from Missouri Valley.

The Motion also errs in its legal analysis. Midcontinent is not under any obligation to provide proof on any issue relevant to this proceeding until the hearing, and Missouri Valley points to no legal authority to the contrary. The Motion presumes that the only way to demonstrate that there is no undue economic burden is through testimony and a Midcontinent-generated analysis, when there are several other ways in which such a showing can be made. Missouri Valley also misapprehends the nature of the economic burden issue, which is limited the impact of the specific interconnection request under Section 251(c) and does not encompass the impact of competition in general. Finally, even if Missouri Valley were correct about the legal standards in a standard rural exemption case, the Motion ignores Midcontinent's claim that Missouri Valley has waived the rural exemption by its previous actions. Consequently, in light of both factual and legal considerations, the Motion should be denied forthwith.

I. The Motion Is Replete with Incorrect Factual Assumptions

A. There Is No Reason to Believe that Midcontinent Should Have Prepared an Economic Impact Analysis Prior to the Time the Motion Was Filed.

The Motion argues, in essence, the Midcontinent must have prepared an analysis of the economic impact of Section 251(c) interconnection on Missouri Valley either before requesting interconnection or before receiving responses to all of Midcontinent's discovery requests.[1]

[1] Motion at 4.

These factual assumptions are both unreasonable and untrue, and appear to presume – without any evidence at all – that Midcontinent has not been truthful in its discovery responses and deposition testimony.

First, there is no reason to believe that Midcontinent would have prepared a specific analysis of the economic impact of interconnection on Missouri Valley at the time of the original discovery responses. Indeed, the opposite is true.

As a practical matter, there would have been no reason for Midcontinent to prepare such an analysis before requesting interconnection from Missouri Valley. This is because Midcontinent had no reason to believe that Missouri Valley would assert the rural exemption. While Missouri Valley has asserted the exemption in this case, most rural carriers in North Dakota have not relied on the exemption when Midcontinent has requested interconnection. For instance, just since last September, three other rural companies – BEK, United and Consolidated – have agreed to interconnect with Midcontinent without asserting the rural exemption.[2] Indeed, *Missouri Valley* did not assert the rural exemption when Midcontinent sought to obtain wholesale resale.

Moreover, Midcontinent had no need to conduct a company-specific analysis of the impact of Section 251(c) interconnection on Missouri Valley in deciding whether to challenge the rural exemption. Midcontinent reasonably could have relied on its understanding of the basic economics of rural telephone operations in determining whether it was likely to succeed in its challenge. Midcontinent has significant experience in competing with rural carriers in the Dakotas, and perhaps more experience in competing with rural carriers than any competitive

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[2] *See* Case No. PU-08-58 (BEK Communications Cooperative), Case No. PU-08-97 (Consolidated Telcom), Case No. PU-08-25 (United Telephone).

local carrier in the country. Based on this experience, it was not hard for Midcontinent to conclude that it likely would be able to demonstrate that Missouri Valley will not experience an undue economic burden as a result of providing interconnection under Section 251(c).

The second reason that Missouri Valley cannot reasonably claim that there must have been an analysis prior to the May discovery responses is that Midcontinent did not have all of the information necessary to complete an analysis of Missouri Valley's specific situation at that time. For instance, Midcontinent did not have access to Missouri Valley's financial data until the date of the deposition of Missouri Valley's witnesses, just two weeks before Midcontinent's discovery responses were due. Analysis of that data showed that additional discovery was necessary, and the responses to that discovery were not due until July 1, the day before this response was filed.

As a practical matter, the unavailability of company-specific data prior to obtaining discovery responses from Missouri Valley precludes completion of any company-specific analysis of the economic impact of Section 251(c) interconnection. Nearly all of the information necessary to prepare a company-specific analysis is under the control of the rural carrier, in this case Missouri Valley, and cannot be obtained until a rural exemption proceeding is well under way. Indeed, if Midcontinent tried to make a case without using company-specific data, Missouri Valley would argue that Midcontinent had not demonstrated that the exemption should be lifted in this specific case. Thus, Missouri Valley has no basis to argue now that Midcontinent was improperly withholding an analysis that could not have been completed by the time of Midcontinent's discovery responses, let alone by the time of Midcontinent's request for interconnection.[3]

The discussion above demonstrates that there is no basis for the assumptions made by Missouri Valley in the Motion. To remove all doubt, however, attached hereto is an affidavit from Nancy Vogel, Director of Revenue Assurance at Midcontinent, who has had primary responsibility for Midcontinent's efforts to obtain interconnection from Missouri Valley.[4] That affidavit affirms that Midcontinent had not completed any analysis of the specific economic impact of Section 251(c) interconnection at the time it sought interconnection from Missouri Valley, at the time that the initial discovery responses were due in May or before filing prefiled testimony in this proceeding, which occurred today.[5]

B. Missouri Valley Is Not Prejudiced in Any Way.

The other significant factual error in the Motion is the notion that Missouri Valley has somehow been prejudiced because it has not received some analysis prepared by Midcontinent. This is untrue for two reasons. First, Midcontinent was under no obligation to prepare any analysis in advance of the hearing. Second, and more important, Missouri Valley has ample opportunity to evaluate Midcontinent's analysis of each of the prongs of the rural exemption test because the parties agreed to a submission date for prefiled direct testimony and Midcontinent is in compliance with that agreement.

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[3] It should be noted, in regard to Midcontinent's discovery responses, that Missouri Valley's request specified that it was seeking analyses relating to the impact of interconnection on Missouri Valley. *See* Motion at 3 (describing request for "all analyses . . . concerning the financial impact on Missouri Valley associated with . . . the interconnection agreement proposed by Midcontinent . . "). Missouri Valley did not seek any analyses relating to other companies or to interconnection with rural carriers in general.

[4] *See* Affidavit of Nancy Vogel, attached hereto as Exhibit 1.

[5] *See id.*, ¶¶ 3, 5.

Initially, there is no rule, statute or policy that requires Midcontinent to provide Missouri Valley with an analysis of the economic impact of Section 251(c) interconnection prior to the time of the hearing. Midcontinent, as part of its obligation to provide truthful responses to discovery requests, was and is required to provide any completed analyses that respond to interrogatories or demands for production properly promulgated by Missouri Valley.[6] But until any analysis is complete, there is nothing to produce. In this regard, it is important to recognize that Midcontinent's obligation to meet its evidentiary burdens in this proceeding does not become ripe until the hearing. The hearing, not discovery, is when both parties will have the opportunity to establish the facts necessary to prove their cases.

Missouri Valley's principal argument to support its theory that Midcontinent should have produced an analysis of the economic burden of Section 251(c) interconnection before now is that "Midcontinent was obviously aware early and on its own volition of the need for financial impact analyses" to support Midcontinent's petition in this proceeding.[7] This is true, but it provides no reason to believe that Midcontinent would prepare an economic analysis any time before the hearing. Indeed, given the timing of discovery in this proceeding, any analysis that might have been prepared prior to the completion of discovery necessarily would have been contingent and dependent on the information provided just one day before this Opposition was filed. For that matter, given the schedules of expert witnesses who testify in multiple proceedings across the country, it is not at all unusual for them to begin their analysis of the specific issues and facts in a proceeding only days before prefiled testimony is due.[8]

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[6] Missouri Valley did not request any drafts, but in any event no such drafts had been prepared up to the time that the Motion was filed.

[7] Motion at 5.

[8] For instance, Timothy Gates, who will be testifying as one of Midcontinent's expert witnesses, prepared testimony in five proceedings other than this one in June.

Of course, if Midcontinent did not provide its analysis until the hearing, Missouri Valley might reasonably claim that it had been prejudiced because it had no opportunity to evaluate that analysis before the hearing. However, Missouri Valley will have the time necessary to evaluate Midcontinent's analysis because the parties agreed to submit prefiled direct testimony no later than today, one week before the hearing. This filing date was chosen by mutual consent at the time of the deposition of Midcontinent's witnesses on June 24.[9] Midcontinent has complied with that deadline, as evidenced by the attached testimony of Timothy Gates and Scott Lundquist, which is being submitted contemporaneously with this opposition.[10]

Given the parties' agreement on the filing date for prefiled testimony, there is no reason to believe that Midcontinent would have completed its analysis of the economic impact of Section 251(c) interconnection before the prefiled testimony was due. The filing date established the deadline by which Midcontinent would have to provide its direct case and that was the date by which analysis would have to be completed. Moreover, in light of how close the deadline for Missouri Valley's discovery responses was to that date, it is unlikely the analysis could have been completed any sooner.[11]

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[9] Midcontinent had suggested the submission of prefiled testimony earlier in June, but Missouri Valley had not responded to that request.

[10] *See, e.g.*, Prefiled Direct Testimony of Timothy Gates, attached hereto as Exhibit 2.

[11] Missouri Valley argues that "[i]n previous cases, Midcontinent has been able to produce its analysis well before the evidentiary hearing." Motion at 4. Missouri Valley does not acknowledge that, in the only case it cites, the hearing examiner established a schedule for filing of prefiled testimony, and that Midcontinent's direct testimony was not due until twelve days after the completion of discovery. *See* Midcontinent Communications/North Dakota Telephone Company Rural Exemption Investigation, *Prehearing Order*, Case No. PU-05-451, Dec. 13, 2005. (A copy of this order is attached hereto as Exhibit 3.) Moreover, the only analysis that Midcontinent provided in that case was in its prefiled testimony. Here, Missouri Valley is arguing that Midcontinent should have completed an analysis of the economic impact of Section 251(c) interconnection *before* Missouri Valley had provided its complete discovery responses.

Missouri Valley's agreement to prefiled direct testimony and to the filing date obviates any claim that it has been prejudiced by Midcontinent's not having completed an analysis of the economic impact of Section 251(c) interconnection prior to today. If Missouri Valley had wanted the prefiled testimony earlier, it could have sought an earlier filing date. Indeed, Missouri Valley knew both of the filing date and of its agreement to that date on June 24, and did not mention either of these facts in the Motion, filed three days later. It is difficult to imagine why Missouri Valley did not choose to provide that information in the Motion, except that doing so would have demonstrated that Missouri Valley would not be prejudiced.[12]

II. There Is No Legal Basis to Grant the Motion

In addition to factual assumptions, one key legal assumption runs through Missouri Valley's filing – that Midcontinent is required to provide an analysis to prove that facilities-based competition in general, and not Section 251(c) interconnection, will not have an undue economic impact on Missouri Valley.[13] This assumption is wrong for at least three independent reasons.[14]

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[12] Midcontinent notes that Missouri Valley submitted the prefiled testimony of Shawn Hanson at the same time it filed the Motion. It is not clear why that submission was made several days early, but nothing in the parties' agreement obligated the parties to submit their testimony on the same day.

[13] *See, e.g.*, Motion at 6.

[14] Missouri Valley also argues that the burden of proof in this proceeding is on Midcontinent. *See, e.g., id.* at 2. For reasons that will be shown below, this claim is irrelevant to the resolution of the Motion. However, Midcontinent notes that, at a minimum, Missouri Valley has an obligation to provide sufficient data concerning its economic status in response to Midcontinent's discovery requests to permit an evaluation of the economic burden issue. If Missouri Valley fails to do so, then the Commission is permitted to draw the inference that Missouri Valley has withheld the data because that information would tend to demonstrate that there is no undue economic burden. *See, e.g., Medical Arts Clinic v. Franciscan Initiatives, Inc.*, 531 N.W. 2d 289, 297 (N.D. 1995) (where a party does not produce evidence it is required to produce, "the hearing officer and agency may draw an adverse inference that evidence not produced is unfavorable to the nonproducing party").

First, Missouri Valley's argument presumes that the only way for Midcontinent to demonstrate that there is no undue economic burden is through a formal analysis prepared by Midcontinent or its expert witness. As a threshold matter, there is no such requirement in the statute or any implementing rules.[15] More to the point, it is incorrect, as there are many ways to demonstrate that no undue economic burden exists. For instance, Midcontinent can demonstrate errors in Missouri Valley's analysis, can use Missouri Valley's own data to show that there will be no undue burden or can cite other relevant cases to demonstrate that, even accepting Missouri Valley's financial analysis, the burden is not undue. While Midcontinent has chosen to provide an analysis in its direct testimony, it also could make such demonstrations through cross-examination or through explanations of hearing exhibits made during briefing.[16]

Second, Missouri Valley appears from its testimony to assume that Midcontinent must demonstrate that facilities-based competition, in general, will not cause an undue economic burden. The plain text of Section 251(f)(1) contradicts this theory. It explains that, following receipt of notice of a bona fide request for interconnection with a rural carrier, "the State commission shall terminate the exemption *if the request* is not unduly economically burdensome, is technically feasible, and is consistent with section 254 of this title (other than subsections (b)(7) and (c)(1)(D) thereof)."[17] This passage demonstrates that it is the impact of the request, not the impact of competition in general, that is at issue in a rural exemption proceeding. Thus, any claim based on whether Midcontinent has demonstrated that, as a general principle, facilities-based competition will not unduly harm Missouri Valley is incorrect.[18]

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[15] *See* 47 U.S.C. § 251(f)(1)(B), 47 C.F.R. § § 51.401-51.405.
[16] *See* Exhibit 2 at for a discussion of the undue burden issue.
[17] 47 U.S.C. § 251(f)(1)(B) (emphasis supplied).
[18] This issue will be addressed in more detail at the hearing, but as described in Missouri Valley's prefiled testimony, the key assumption in Missouri Valley's analysis is that

Finally, the Motion does not account for Midcontinent's claim that Missouri Valley has waived the rural exemption through its prior actions.[19] Even if the remainder of Missouri Valley's arguments were correct – which they are not – this legal issue would remain, and it would be improper to dismiss the Petition.

III. Conclusion

For all these reasons, the Motion is without merit and should be denied forthwith.

Respectfully submitted,

MIDCONTINENT COMMUNICATIONS

By: ______________________

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Its Attorneys

July 2, 2008

Midcontinent would not be able to convert customers from resale of Missouri Valley's service without Section 251(c) interconnection. Prefiled Testimony of Shawn Hanson, Docket No. 08-61, at 17. This assumption is incorrect for several reasons, not the least of which is that Section 251(c) is not the exclusive mechanism for interconnection. Moreover, even to the extent that Missouri Valley wishes to press the argument that the general economic impact of competition is relevant, that is a legal argument more appropriately suited for post-hearing briefing, after all of the facts are in the record.

[19] *See* Midcontinent Notice of Bona Fide Request for Services and Interconnection and Petition to Find Rural Exemption Waiver at 1, 2.

Exhibit 1

Affidavit of Nancy Vogel

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

MIDCONTINENT COMMUNICATIONS, A SOUTH DAKOTA PARTNERSHIP, COMPLAINANT VS. MISSOURI VALLEY COMMUNICATIONS INC., RESPONDENT	)))))))))	Case No. PU-08-61 OAH No. 20080079
MISSOURI VALLEY COMMUNICATIONS INC. APPLICATION FOR SUSPENSION OR MODIFICATION PURSUANT TO 47 U.S.C. § 251(F)(2)	))))))	Case No. PU-08-176 OAH No. 20080079

AFFIDAVIT OF NANCY VOGEL

Nancy Vogel, being duly sworn, deposes and says:

1. My name is Nancy Vogel. I am employed by Midcontinent Communications, and my title is Director of Revenue Assurance. In that role, I am responsible for, among other things, recommending and implementing Midcontinent's strategy for providing competitive local telephone service in rural markets in North Dakota.

2. I am the Midcontinent employee with direct responsibility for the company's current request for Section 251(c) interconnection from Missouri Valley Communications, Inc. ("Missouri Valley"). As a consequence, I am aware of the actions that Midcontinent has taken in connection with that request.

3. Midcontinent's normal practice when it seeks Section 251(c) interconnection from rural local telephone companies is not to prepare an analysis of the economic burdens of the interconnection request on the rural telephone company prior to making the request. Consequently, prior to requesting Section 251(c) interconnection from Missouri Valley in November, 2007, Midcontinent did not prepare any analysis of the economic burden of Midcontinent's request on Missouri Valley. Midcontinent also did not request that any other party prepare such an analysis and did not receive any such analysis from any other party.

4. It would be inefficient for Midcontinent to attempt to prepare analyses of the economic burden of interconnection prior to the time it requests Section 251(c) interconnection from a rural carrier. Midcontinent's experience is that most rural carriers choose to negotiate terms of interconnection, rather than seeking to assert their rural exemptions. In fact, Missouri Valley had agreed in an earlier negotiation to provide wholesale resale at Midcontinent's request. Given the likelihood that there will be no need to challenge a carrier's rural exemption, resources spent on a burden analysis probably would be wasted. In addition, an analysis prepared without access to the rural carrier's financial data would be unreliable and therefore of little use in evaluating whether the rural carrier would be able to justify the rural exemption.

5. Midcontinent had not prepared an analysis of the economic burdens of Section 251(c) interconnection on Missouri Valley when it responded to Missouri Valley's discovery requests on May 9, 2008. At that time, Midcontinent had not engaged its consultants to assist in this proceeding and had not requested or received any such analysis from any third party. At my direction, Midcontinent's consultants were engaged for this proceeding on May 29, 2008. They did not provide Midcontinent with a completed analysis until they prepared their prefiled testimony, which I understand is being filed today. Midcontinent's consultants are the only

parties that have prepared or provided any analysis of the economic burdens of Section 251(c) interconnection on Missouri Valley to Midcontinent.

LAURIE [illegible]GAR
SEAL NOTARY PUBLIC SOUTH DAKOTA SEAL

Nancy A. Vogel

Nancy Vogel

Sworn and subscribed to before me this
2 day of July, 2008.

Laurie A. Haggar

Notary Public

My commission expires: My Commission Expires April 6, 2012

Exhibit 2

Prefiled Testimony of Timothy Gates

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

MIDCONTINENT COMMUNICATIONS, A SOUTH DAKOTA PARTNERSHIP, COMPLAINANT VS. MISSOURI VALLEY COMMUNICATIONS INC., RESPONDENT	)))))))))	Case No. PU-08-61 OAH No. 20080079
MISSOURI VALLEY COMMUNICATIONS INC. APPLICATION FOR SUSPENSION OR MODIFICATION PURSUANT TO 47 U.S.C. § 251(F)(2)	))))))	Case No. PU-08-176 OAH No. 20080079

DIRECT TESTIMONY

OF

TIMOTHY J GATES

ON BEHALF OF MIDCONTINENT COMMUNICATIONS

July 2, 2008

TABLE OF CONTENTS

Exhibits

I. WITNESS INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Timothy J Gates. My business address is QSI Consulting, 819 Huntington Drive, Highlands Ranch, Colorado 80126.

Q. WHAT IS QSI CONSULTING, INC. AND WHAT IS YOUR POSITION WITH THE FIRM?

A. QSI Consulting, Inc. ("QSI") is a consulting firm specializing in traditional and non-traditional utility industries, econometric analysis and computer-aided modeling. QSI provides consulting services for regulated utilities, competitive providers, government agencies (including public utility commissions, attorneys general and consumer councils) and industry organizations. I currently serve as Senior Vice President.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. I received a Bachelor of Science degree from Oregon State University and a Master of Management degree, with an emphasis in Finance and Quantitative Methods, from Willamette University's Atkinson Graduate School of Management. Since I received my Masters, I have taken additional graduate-level courses in statistics and econometrics. I also have attended numerous courses and seminars specific to the telecommunications industry, including both the National Association of Regulatory Utility Commissions ("NARUC") Annual and NARUC Advanced Regulatory Studies Programs.

Prior to joining QSI, I was a Senior Executive Staff Member at MCI WorldCom, Inc. ("MWCOM"). I was employed by MCI and/or MWCOM for 15 years in various public policy positions. While at MWCOM I managed various functions, including tariffing, economic and financial analysis, competitive analysis, witness training and MWCOM's use of external consultants. Prior to joining MWCOM, I was employed as a Telephone Rate Analyst in the Engineering Division at the Texas Public Utility Commission and earlier as an Economic Analyst at the Oregon Public Utility Commission. Exhibit TJG-1 contains a complete summary of my work experience and education.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE NORTH DAKOTA PUBLIC SERVICE COMMISSION ("COMMISSION")?

A. Yes. I testified before the Commission in Case Nos. PU-05-451, PU-2342-01-296, PU-2065-02-465 and PU-2320-90-183. In addition, I have testified more than 200 times in 44 states and Puerto Rico, and filed comments with the Federal Communications Commission ("FCC") on various public policy issues ranging from costing, pricing, local entry and universal service to strategic planning, merger and network issues. *See* Exhibit TJG-1.

Q. DO YOU HAVE EXPERIENCE WITH THE ISSUES IN THIS PROCEEDING?

A. Yes. I have participated in dozens of arbitrations since the 1996 amendments to the Communications Act of 1934 (the "Act") were enacted. I also have testified in proceedings with respect to the rural exemption and am familiar with the other issues in this proceeding arising from the obligations imposed by federal and state law.

Q. ON WHOSE BEHALF ARE YOU FILING THIS DIRECT TESTIMONY?

A. I am filing this testimony on behalf of the petitioner, Midcontinent Communications, LLC ("Midcontinent").

II. SUMMARY OF TESTIMONY

Q. WHAT ISSUES WILL YOU ADDRESS IN THIS PROCEEDING?

A. I will address primarily the rural exemption issues and explain why Midcontinent's request for direct interconnection is not "unduly economically burdensome." Finally, I discuss the timing of negotiation and implementation of the interconnection.

Q. ARE THERE OTHER WITNESSES TESTIFYING ON BEHALF OF MIDCONTINENT IN THIS PROCEEDING?

A. Yes. Mr. W. Thomas Simmons of Midcontinent is also filing testimony. Mr. Simmons is the Senior Vice President of Public Policy for Midcontinent. He will provide background on Midcontinent and its operations and also describe what the company is seeking through this proceeding. Mr. Scott Lundquist, a consultant to QSI, also will file testimony in this case which critiques and corrects the Missouri Valley Communications, Inc. ("MVC") Impact Analysis.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. My testimony will show that the public interest and consumers in general will benefit from the limited termination of the rural exemption for MVC that

Midcontinent has requested. Midcontinent has requested an amendment to its existing interconnection agreement ("ICA") with MVC that does not invoke all of the Section 251 requirements as MVC suggests. Further, as discussed in detail by Mr. Lundquist, MVC's Impact Analysis, when corrected, does not result in an "unduly economically burdensome" impact. MVC's opposition to interconnecting directly with Midcontinent is self-serving and discriminatory and not supported by the law or good public policy.

Q. WHAT ARE YOUR RECOMMENDATIONS?

A. I recommend that the Commission reject MVC's attempt to avoid competition by invoking the rural exemption. MVC's rural exemption (if not already waived given the current interconnection agreement) should be terminated so that Midcontinent can offer facilities-based services to consumers in the Williston area. Midcontinent's presence, along with the wireless, Internet, long-distance and video providers will provide healthy incentives for MVC to be more efficient and responsive to its customers.

The four key issues for a termination of the rural exemption have been evaluated and the only one in dispute is the "unduly economically burdensome" determination. The parties' positions on this key issue also directly affect the position on whether interconnection will harm MVC's ability to meet its universal service requirements. There is no dispute that Midcontinent provided the proper *bona fide* request for interconnection and services or that the interconnection is not technically feasible.

The projected impact – even assuming MVC does nothing to respond to Midcontinent's offerings – is not unduly economically burdensome. The corrected impact analysis described in the testimony of Mr. Lundquist shows that the impact is $888,577 over a four year period. This is only about 2 percent of Nemont's 2007 annual revenues and does not rise to an "unduly economically burdensome" level, especially when the benefits of the competition are considered.

Rural LECs like MVC have been isolated from competition for more than 12 years since the passage of the Telecommunications Act. Unlike the regional Bell Operating Companies, rural companies have not been limited by line of business restrictions, as evidenced by Nemont's many diversified subsidiaries. Given the implosion of the CLEC industry, consumers and the Commission should be encouraged that companies like Midcontinent are willing and able to invest in infrastructure that brings service choices to consumers in North Dakota. The benefits of competition will inure to consumers in Williston and will ultimately make both companies more efficient in delivering services and more responsive to consumer demands.

III. GENERAL INTERCONNECTION OBLIGATIONS

Q. PLEASE PROVIDE A GENERAL OVERVIEW OF THE ECONOMIC RATIONALE FOR INTERCONNECTION PURSUANT TO THE ACT.

A. The interconnection of networks is essential for the provision of telecommunications services by alternative providers such as Midcontinent. It also is critical for consumers since without interconnection there would be no alternative services from which to choose. Indeed, interconnection was one of the key provisions of the Act that allows for competitive entry.

Q. WHAT DID THE FCC SAY WITH RESPECT TO LOCAL COMPETITION AND THE BENEFITS TO CONSUMERS?

A. In the dozens of orders issued by the FCC regarding local competition issues it has consistently supported the Act's requirement to open up local markets. In the *Local Competition Order*, the FCC stated:

> Competition in local exchange and exchange access markets is desirable, not only because of the social and economic benefits competition will bring to consumers of *local* services, but also because competition eventually will eliminate the ability of an incumbent local exchange carrier to use its control of bottleneck local facilities to impede free market competition. Under section 251, incumbent local exchange carriers (LECs), including the Bell Operating Companies (BOCs), are mandated to take several steps to open their networks to competition, including providing interconnection, offering access to unbundled elements of their networks, and making their retail services available at wholesale rates so that they can be resold.[1]

In that same paragraph the FCC noted that, "The opening of all telecommunications markets to all providers will blur traditional industry distinctions and bring new packages of services, lower prices and increased innovation to American consumers." Through this proceeding Midcontinent hopes to be able to expand its offerings to the more rural areas of North Dakota –

[1] In The Matter Of Implementation Of The Local Competition Provisions In The Telecommunications Act Of 1996, Interconnection between Local Exchange Carriers and Commercial Mobile Radio Service Providers, **FIRST REPORT AND ORDER**, 11 FCC Rcd. 15,499, ¶ 4 (rel. Aug 8, 1996). ("*Local Competition Order*")

through interconnection with MVC[2] in the Williston area – and provide consumers with another alternative choice for communications services.

Q. WHAT IS INTERCONNECTION?

A. Interconnection is the physical linking of local networks for the purpose of exchanging traffic between customers subscribed to the respective networks. The FCC recognized this when it defined the term "interconnection" in the *Local Competition Order* at paragraph 176 in the following manner:

> We conclude that the term "interconnection" under section 251(c)(2) refers only to the physical linking of two networks for the mutual exchange of traffic.

While the FCC order quoted above refers to the term "interconnection" under section 251(c) the definition of "interconnection" is equally applicable to the more general obligation for interconnection under section 251(a).

Q. PLEASE DISCUSS THOSE INTERCONNECTION OBLIGATIONS.

A. The Act establishes comprehensive requirements to open local telecommunications markets to competition through the formation of interconnection agreements between ILECs and potential competitors – in this case, Midcontinent.

The FCC and state commissions have recognized that the various subsections of Section 251 of the Act impose escalating obligations on carriers depending upon their classifications (*i.e.*, telecommunications carrier, LEC, or ILEC). These classifications are based upon their market power, economic position (e.g.

[2] MVC is owned by Nemont Telephone Cooperative, Inc. Nemont purchased what are now the MVC properties from Citizens Telephone in 2003. (*See* Deposition of Mssrs. Hanson and Del Fiacco at page 17.)

monopoly) and attendant public obligations (e.g., common carrier obligations). This testimony focuses on the various requirements for ILECs, the carriers that have historically exercised monopoly control over local telecommunications markets.

Q. PLEASE EXPLAIN, FROM A LAY PERSON'S PERSPECTIVE, HOW THESE INTERCONNECTION OBLIGATIONS ESCALATE.

A. Section 251(a) of the Act identifies the general duties of telecommunications carriers to "interconnect directly or indirectly with the facilities and equipment of other telecommunications carriers."[3]

Q. WHAT IS THE DISTINCTION BETWEEN DIRECT AND INDIRECT INTERCONNECTION?

A. Direct interconnection occurs when two providers interconnect their facilities or equipment at an agreed upon location usually referred to as an interconnection point ("IP") or point of interconnection ("POI"). Indirect interconnection occurs when the originating and terminating carriers for a call use a third party provider to transit the traffic between the two carriers. In other words, the transit provider is connected directly with both the originating and terminating carriers, but the originating and terminating carriers are not directly interconnected with one another.

Q. PLEASE CONTINUE YOUR DESCRIPTION OF THE ESCALATING INTERCONNECTION OBLIGATIONS IN THE ACT.

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[3] 47 USC § 251(a)(1).

A. Section 251(b) of the Act identifies the general duties of all LECs, which include resale, number portability, dialing parity, and reciprocal compensation.

Section 251(c) imposes additional obligations and specific interconnection duties on ILECs, including the duty to negotiate an interconnection agreement in good faith, provide interconnection on more specific terms and conditions, provisioning of unbundled network elements ("UNEs"), requirements for resale at wholesale rates, providing notice of network changes and collocation when requested. The FCC's *Local Competition Order* at paragraph 1241 describes these additional obligations as follows:

> 1. Section 251(c) imposes obligations on incumbent LECs in addition to the obligations set forth in sections 251(a) and (b). It establishes obligations of incumbent LECs regarding: (1) good faith negotiation; (2) interconnection; (3) unbundling network elements; (4) resale; (5) providing notice of network changes; and (6) collocation.

The obligations identified in Section 251 are necessary to support the FCC's goal of developing competition for the benefit of consumers and the economy. These duties and obligations are all focused on affording CLECs equal, non-discriminatory access to ILEC network facilities.

Q. ARE THERE CERTAIN EXEMPTIONS FROM THE SECTION 251(C) REQUIREMENTS OF THE ACT?

A. Yes. This case is focused on the "rural exemption" which is discussed in the next section of this testimony.

IV. APPLICATION FOR SUSPENSION OR MODIFICATION PURSUANT TO 47 USC § 251(F)(2)

Q. PLEASE DESCRIBE MIDCONTINENT'S REQUEST WITH RESPECT TO THE RURAL EXEMPTION.

A. On February 8, 2008, Midcontinent filed its *Notice of Bona Fide Request for Services and Interconnection and petition to Find Rural Exemption Waived*[4] with the Commission. As recounted in the *Notice,* by letter dated November 14, 2007, Midcontinent made a *bona fide* request to MVC under the provisions of Section 251(c) of the Act. By letter dated January 30, 2008, MVC advised Midcontinent that – based on the rural exemption under Section 251(f)(1)(A) of the Act – it was denying Midcontinent's request for interconnection. Indeed, MVC refuses even to negotiate in good faith or discuss the type of interconnection for the exchange of traffic. And so we are here at the Commission seeking enforcement of the Act's requirements for interconnection.

Q. DOESN'T MIDCONTINENT ALREADY HAVE AN INTERCONNECTION AGREEMENT WITH MVC?

A. Yes. Midcontinent has an existing interconnection agreement with MVC for resale which was filed with the Commission on December 3, 2004.[5] As such, Midcontinent's request in this proceeding is merely a request for an amendment to the existing interconnection agreement.

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[4] Hereafter "*Notice*".

[5] Case No. PU-04-638.

Q. WHY IS IT IMPORTANT FOR MIDCONTINENT TO HAVE FACILITIES-BASED INTERCONNECTION WITH MVC WHEN IT ALREADY HAS INTERCONNECTION FOR RESALE?

A. Resale is generally not thought of as a long-term solution because of the reliance upon the incumbent provider and the inability to distinguish the resold service from that of the underlying carrier. In addition, the reseller has no ability to cut its cost of telecommunications services relative to the retail rates of the incumbent from which it purchases services. No matter how well the reseller manages its own business, or how efficient it becomes, it will still have the same narrow margin upon which to meet its own costs and earn a profit. For that reason, the reseller has only a very limited ability to impose any competitive threat or pressure on the underlying provider and, as such, cannot be considered effective competition. It is only with facilities-based competition that new entrants can gain their independence from the incumbent and truly differentiate their services from those of the incumbent.

Q. WHY IS FACILITIES-BASED COMPETITION IMPORTANT TO THE DEVELOPMENT OF EFFECTIVE COMPETITION IN TELECOMMUNICATIONS?

A. As noted above, without a network of its own, a carrier is relegated to a "resale" role in the market. Successful marketing normally requires product differentiation and price competition. It is difficult, if not impossible, for a carrier to differentiate its product when it is reselling all or part of the incumbent's product. The reseller is dependent upon the underlying carrier for quality of service, features, speed to market, and facilities. Just as important, the reseller is dependent upon the underlying carrier for its cost of service. In other words, the cost that Midcontinent pays MVC becomes the most important cost for Midcontinent, and is probably the only cost over which the Midcontinent has no control or influence whatsoever.

Q. IF MIDCONTINENT ALREADY HAS AN INTERCONNECTION AGREEMENT WITH MVC, HOW CAN MVC NOW INVOKE THE RURAL EXEMPTION AND REFUSE TO INTERCONNECT WITH MIDCONTINENT?

A. This is an issue that the lawyers will discuss. From a lay person's perspective, since the two parties already have an interconnection agreement it seems that MVC has waived its right to refuse interconnection. Nevertheless I will address the rural exemption issues.

Q. HOW DOES THE PROPOSED RENEGOTIATION OF THE EXISTING INTERCONNECTION AGREEMENT IMPACT MVC?

A. As discussed by Mr. Simmons and in Midcontinent's *Notice*, Midcontinent is seeking a limited waiver of the rural exemption to allow for facilities-based interconnection with number portability for the Williston exchange.[6] The impact on MVC's operations is discussed briefly later in this testimony and is discussed in detail in the testimony of Mr. Lundquist.

[6] *See Notice* at 2.

Q. WOULD YOU CONSIDER MIDCONTINENT'S INTERCONNECTION REQUEST TO BE FOR A LIMITED TERMINATION OF THE RURAL EXEMPTION?

A. Yes. The request is very specific and limited.

Q. WHAT IS MIDCONTINENT *NOT* REQUESTING FROM MVC THAT IT COULD REQUEST WITH A FULL TERMINATION OF THE RURAL EXEMPTION?

A. As noted above, Section 251(c) allows a requesting CLEC to receive -- in addition to the obligations set forth in sections 251(a) and (b) -- (1) good faith negotiation; (2) interconnection; (3) unbundling of network elements ("UNEs"); (4) resale; (5) providing notice of network changes; and (6) collocation. Midcontinent is not requesting the unbundling of MVC's network. In essence, Midcontinent's request is limited to direct interconnection and local number portability ("LNP"), and LNP is not covered by the Section 251(f)(1) exemption.

Q. IN YOUR OPINION IS THE LIMITATION PROPOSED BY MIDCONTINENT A SIGNIFICANT CONCESSION?

A. Yes. Not only is this a concession, but it is aimed at reducing disputes between the parties. As the parties are well aware, developing UNEs and pricing them using the FCC's TELRIC[7] standard is time consuming and can be very litigious. The cost cases associated with UNEs can last years. Limiting the request to reasonable facilities-based interconnection at reasonable cost-based rates is aimed

[7] TELRIC stands for Total Element Long Run Incremental Cost and is the FCC's forward looking economic cost standard for UNEs and interconnection in general. See FCC rule § 51.505 for specific information about the TELRIC standard and rule § 51.511 for details on how to calculate the cost.

at making the process simple and inexpensive for all parties. Unfortunately, even given the limited scope of Midcontinent's request for interconnection, MVC refused to even enter into good faith negotiations.

Q. **PLEASE ADDRESS THE ISSUES ASSOCIATED WITH THE TERMINATION OF A RURAL EXEMPTION.**

A. Section 251(f) of the Telecommunications Act addresses the rural exemption and it is reproduced below.

SEC. 251. [47 U.S.C. 251] INTERCONNECTION.

(f) Exemptions, Suspensions, and Modifications.--

(1) Exemption for certain rural telephone companies.--

(A) Exemption.--Subsection (c) of this section shall not apply to a rural telephone company until

(i) such company has received a bona fide request for interconnection, services, or network elements, and

(ii) the State commission determines (under subparagraph (B)) that such request is not unduly economically burdensome, is technically feasible, and is consistent with section 254 (other than subsections (b)(7) and (c)(1)(D) thereof).

(B) State termination of exemption and implementation schedule.--The party making a bona fide request of a rural telephone company for interconnection, services, or network elements shall submit a notice of its request to the State commission. The State commission shall conduct an inquiry for the purpose of determining whether to terminate the exemption under subparagraph (A). Within 120 days after the State commission receives notice of the request, the State commission shall terminate the exemption if the request is not unduly economically burdensome, is technically feasible, and is consistent with section 254 (other than subsections (b)(7) and (c)(1)(D) thereof). Upon termination of the exemption, a State commission shall establish an implementation schedule for compliance with the request that is consistent in time and manner with Commission regulations.

(C) Limitation on exemption.--The exemption provided by this paragraph shall not apply with respect to a request under subsection (c) from a cable operator providing video programming, and seeking to provide any telecommunications service, in the area in which the rural telephone company provides video programming. The limitation

> contained in this subparagraph shall not apply to a rural telephone company that is providing video programming on the date of enactment of the Telecommunications Act of 1996.

Q. HAS THE FCC DESCRIBED THE RURAL EXEMPTION IN ANY OF ITS ORDERS?

A. Yes. The FCC's *Local Competition Order* at paragraph 1249 describes the rural exemption as follows:

> Section 251(f)(1) grants rural telephone companies an exemption from section 251(c), until the rural telephone company has received a bona fide request for interconnection, services, or network elements, and the state commission determines that the exemption should be terminated.[8]

Q. DO THE FCC'S RULES MIRROR THE LANGUAGE IN THE ACT REGARDING THE RURAL EXEMPTION?

A. Yes. The FCC's rules (§51.401, §51.403 and §51.405) similarly describe the rural exemption pursuant to section 251(f) of the Act.

Q. BASED ON YOUR REVIEW OF INFORMATION PROVIDED BY MVC AND MR. HANSON'S TESTIMONY, DO YOU CONSIDER MVC TO BE A RURAL LEC?

A. While I am not expressing a legal opinion, it appears to me that MVC meets the characteristics of a "rural" LEC as outlined in the Act and the FCC's rules

[8] A rural telephone company is defined as a local exchange carrier operating entity to the extent that such entity "(A) provides common carrier service to any local exchange carrier study area that does not include either-- (i) any incorporated place of 10,000 inhabitants or more, or any part thereof . . .; or (ii) any territory, incorporated or unincorporated, included in an urbanized area . . .; (B) provides telephone exchange service, including exchange access, to fewer than 50,000 access lines; (C) provides telephone exchange service to any local exchange carrier study area with fewer than 100,000 access lines; or (D) has less than 15 percent of its access lines in communities of more than 50,000 on the date of enactment of the Telecommunications Act of 1996." 47 U.S.C. § 153(37).

implementing the Act. Mr. Hanson addresses the rural classification for MVC at page 5 of his testimony.[9]

Q. IS THE EXEMPTION AN ENTITLEMENT FOR THE RURAL LECS?

A. No. To be clear, the exemption from the 251(c) requirements was to be an ***exception*** and not the rule. The FCC specifically made this point in paragraph 1262 of the *Local Competition Order* wherein it states in pertinent part:

> We believe that Congress intended exemption, suspension, or modification of the section 251 requirements to be the exception rather than the rule, and to apply only to the extent, and for the period of time, that policy considerations justify such exemption, suspension, or modification.

If the exemption was an entitlement, there would never be competition in rural LEC serving territories. The intention was that the exemption would be used only when it was absolutely necessary to preserve universal service. As shown herein, competition from Midcontinent will not harm MVC's ability to meet its universal service obligations.

V. SPECIFIC TESTS FOR TERMINATION OF THE RURAL EXEMPTION

Q. PLEASE IDENTIFY EACH OF THE REQUIREMENTS FOR THE RURAL EXEMPTION.

A. As noted above, there are four key aspects of a request to terminate a rural exemption for purposes of direct interconnection. The first requirement is that the LEC must receive a *bona fide* request from a CLEC for interconnection. The second requirement is a show that the interconnection is not unduly economically burdensome. The third requirement is that the requested interconnection is

[9] *See* also the Deposition of Mssrs. Hanson and Del Fiacco at page 94.

technically feasible. The fourth requirement is that the requested interconnection does not harm the rural LEC's ability to meet its Section 254 universal service obligations. I will address three of the four points below and leave the final point – whether the request for interconnection is unduly economically burdensome – for discussion in the next section of this testimony. As I address each requirement under Section 251(f)(1)(a) I will show why I believe the requirements have been met by Midcontinent's request for interconnection.

Bona Fide Request

Q. **DO YOU CONSIDER MIDCONTINENT'S *NOTICE* TO BE A *BONA FIDE* REQUEST FOR INTERCONNECTION AS REFERRED TO IN SECTION 251(F)?**

A. Yes. While I am not a lawyer, the *Notice* is very clear in seeking interconnection pursuant to the Act and the termination of the rural exemption. Indeed, the *Notice,* which is entitled "Notice of Bona Fide Request for Services and Interconnection and Petition to Find Rural Exemption Waived" is a good indication of what Midcontinent seeks.

Q. **HAS MVC DISPUTED THE FACT THAT MIDCONTINENT HAS FILED A *BONA FIDE* REQUEST FOR INTERCONNECTION?**

A. No. Mr. Hanson's testimony at page 10 states the following:

> **Q: Do you regard the request as a bona fide request, that is, made in good faith?**

A: Yes, but it obviously presumed MVC waived our right to assert the rural exemption.

Based on Mr. Hanson's testimony it appears that there is no dispute on the first issue. In other words, it appears the parties agree that a *bona fide* request for interconnection and services was made.[10]

Technically Feasible

Q. PLEASE ADDRESS THE THIRD REQUIREMENT – WHETHER THE INTERCONNECTION REQUESTED BY MIDCONTINENT IS TECHNICALLY FEASIBLE.

A. As noted by Mr. Hanson in his testimony, it is difficult to address this point since MVC has refused to negotiate with Midcontinent. At page 29 of his testimony he states, "I can't say interconnection is not technically feasible, but there are implementation issues that would need to be addressed, including the costs of implementation." The bottom line is that MVC has refused to even discuss interconnection with Midcontinent.

Q. DO YOU ANTICIPATE ANY TECHNICAL ISSUES THAT WOULD PREVENT MVC FROM INTERCONNECTING WITH MIDCONTINENT?

A. No. Midcontinent has interconnected with many other ILECs and the form of interconnection proposed for MVC is consistent with standard interconnection practices. I am confident that when the engineers from both MVC and

[10] At page 2 of Mr. Hanson's testimony he discusses the three important factors for consideration in the proceeding – technical feasibility, undue economic harm and ability to carry out universal service obligations. Since the *bona fide* request was not mentioned, I think we can assume that is not an issue in this proceeding.

Midcontinent sit down to plan the interconnection that there will be no insurmountable technical obstacles. In fact, based on Mr. Hanson's experience with McLeod, I'm sure he and his engineering team can be very creative in designing interconnection arrangements.

Q. IS THERE ANYTHING ABOUT THE INTERCONNECTION REQUESTED BY MIDCONTINENT THAT IS NOT TECHNICALLY FEASIBLE GIVEN THE NETWORK OF MVC?

A. No. Midcontinent is not seeking anything that hasn't already been done many times before. The physical interconnection required by Midcontinent is not unique or difficult and utilizes standard industry practices and technology. Mr. Hanson admitted during his deposition that the MVC DMS 100 switch in Williston has been upgraded to do local number portability.[11] Given MVC's experience with interconnecting with wireless carriers, other LECs for EAS, Dakota Carrier Networks, its own affiliates such as NCI and Sagebrush, and Qwest, interconnection with Midcontinent should be a relatively simple task.[12]

Q. DO THE FCC RULES ADDRESS TECHNICALLY FEASIBLE FORMS OF INTERCONNECTION?

A. Yes. FCC rule §51.321 addresses technically feasible interconnection. Subsection (b) refers to physical collocation and virtual collocation at the premises of an ILEC. Subsection (c) refers to any previously successful method

[11] *See* Deposition of Mssrs. Hanson and Del Fiacco at pages 60-61.

[12] *See* Deposition of Mssrs. Hanson and Del Fiacco at pages 50-59.

of obtaining interconnection as being substantial evidence that such method is technically feasible.

Q. MR. HANSON SAYS THERE ARE COSTS ASSOCIATED WITH INTERCONNECTION AND HE IDENTIFIES A LIST OF AREAS WHERE ADDITIONAL COSTS MAY BE INCURRED.[13] HOW DO YOU RESPOND?

A. First of all, the cost of interconnection is not an issue in determining whether the interconnection is technically feasible. There are costs associated with any interconnection. Many of the costs identified by Mr. Hanson, however, are not relevant given that Midcontinent's limited request for interconnection does not include UNEs. Nevertheless, the FCC recognized, when it codified rule 51.703(b), that the financial responsibilities for interconnection for the exchange of traffic should be borne solely by each carrier on its side of the IP. At the same time, a CLEC cannot impose unreasonable costs on an ILEC by, for instance, demanding interconnection at a point that is far away from the ILEC's service area.

[CONSIDER OMITTING THE NEXT Q & A]

Q. WHAT IS THE LANGUAGE IN RULE 703(B)?

A. The language in Rule 703(b)[14] is as follows:

> **§ 51.703 Reciprocal Compensation Obligations of LECs.**
> (b) A LEC may not assess charges on any other telecommunications carrier for telecommunications traffic that originates on the LEC's network.

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[13] *See* Direct of Hanson at pages 29-30.

[14] See, FCC Subpart H – Reciprocal Compensation for Transport and Termination of Telecommunications Traffic.

This rule prohibits carriers from shifting costs of transporting traffic to the IP to other carriers. In other words, each carrier is responsible for the costs of delivering its traffic to other carriers for termination. Several Federal Circuit Courts of Appeal have specifically upheld this interpretation. For example, as the Fourth Circuit stated in a dispute between SBC and MCI on this very point,

> In sum, we are left with an unambiguous rule, the legality of which is unchallenged, that prohibits the charge that SBC seeks to impose. Rule 703(b) is unequivocal in prohibiting LECs from levying charges for traffic originating on their own networks, and, by its own terms, admits of no exceptions. Although we find some surface appeal in SBC's suggestion that the charge here is not reciprocal compensation, but rather the permissible shifting of costs attending interconnection, the FCC, as noted above, has endorsed cost-shifting related to interconnection only as it relates to the one-time costs of physical linkage, and in doing so, expressly declined the invitation to extend the definition of "interconnection" to include the transport and termination of traffic.[15]

This decision flows from the simple technical reality that interconnection simply means linking up networks. It also is consistent with the accepted economic expedient of cost-causation.

Q. IF THERE ARE COSTS ASSOCIATED WITH SETTING UP THE INTERCONNECTION BETWEEN MVC AND MIDCONTINENT, IS MIDCONTINENT WILLING TO PAY ITS FAIR SHARE OF THOSE COSTS?

A. My understanding is that sharing costs to establish an interconnection is standard practice for Midcontinent.

[15] *MCImetro Access Transmission Services, Inc. v. SBC Telecommunications, Inc.*, No. 03-1238 2003 US App. LEXIS 25782, *24-5 (4th Cir. Dec 18, 2003).

Q. DOES MR. HANSON UNDERSTAND THAT CARRIERS SHARE THE COST OF ESTABLISHING AN INTERCONNECTION?

A. I don't think so. During his deposition he was asked, "Are you aware that you would be paid for the cost of someone coming in to use collocation?" Mr. Hanson responded, "No, I'm not aware of that."[16] While I'm surprised that Mr. Hanson did not understand that carriers share the cost of collocation and interconnection given his experience working at a CLEC, hopefully this testimony will assuage some of his concerns in that regard.

Q. MR. HANSON SUGGESTS AT PAGE 30 OF HIS TESTIMONY THAT IT WILL TAKE 90 DAYS TO PLAN THE INTERCONNECTION. IS THAT REASONABLE?

A. I do not think it would take 90 days to negotiate, plan and implement an interconnection between MVC and Midcontinent. I would think an agreement to work cooperatively and diligently on the interconnection once ordered would be acceptable. I am confident the two companies could implement the interconnection sooner than 90 days under those circumstances.

Impact on Universal Service Obligations

Q. PLEASE ADDRESS THE FOURTH REQUIREMENT REGARDING UNIVERSAL SERVICE.

A. Consistency with section 254 is the last test for the termination of the rural exemption. Section 254 of the Act deals with universal service issues. The key

[16] *See* Deposition of Mssrs. Hanson and Del Fiacco at page 82.

principles identified by Congress for universal service include:

> (1) QUALITY AND RATES. -- Quality services should be available at just, reasonable, and affordable rates.
>
> (2) ACCESS TO ADVANCED SERVICES. -- Access to advanced telecommunications and information services should be provided in all regions of the Nation.
>
> (3) ACCESS IN RURAL AND HIGH COST AREAS. -- Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.
>
> (4) EQUITABLE AND NONDISCRIMINATORY CONTRIBUTIONS. -- All providers of telecommunications services should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service.
>
> (5) SPECIFIC AND PREDICTABLE SUPPORT MECHANISMS. -- There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service.
>
> (6) ACCESS TO ADVANCED TELECOMMUNICATIONS SERVICES FOR SCHOOLS, HEALTH CARE, AND LIBRARIES. -- Elementary and secondary schools and classrooms, health care providers, and libraries should have access to advanced telecommunications services as described in subsection (h).[17]

Midcontinent's interconnection with MVC will further the principles identified above. In other words, Midcontinent's facilities-based entry into the Williston area will not harm the availability or quality of services, including access to advanced telecommunications services. Indeed, Midcontinent's investment and

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[17] *See* 47 U.S.C. §254(b).

entry will likely result in healthy competition which should ultimately reduce rates and increase quality and diversity of service for consumers in Williston.

Q. MR. HANSON STATES THAT INTERCONNECTION "WOULD SUBSTANTIALLY IMPAIR MISSOURI VALLEY'S PERFORMANCE OF ITS UNIVERSAL SERVICE OBLIGATIONS."[18] PLEASE COMMENT.

A. MVC's position seems to be that any facilities-based competition is bad and should be rejected. To the contrary, competition will benefit consumers in Williston and even MVC over time. MVC's position also assumes that the universal service element of the test focuses on the rural carrier alone, rather than on the goals of Section 254. As a result, MVC ignores not only the additional service that would be provided by Midcontinent, but the availability of wireless service in MVC's service area that could serve as a replacement for MVC's service offerings.

Q. MR. HANSON FOCUSES ON THE "COSTS" OF COMPETITION. ARE THEIR BENEFITS AS WELL?

A. Of course. Those benefits are described in the Telecommunications Act and in general economics. At paragraph four of the Telecommunications Act it says, in pertinent part, "The opening of all telecommunications markets to all providers will blur traditional industry distinctions and bring new packages of services, lower prices and increased innovation to American consumers. The world envisioned by the 1996 Act is one in which all providers will have new competitive opportunities as well as new competitive challenges." The reference

[18] *See* Direct of Hanson at page 31.

to "challenges" may well have been a reference to incumbents like MVC, but it refers to new entrants too.

Q. CAN MVC MITIGATE THE IMPACT OF MIDCONTINENT'S FACILITIES-BASED INTERCONNECTION AND OFFERINGS?

A. Yes. It will take some time to negotiate the interconnection agreement and the technical details for the actual exchange of traffic. It also will take time after those negotiations for Midcontinent to begin the process of moving customers from resale to its own facilities.[19] During that time, MVC can consider and perhaps deploy new offerings, improve quality of service, engage in cost reduction activities and even plan for long-run network improvement.

Q. ONCE MIDCONTINENT IS OPERATING UNDER THE PROPOSED INTERCONNECTION AGREEMENT AND ATTRACTS CUSTOMERS TO ITS OWN FACILITIES, ARE THOSE CUSTOMERS LOST FOREVER TO MVC?

No. It is very common for incumbents to engage in what is referred to as "win-back" activities. Those activities include special promotions, targeted marketing, short-term offers for returning customers, etc. Although all incumbents must be careful not to inappropriately use their knowledge of the CLEC's customer base – gained from the CLEC resale of the incumbent's services or number porting activities – win-back activities can be very effective. Generally the consumers are the winners when multiple providers engage in activities to either keep or attract

[19] That is not to say that all resale customers will agree to migrate to Midcontinent's own facilities. During the deposition of Mr. Simmons he noted that they are not always successful in migrating resale customers.

customers. [I wouldn't bring this up since it limits MVC's ability to engage in winback.]

Q. MR. HANSON SAYS MVC HAS NO PLANS FOR VIDEO. HOW CAN MVC OFFSET THE SUPPOSED ADVANTAGE THAT MIDCONTINENT'S BUNDLED OFFERINGS PROVIDE?

A. MVC offers bundles as well.[20] I would note that MVC also does not offer wireless or long-distance, but its parent does. MVC also could reconsider investment decisions regarding video. While Mr. Hanson says that MVC's investment in the network is limited by the amount of internally generated funds "solely from Missouri Valley",[21] that is an artificial constraint. The fact that is it an artificial constraint is proved by Mr. Hanson's statement at page 1 of his testimony wherein he states, "My name is Shawn Hanson, and I am the general manager for Missouri Valley Communications, Inc. ("MVC") and its parent company, Nemont Telephone Cooperative, Inc. ("Nemont"). I am also the general manager of 3 other Nemont subsidiaries which include Sagebrush Cellular, Inc., Project Telephone Company, and Nemont Communications, Inc. (NCI)." There is nothing that would prevent Nemont from providing a cash infusion to MVC for purposes of expanding or improving the network in and around Williston. Later in this testimony I discuss the relationship between and among the various Nemont companies.

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[20] *See* Deposition of Mssrs. Hanson and Del Fiacco at page 36; MVC Answers to Complainant's Interrogatories, Second Set, Question 12 (describing bundles of voice and data service).

[21] *See* Deposition of Mssrs. Hanson and Del Fiacco at page 17. *See* also the Direct of Hanson at page 27.

Q. IS THERE ONE ASPECT OF THE MVC NETWORK THAT COULD BE IMPROVED?

A. My information on the MVC network is based on information provided by Mr. Hanson and Mr. Del Fiacco. During their deposition the MVC witnesses expressed some concern about the speed of their DSL (512 kilobits) and their ability to compete with Midcontinent's offering.[22] Mr. Hanson also discusses the West Ring Project at pages 26-27 in his testimony which is aimed, at least in part, at increasing the speed of MVC's Internet service using DSL technology. Obviously the fiber in this project and potentially others could be used in the future to provide video. In fact, MVC's July 1 discovery responses indicate that it already has improved its residential DSL speeds to 1 Mbps and that it plans to offer a 10 Mbps business DSL service at the beginning of the fourth quarter of this year.[23]

Q. MR. HANSON CLAIMS AT PAGE 27 OF HIS TESTIMONY THAT THEIR NETWORK INVESTMENT PLANS BEYOND 2009 "HAVE BASICALLY BEEN PUT ON HOLD BY THE MAGNITUDE OF THE IMPACT THAT THIS INTERCONNECTION REQUEST WOULD HAVE ON MVC." HOW DO YOU RESPOND?

A. This is a typical incumbent threat with the apparent purpose of supporting MVC's request to deny Midcontinent's interconnection request. This threat, however, makes little sense. When confronted with competition MVC should do all it can

[22] *See* Deposition of Mssrs. Hanson and Del Fiacco at pages 43, 94-97.

[23] MVC Answers to Complainant's Interrogatories, Second Set, Question 12 (describing DSL service speeds).

to maximize its advantages, including the maintenance and upgrade of its network. This is especially true when MVC's management recognizes short-comings in its products (e.g. very slow DSL) and the comparative advantage of potential new entrants (the video offerings of Midcontinent). Instead of threatening to stop investing – which would only harm consumers and MVC's ability to retain and or attract customers – it should focus on finding ways to improve its network.

Mr. Hanson's suggestion that the "Interconnection with Midcontinent would cause a loss of revenues to support facilities upgrades and replacements."[24] could become a self-fulfilling prophecy if MVC acts on the threat to stop investing. But even if it did, it would be the result of MVC's poor management decisions and not because of competitive entry.

Q. MR. HANSON DISCUSSES THE LOSS OF ACCESS LINES.[25] IS THAT REASON TO DENY FACILITIES-BASED INTERCONNECTION?

A. No. The first and most obvious point is that the lost lines are not because of Midcontinent. I agree with Mr. Hanson that there are several factors contributing to the reduction of access lines. The movement from dial-up Internet access to DSL has reduced the number of second lines and we also know that some telecommunications users have terminated their wireline service in favor of wireless service. These two phenomena alone have resulted in a reduction in lines for most, if not all, ILECs.

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[24] *See* Direct of Hanson at page 28.

[25] *Id.* at 7.

Q. HOW DOES THE MIGRATION TO BROADBAND RESULT IN FEWER ACCESS LINES?

A. The push to migrate dial-up customers to broadband services eliminates the need for consumers to have a second line in the home. As such, moving customers to a DSL connection – over which you can receive both voice and data at the same time – results in a reduction of second lines.

Q. IS THE REDUCTION IN SECOND LINES A ONE TO ONE REDUCTION?

A. No. Not all people will eliminate their second line when they purchase DSL, but many do. The cost of the second line is substantial and the federal subscriber line charge is almost doubled for the second line. In other words, not only do you pay an additional $20 or $30 for the second line, but your federal subscriber line charge may go up to $7 a month.

Q. DOES NEMONT CONTRIBUTE TO THE LOSS OF LINES WITH ITS DSL AND WIRELESS OFFERINGS?

A. Yes. It is possible that some of the line losses are a result of cannibalization. This means that money is going out of one pocket (MVC/Nemont) and into the other (Nemont).

Q. ASSUMING MVC IS LOSING LINES, IS THERE A STATISTICAL RELATIONSHIP BETWEEN THE NUMBER OF ACCESS LINES AND THE COMPANY'S FINANCIAL RESULTS?

A. Not necessarily. A recent study by Raymond James looked at the overall impact of access line losses on the financial results of certain ILECs.[26] Based on their research, they found that access line losses had a limited impact on the financials. The reason they cited for the lack of correlation was diversification. Since diversified companies have relatively less income associated with the access lines, the impact is obviously less if those lines are lost. Since Nemont is well diversified, access line loss – based on this equity research – it not necessarily an indication of financial losses or instability.

Q. PLEASE EXPAND ON THE WIRELESS REPLACEMENT ISSUE YOU MENTIONED ABOVE.

A. Some customers are replacing their traditional wireline connections with wireless service. This is also contributing to the downward trend in access lines – especially for younger residential customers. In the FCC's report on competitive market conditions for the wireless industry it cited numerous studies on the number of consumers who have "cut the cord" and replaced their wireline service with wireless service. Those estimates averaged about eight percent.[27] Obviously individuals that disconnect their wireline services and rely totally on a wireless alternative would contribute to an ILEC's line loss. But as discussed above, to the extent those wireline customers are leaving MVC to purchase a replacement line from Sagebrush, the impact is minimal to Nemont.

Q. PLEASE SUMMARIZE YOUR OPINION AS TO WHETHER INTERCONNECTION WITH MIDCONTINENT WILL IMPACT MVC'S

[26] "Statistical Analysis of Access Line Impact on ILEC Financial Results," Telecommunications Services Wireline Industry Report, dated June 20, 2008, by Raymond James & Associates, Inc. A copy of this report is attached to this testimony as Exhibit TJG-2.

[27] *See*, **Eleventh Report**, FCC WT Docket No. 06-17. Released: September 29, 2006.

ABILITY TO MAINTAIN ITS UNIVERSAL SERVICE OBLIGATIONS.

A. Midcontinent's interconnection with MVC will not harm MVC's ability to maintain its universal service obligations. MVC has done a good job describing the alternative services and providers available to consumers in Williston. Mr. Hanson described numerous wireless providers, video providers (cable and satellite), Internet providers and long-distance providers. Indeed, Nemont and its affiliates are participating in all but the video portion of these markets. MVC appears to be doing just fine in meeting its universal service obligations in the face of all this competition. Adding a facilities-based competitor will not change the circumstances to the point that MVC cannot meet its obligations.

MVC has geographic and market characteristics that benefit it *vis a vis* new entrants, including the unfavorable economics of constructing and operating competitive systems in rural areas. Further, Nemont's diversification provides a buffer to competitive inroads. Even with these obvious incumbent advantages and customer inertia, MVC argues that despite all the alternatives in the market today that a facilities-based provider would cause it irreparable harm. This position is not supported by history or the facts in this case.

The competition from Midcontinent will create the proper incentives for MVC. MVC will have the incentive to invest in its equipment, systems and services. Without that investment, service quality may fall and consumers may choose services from other providers such as Midcontinent. The Commission should strive to increase competition – and market discipline -- as a natural way to encourage investment and quality services. Sound public policy favors encouraging, not artificially barring or handicapping, competition.

VI. IMPACT NOT UNDULY ECONOMICALLY BURDENSOME

Q. HAVE YOU OR MR. LUNDQUIST REVIEWED THE IMPACT ANALYSIS THAT MVC PROVIDED?

A. Yes. We have reviewed MVC's impact analysis, and Mr. Lundquist is providing testimony that corrects certain assumptions and facts associated with the analysis. After correcting the analysis it appears that -- if MVC does nothing to respond to Midcontinent's entry into Williston -- the cumulative net operating impact over the next four years (2009-2012) would be about $888 thousand and not the $3.583 million that MVC suggests. This would be about 2 percent of Nemont's total revenues for 2007 and obviously a smaller percentage of its revenues in 2012.

Q. MVC'S IMPACT ANALYSIS COMPARES ITS PROJECTED REDUCTION IN REVENUES TO THE MVC REVENUES. WHY ARE YOU COMPARING THE RESTATED RESULTS TO NEMONT'S REVENUES?

A. It is misleading to suggest that MVC is a stand-alone entity. The resources of the parent and subsidiaries should be available for their best use.

Q. PLEASE DESCRIBE THE RELATIONSHIP BETWEEN NEMONT AND MVC.

A. MVC is a wholly owned subsidiary of Nemont Telephone Cooperative. MVC is a for-profit enterprise, which remits profits in excess of those required to fund capital expenditures back to Nemont.[28] Nemont also owns a non-regulated affiliate called Nemont Communications Inc. ("NCI") which provides long distance and broadband Internet service.[29] Another non-regulated affiliate, Sagebrush Cellular, offers wireless services and is wholly owned by NCI.[30]

Q. DOES MR. HANSON ACT AS GENERAL MANAGER FOR ALL OF THE NEMONT COMPANIES?

A. Yes.[31]

Q. IS THERE OTHER EVIDENCE THAT MVC AND NEMONT EFFECTIVELY OPERATE AS A SINGLE ENTITY?

A. Yes. The companies share many operating resources and present a unified face to the public. As noted above, Mr. Hanson serves as general manager for Nemont and for MVC, but he is far from the only shared employee. During the deposition of Mr. Hanson and Mr. Del Fiacco, they identified several other employees whose duties were split between MVC and Nemont.[32] In response to an interrogatory, MVC reported that:

> Missouri Valley received the following goods and/or services from Nemont Communications, Inc.: fiber lease (entitled circuit equipment in Audit notes), computer lease, office support lease, head quarters building lease, vehicle lease, other equipment lease, and voice mail expense.

At the same time, Nemont also received goods and services from MVC, specifically, "billing and collection services, customer service, installation and

[28] *See* Hanson testimony at page 27.

[29] Deposition of Messrs. Hanson and Del Fiacco at pages 23-27.

[30] *Id.* at page 28.

[31] *See* Hanson testimony at 1.

[32] Cite to deposition.

maintenance service" and Sagebrush Cellular received "circuit lease, and customer service" from MVC.[33]

Q. WHAT DO YOU MEAN WHEN YOU SAY THAT THE COMPANIES PROVIDE A UNIFIED FACE TO THE PUBLIC?

A. From a consumer perspective, it would not appear that there is any difference between Nemont and MVC. In fact, everything service is offered under the Nemont brand. For instance, when you search for Missouri Valley Communications in Google, the first hit is for the Nemont web site, and it takes you to a page titled "About Nemont – Williston, North Dakota." That page says that Nemont offers services that include local telephone service – which technically is provided by MVC – and voice mail – which technically is provided by Nemont. Clicking on the links for local service, long distance service, Internet and wireless will take the viewer to pages that brand these services as offered by Nemont, and there is no explanation on any of these pages that different companies offer different services, even on the local service page where both local service and voice mail are offered.[34] From the web site, it would be very difficult for the average consumer to conclude that MVC is separate from Nemont Communications or even from Sagebrush Cellular.

Q. WHAT ARE THE APPROXIMATE REVENUES OF EACH NEMONT ENTITY?

A. According to the 2007 financial statement provided in response to discovery,

[33] Answers to Complainant's Interrogatories, Second Set, Question 6a, b.

[34] Copies of printouts of these pages are attached as Exhibit TJG-3.

MVC had 2007 revenue of $6.3 million.[35] NCI has approximately $19.5 million in annual revenue.[36] In total, Nemont Telephone Cooperative has approximately $40.5 million in annual revenue.[37] The non-regulated services provided by NCI and its affiliate Sagebrush account for approximately 50% of Nemont's total revenue.

Q. IS THE REVENUE IMPACT CALCULATED IN MVC'S IMPACT ANALYSIS AS DIRE AS MR. HANSON PORTRAYS IT TO BE?

A. No. For example, the projected 2009 revenue loss of $628,600 before the adjustments I propose above is 10% of MVC's 2007 annual revenue of $6.3 million on a standalone basis. However, it is 1.5% of Nemont's annual revenue of $41.5 million.

Q. WHY IS TOTAL NEMONT REVENUE RELEVANT TO THIS CASE?

A. MVC is limited in the revenue it can earn because all non-regulated services are offered through NCI. MVC acts as a marketing agent for long distance, high speed internet and wireless services. MVC's remuneration for offering these services on behalf of NCI and its affiliate, Sagebrush, is limited to reimbursement for MVC employee labor costs allocated to these services and billing and collection services rendered on NCI's behalf.[38] MVC's 2007 operating revenue of $6.3 million was comprised almost entirely of local service revenue ($2.8

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[35] *See* Hanson testimony at 19.

[36] Manta.com profile of Nemont Communications, Inc. at http://www.manta.com. Manta.com is owned by ECNext Inc, a Columbus, Ohio-based online media company.

[37] Deposition of Messrs. Hanson and Del Fiacco at page 9.

[38] Deposition of Messrs. Hanson and Del Fiacco at pages 23-25.

million) and network access service revenue ($3.6 million).[39] Billing and collection revenue from all carriers this service is rendered to was only $39,000 in 2007.[40]

Q. DOES MVC CURRENTLY OFFER VIDEO SERVICES?

A. No, according to Mr. Hanson.[41]

Q. DOES MVC HAVE ANY PLANS TO OFFER VIDEO SERVICES?

A. According to Mr. Hanson, no.[42]

Q. DID MVC CONTEMPLATE OFFERING VIDEO SERVICES TO ITS CUSTOMERS?

A. According to Mr. Hanson, yes, it did, but not through its own facilities. Instead, NCI considered purchasing all of Midcontinent's subscribers in the Williston exchange.[43] However, Mr. Hanson stated that the financial parameters of the transaction were not viable, so NCI backed out of the negotiations.[44]

Q. WHY IS THIS CIRCUMSTANCE IMPORTANT EVEN THOUGH THE TRANSACTION WAS NOT CONSUMMATED?

A. It illustrates that another important source of revenue that could accrue to MVC on a retail basis would instead go to its non-regulated affiliate. If NCI / MVC decided to offer video services to MVC customers, MVC would bear the burden of upgrading its plant and then sell capacity on its network to NCI on a wholesale

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[39] MVC's 2007 Income Statement.

[40] *Id.*

[41] Deposition of Messrs. Hanson and Del Fiacco at pages 26-27.

[42] *See* Hanson testimony at page 8.

[43] Deposition of Messrs. Hanson and Del Fiacco at page 103.

[44] Id. at page 104.

basis for NCI to offer the video service. MVC likely would act as the marketing agent similar to its role in marketing long distance, DSL and wireless services on behalf of NCI which would presumably earn more from provision this service to MVC's customers than NCI would earn by providing the wholesale network.

Q. BASED ON YOUR ANALYSIS ABOVE, SHOULD THE COMMISSION LIMIT ITS EVALUATION OF THE FINANCIAL IMPACT THAT LIFTING THE RURAL EXEMPTION MAY CAUSE TO MVC'S FINANCIAL POSITION ONLY?

A. No. The impact on Nemont in total should be the relevant benchmark.

Q. GIVEN THE CORRECTIONS THAT MR. LUNDQUIST DESCRIBES IN HIS TESTIMONY DO YOU BELIEVE MIDCONTINENT'S INTERCONNECTION WILL RESULT IN AN "UNDULY ECONOMICALLY BURDENSOME" IMPACT?

A. No. That is not to say that $888,577 is trivial, but the benefits to consumers and to the potential to increase the efficient operation of the industry more than offset that amount. As noted earlier in this testimony whenever competition occurs the incumbent tends to lose some customers and some revenues – at least temporarily. Given Nemont's diversification and resources, however, the calculated impact is not unduly economically burdensome. If MVC responds to the competition it can mitigate these impacts.

Q. WHAT DOES IT MEAN TO BE "UNDULY ECONOMICALLY BURDENSOME"?

A. I am not providing a legal definition but common sense and prior orders should help us understand what this phrase means. We can break down this phrase using standard definitions. "Unduly" means "exceeding or violating propriety or fitness – excessive." "Economically" is defined as "of, relating to, or based on the production, distribution, and consumption of goods and services." "Burdensome" means "oppressive" or "onerous." These are standard definitions taken from a Merriam Webster's Collegiate Dictionary. Based on my experience in the industry, however, I believe this test relates to the financial and operational impact of competition on MVC. More specifically, if the competition harmed MVC to the point where it was damaging its ability to operate efficiently or to continue to offer services, then the exemption would apply. Based on our analysis of the potential impact of Midcontinent's facilities-based entry in Williston, however, the impact is certainly not unduly economically burdensome.

Q. WOULD YOU AGREE THAT INDIVIDUALS MAY INTERPRET THIS STANDARD DIFFERENTLY?

A. Yes, and ultimately it is the Commission's interpretation that will rule the day. There are limits in the statutory language. Congress wanted and expected competition, so it is not enough for a rural ILEC to show that complying with Section 251(c) will impose some costs. The standard of "unduly economically burdensome" refers to costs that would impose an excessively heavy burden on the ILEC, compared to the costs that it would experience if the request for interconnection were not granted.

Q. IF MVC LOSES CUSTOMERS OR REDUCES RATES IN ORDER TO

KEEP CUSTOMERS, IS THAT HARMFUL TO CONSUMERS IN WILLISTION OR THE PUBLIC INTEREST?

A. No. In a market with multiple providers one would expect customers to change providers from time to time assuming providers are engaged in rivalrous behavior. In other words, customer churn is an indication that consumers are exercising their ability to change providers and in so doing one can assume that the consumers are saving money and enjoying new or better features, or both. Likewise, if rates are reduced in a market, that is evidence of carriers attempting to retain or acquire customers and the reduced prices obviously benefit all consumers.

Q. IN YOUR OPINION, IS MIDCONTINENT'S REQUEST FOR INTERCONNECTION UNDULY ECONOMICALLY BURDENSOME?

A. No. Recall that Midcontinent intends to pay for the services that it obtains from MVC. Further, Midcontinent will pay for and maintain the interconnection facilities on its side of the IP. Finally, the magnitude of the projected impact, assuming MVC does nothing to improve services or retain customers, is not sufficient to justify rejecting Midcontinent's request for direct interconnection. MVC is doing fine with all the competition it currently faces and one more competitor only will increase MVC's incentives to be more efficient and responsive to its customers.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does although I anticipate providing oral testimony during the hearings.

Exhibit TJG-1:

Curriculum Vitae of Timothy J Gates

Timothy J Gates

Senior Vice President
QSI Consulting, Inc.

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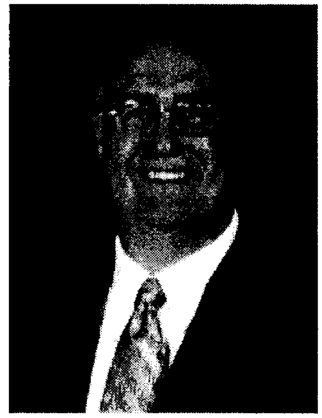

Biography

Mr. Gates is a QSI partner and currently serves as Senior Vice President, managing some of QSI's largest clients. Before joining QSI, Mr. Gates held key management positions over a 15-year period with MCI, Inc.'s Law and Public Policy Group. Mr. Gates has focused on telecommunications issues ranging from costing, pricing, alternative forms of regulation, local entry, and universal service to strategic planning, legislation, and merger and network issues over a telecommunications career spanning 25 years. He has extensive experience working with attorneys, analysts, external consultants, regulators, lobbyists, and company executives on issues associated with the convergence of competition, technologies, services, and companies. Mr. Gates has developed policy positions and advocated those positions before regulatory commissions and legislatures across the nation. During his tenure with MCI, Mr. Gates managed its many external consultants and the associated budget. He has testified in more than 200 proceedings in 44 states and Puerto Rico and before the FCC and the Department of Justice. Mr. Gates is widely recognized in the telecommunications industry as one of the most talented witnesses and witness trainers.

Before joining MCI, Mr. Gates was employed by the Texas Public Utility Commission as a Telephone Rate Analyst in the Telecommunications Division's Engineering Department. Prior to joining the Texas staff, Mr. Gates was employed by the Oregon Public Utility Commission as an Economic Analyst in the Telecommunications Division. Mr. Gates also has experience in the energy industry, having worked with the Bonneville Power Administration (United States Department of Energy), where he was employed as a Financial Analyst. Mr. Gates also spent 10 years in the forest industry in the Northwest, where he held numerous positions of increasing responsibility for International Paper, Weyerhaeuser and the Oregon Department of Forestry.

Educational Background

Master of Management, Emphasis in Finance and Quantitative Methods
Willamette University's Atkinson Graduate School of Management, Salem, Oregon

Bachelor of Science, Forest Management
Oregon State University, Corvallis, Oregon

QSI consulting, inc.

Professional Experience

QSI Consulting, Inc.
2000 – Current
Senior Vice President
Denver, Colorado

MCI WorldCom
1996 - 2000
Senior Executive Staff Member
National Public Policy Group
Denver, Colorado

MCI Telecommunications
1994 – 1996
Executive Staff Member II
World Headquarters, Washington D,C.

MCI Regulatory Analysis Department
1992 – 1994
Senior Manager
National Public Policy Group
Chicago, Illinois

Economic Analysis and Regulatory Policy in the Legal, Regulatory and Legislative Affairs Department for the Midwest Division of MCI
1988 – 1992
Senior Manager
Chicago, Illinois

MCI West Division
1986 – 1988
Manager of Tariffs and Economic Analysis
Denver, Colorado

MCI Southwest Division
1985 – 1986
Financial Analyst III and Senior Staff Specialist

Austin, Texas

Public Utility Commission of Texas
1984 – 1985
Engineering Division
Telephone Rate
Analyst
Austin, Texas

Public Utility Commission of Oregon
1983 – 1984
Economic Analyst
Salem, Oregon

Bonneville Power Administration
1982 – 1983
Financial Analyst
Portland, Oregon

Expert Testimony – Profile

The information below is Mr. Gates' best effort to identify proceedings wherein he has either provided pre-filed written testimony or provided live testimony or formal comments.

Before the Alabama Public Service Commission
Docket No. 27867
Adelphia Business Solutions Arbitration with BellSouth Telecommunications
Direct — October 18, 2000
Rebuttal — January 31, 2001

Before the Arizona Corporation Commission
Docket No. T-03654-05-0350, T-01051B-05-0350
In the Matter of Level 3 Communications, LLC Petition for Arbitration with Qwest Corp.
On Behalf of Level 3
Direct — July 15, 2005
Rebuttal — August 15, 2005

Before the Arizona Corporation Commission
Docket No. T-01051B-0454
In the Matter of Qwest Corporation's Amended Renewed Price Regulation Plan
On Behalf of Time Warner Telecom, Inc.
Direct — November 18, 2004

Before the Arizona Corporation Commission
Docket No. T-00000A-03-0369
In the Matter of ILEC Unbundling Obligations as a Result of the Federal Triennial Review Order
On Behalf of WorldCom, Inc. (MCI)
Direct — January 9, 2004

Before the Arizona Corporation Commission
Docket No. T-00000A-00-0194
Phase II – A; Investigation into Qwest's Compliance with Wholesale Pricing Requirements for Unbundled Network Elements and Resale Discounts
On Behalf of WorldCom, Inc.
Rebuttal — September 2, 2001

Before the Arizona Corporation Commission
Case CV 99-20649
Superior Court of Arizona; Count of Maricopa; ESI Ergonomic Solutions, LLC, Plaintiff, vs. United Artists Theatre Circuit
On Behalf of United Artists Theatre Circuit
Affidavit — February 20, 2001

Before the Arizona Corporation Commission
Docket Nos. T-03654A-00-0882, T-01051B-00-0882
Petition of Level 3 Communications, LLC, for Arbitration with Qwest Corporation
On Behalf of Level 3
Direct — January 8, 2001

Before the Arizona Corporation Commission
Docket No. T-00000B-97-238
USWC OSS Workshop
On Behalf of MCI WorldCom, Inc.
Comments September 20, 1999

Before the Arizona Corporation Commission
Docket No. T-03175A-97-0251
Application of MCImetro Access Transmission Services, Inc. to Expand It's CCN to Provide IntraLATA Services and to Determine that Its IntraLATA Services are Competitive
On Behalf of MCI WorldCom, Inc.
Direct November 9, 1998

Before the Arizona Corporation Commission
Arizona Corporation Commission Workshop on Special Access Services
On Behalf of MCI
Comments September 23, 1987

Before the Arizona Corporation Commission
Docket No.R-0000-97-137
Comments to the Universal Service Fund Working Group
On Behalf of MCI
Comments October 24, 1997
Comments May 8, 1998

Before the Arizona Corporation Commission
Judgment; Nos. CV 95-14284, CV-96-03355, CV-96-03356, (consolidated).
Affidavit in Opposition to USWC Motion for Partial Summary
On Behalf of MCI
Affidavit August 21, 1996

Before the Arkansas Public Service Commission
Docket No. 04-0999-U
In the Matter of Level 3 Petition for Arbitration with Southwestern Bell Telephone, L.P. D/B/A SBC Arkansas
On Behalf of Level 3
Direct September 7, 2004

Before the California Public Utilities Commission
Case No. C.07-03-008
Complaint of Neutral Tandem, Inc. v. Level 3 Communications, LLC
On Behalf of Level 3
Declaration May 7, 2007
Direct May 25, 2007

Before the California Public Utilities Commission
Docket No. A.04-06-004
Petition of Level 3 Communications for Arbitration with SBC
On Behalf of Level 3 Communications LLC
Direct — June 1, 2004

Before the California Public Utilities Commission
Application 00-04-037
Petition of Level 3 Communications for Arbitration of an Interconnection Agreement with Pacific Bell Telephone Company
On Behalf of Level (3) Communications, LLC
Direct — June 5, 2000

Before the California Public Utilities Commission
Application No. 96-09-012
MCI Petition for Arbitration with GTE California, Inc.
On Behalf of MCI
Direct — September 10, 1996

Before the California Public Utilities Commission
Application No. 96-08-068
MCI Petition for Arbitration with Pacific Bell
On Behalf of MCI
Direct — August 30, 1996

Before the Colorado Public Utilities Commission
Docket No. 06F-039T
Adams County E-911 Emergency Telephone Service Authority Complaint Against Qwest
On Behalf of Adams, Arapahoe, Douglas, El Paso, Teller, Jefferson, Larimer Counties & the City of Aurora
Direct — October 24, 2007

Before the Colorado Public Utilities Commission
Docket No. 05B-210T
Petition of Level 3 Communications, LLC for Arbitration with Qwest Corporation
On Behalf of Level 3
Direct — July 11, 2005
Rebuttal — December 19, 2005

Before the Colorado Public Utilities Commission
Docket No. 04A-411T
Regarding Application of Qwest for Reclassification and Deregulation of Certain Products and Services
On Behalf of Time Warner Telecom
Direct — February 18, 2005

Before the Colorado Public Utilities Commission
Docket No. 03I-478T
Regarding the Unbundling Obligations of ILECs Pursuant to the Triennial Review Order
On Behalf of WorldCom, Inc. (MCI)
Direct January 26, 2004

Before the Colorado Public Utilities Commission
Docket No. 991-577T
US WEST Statement of Generally Available Terms and Conditions
On Behalf of Covad Communications Company, Rhythms Links, Inc., and New Edge Networks, Inc.
Direct June 27, 2001

Before the Colorado Public Utilities Commission
Case No. 99CV8252
Qwest Corporation, Inc., Plaintiff, v. IP Telephony, Inc., Defendant. District Court, City and County of Denver, State of Colorado
On Behalf of IP Telephony
Direct January 29, 2001

Before the Colorado Public Utilities Commission
Docket No. 00B-601T
Petition of Level 3 Communications, LLC for Arbitration with Qwest Corporation
On Behalf of Level 3
Direct January 4, 2001
Rebuttal January 16, 2001

Before the Colorado Public Utilities Commission
Docket No. 99R-128T
Proposed Amendments to the Rules on Local Calling Area Standards
On Behalf of MCI WorldCom
Oral Comments before the Commissioners May 13, 1999

Before the Colorado Public Utilities Commission
Docket No. 98R-426T
Proposed Amendments to the Rules Prescribing IntraLATA Equal Access
On Behalf of MCI WorldCom and AT&T Communications of the Mountain States, Inc.
Comments November 4, 1998

Before the Colorado Public Utilities Commission
Docket No. 97A-494T
Application of WorldCom, Inc. for Approval to Transfer Control of MCI to WorldCom, Inc.
Affidavit in Response to GTE May 8, 1998

Before the Colorado Public Utilities Commission
Docket No. 97A-494T
Application of WorldCom, Inc. for Approval to Transfer Control of MCI to WorldCom, Inc.
On Behalf of MCI.
Supplemental Direct — March 10, 1998
Rebuttal — March 26, 1998

Before the Colorado Public Utilities Commission
Docket Nos. 97K-237T, 97F-175T (consolidated) and 97F-212T (consolidated)
Complaint of MCI to Reduce USWC Access Charges to Economic Cost
On Behalf of MCI
Direct — July 18, 1997
Rebuttal — August 15, 1997

Before the Colorado Public Utilities Commission
Docket No. 90A-665T (consolidated)
Application of U S WEST Communications, Inc. To Modify Its Rate and Service Regulation Plan
On Behalf of MCI
Direct — September 26, 1996
Rebuttal — October 7, 1996

Before the Colorado Public Utilities Commission
Docket No. 96A-366T (consolidated)
MCImetro Petition for Arbitration wit U S WEST Communications, Inc.
On Behalf of MCI
Direct — September 6, 1996
Rebuttal — September 17, 1996

Before the Colorado Public Utilities Commission
Docket No. 1766
Investigation and Suspension; Mountain States Telephone and Telegraph Company's Local Calling Access Plan
On Behalf of MCI
Direct — October 26, 1988

Before the Colorado Public Utilities Commission
Docket No. 1720
Investigation and Suspension; Rate Case of Mountain States Telephone and Telegraph Company
On Behalf of MCI
Direct — December 1, 1986

Before the Connecticut Department of Public Utility Control
Docket No. 07-02-29
Petition of Neutral Tandem, Inc., for Interconnection with Level 3 Communications and Request for Interim Order
On Behalf of Level 3
Direct — May 1, 2007

Before the Connecticut Department of Public Utility Control
Petition of Level 3 Communications, LLC for Arbitration Pursuant to Section 252(b) with Southern New England Telephone Company d/b/a/ SBC Connecticut; Level 3/SNET Arbitration
On Behalf of Level 3 Communications, LLC
Direct — November 2, 2004

Before the Delaware Public Service Commission
Docket No. 92-47
Diamond State Telephone Company's Application for a Rate Increase
On Behalf of MCI
Direct — February 12, 1993

Before the Florida Public Service Commission
Case No. 000475-TP
In Re: Complaint by BellSouth Telecommunications, Inc. Against Thrifty Call, Inc. Regarding Practices in the Reporting of Percent Interstate Usage for Compensation for Jurisdictional Access Service.
On Behalf of Thrifty Call
Direct — Februrary7, 2008
Rebuttal — March 3, 2008

Before the Florida Public Service Commission
Docket Nos. 050119-TP/050125-TP
Petition and Complaint for Suspension and Cancellation of Transit Traffic Service Tariff No. FL2004-284 filed by BellSouth Telecommunications, Inc., by AT&T Communications of the Southern States, LLC
On Behalf of CompSouth
Direct — December 19, 2005
Rebuttal — January 30, 2006

Before the Florida Public Service Commission
Docket No. 031047-TP
Petition of KMC Telecom for Arbitration with Sprint Communications: On Behalf of KMC Telecom III, L.L.C, KMC Telecom V, Inc., and KMC Data, L.L.C.
Direct — June 11, 2004
Rebuttal — July 9, 2004

Before the Florida Public Service Commission
Docket No. 000084-TP
Petition of BellSouth for Arbitration with US LEC of Florida Inc.
On Behalf of US LEC
Direct — October 13, 2000
Rebuttal — October 27, 2000

Before the Florida Public Service Commission
Docket No. 000907-TP
Petition of Level 3 for Arbitration with BellSouth
On Behalf of Level 3.
Direct October 5, 2000
Rebuttal November 1, 2000

Before the Florida Public Service Commission
Docket No. 930330-TP
Investigation into IntraLATA Presubscription
On Behalf of MCI
Direct July 1, 1994

Before the Georgia Public Utilities Commission
Docket No. 24844
Petition of Neutral Tandem for the Establishment of Interconnection with Level 3
On Behalf of Level 3
Direct April 13, 2007
Rebuttal April 24, 2007

Before the Georgia Public Utilities Commission
Docket No. 12645-U
Petition of Level 3 for Arbitration with BellSouth
On Behalf of Level 3
Direct December 6, 2000
Rebuttal December 20, 2000

Before the Idaho Public Utilities Commission
Case No. QWE-T-05-11
In the Matter of Level 3 Communications, LLC Petition for Arbitration with Qwest Corporation
On Behalf of Level 3
Direct August 12, 2005
Rebuttal September 16, 2005

Before the Idaho Public Utilities Commission
Case No. GNR-T-02-16
Petition of Potlatch, CenturyTel, the Idaho Telephone Association for Declaratory Order Prohibiting the Use of "Virtual NXX Calling"
On Behalf of Level 3, AT&T, WorldCom, and Time Warner Telecom
Comments/Presentation November 25, 2002

Before the Idaho Public Utilities Commission
Case No. U-1500-177
Investigation of the Universal Local Access Service Tariff
On Behalf of MCI
Direct March 17, 1988
Rebuttal April 26, 1988

Before the Idaho Public Utilities Commission
Case No. U-1150-1
Petition of MCI for a Certificate of Public Convenience and Necessity
On Behalf of MCI
Direct — November 20, 1987

Before the Illinois Commerce Commission
Docket No. 07-0277
Complaint of Neutral Tandem, Inc. v. Level 3 Communications, LLC
On Behalf of Level 3
Direct — May 15, 2007

Before the Illinois Commerce Commission
Docket No. 04-0428
Level 3 Petition for Arbitration to Establish an Interconnection Agreement with Illinois Bell Telephone Company
On Behalf of Level (3) Communications, LLC
Direct — June 22, 2004
Direct — September 3, 2004

Before the Illinois Commerce Commission
Docket No. 00-0332
Level 3 Petition for Arbitration to Establish and Interconnection Agreement with Illinois Bell Telephone Company
On Behalf of Level (3) Communications, LLC
Direct — May 30, 2000
Supplemental Verified Statement — July 11, 2000

Before the Illinois Commerce Commission
Docket No. 93-0044
Complaint of MCI and LDDS re Illinois Bell Additional Aggregated Discount and Growth Incentive Discount Services
On Behalf of MCI and LDDS.
Direct — November 18, 1993
Rebuttal — January 10, 1994

Before the Illinois Commerce Commission
Case No. 90-0425
Presentation to the Industry Regarding MCI's Position on Imputation. — July 29, 1991

Before the Illinois Commerce Commission
Docket No. 83-0142
Industry presentation to the Commission re Docket No. 83-0142 and issues for next generic access docket re the Imputation Trial and Unitary Pricing/Building Blocks
On Behalf of MCI
Comments — November 19, 1990

Before the Illinois Commerce Commission
Docket No. 88-0091
IntraMSA Dialing Arrangements
On Behalf of MCI
Direct November 22, 1989
Rebuttal February 9, 1990

Before the Illinois Commerce Commission
Docket No. 89-0033
Illinois Bell Telephone Company's Rate Restructuring
On Behalf of MCI
Direct May 3, 1989
Rebuttal July 14, 1989

Before the Illinois Commerce Commission
Docket No. 83-0142
Appropriate Methodology for Intrastate Access Charges Regarding ICTC's Access Charge Proposal
On Behalf of MCI
Surrebuttal February 16, 1989

Before the Illinois Commerce Commission
Docket No. 83-0142
Appropriate Methodology for Intrastate Access Charges Regarding Toll Access
On Behalf of MCI
Rebuttal January 16, 1989

Before the Indiana Utility Regulatory Commission
Cause No. 43462
Petition of Comcast Phone of Central Indiana, LLC for Arbitration with United Telephone Companies of Indiana (DBA Embarq);
On Behalf of Comcast
Direct May 23, 2008
Rebuttal June 12, 2008

Before the Indiana Utility Regulatory Commission
Cause No. 43299
Complaint of Neutral Tandem, Inc. and Neutral Tandem – Indiana, LLC Against Level 3 Communications, LLC, Concerning Interconnection with Level 3 Communications, LLC
On Behalf of Level 3
Reply July 23, 2007

Before the Indiana Utility Regulatory Commission
Cause No. 42663-INT-01
In the Matter of Level 3 Communications, LLC Petition for Arbitration with SBC Indiana
On Behalf of Level 3 Communications, LLC
Direct September 2, 2004
Rebuttal October 5, 2004

Before the Indiana Utility Regulatory Commission
Cause No. 39032
MCI Request for IntraLATA Authority
On Behalf of MCI
Direct October 25, 1990
Rebuttal April 4, 1991

Before the Indiana Utility Regulatory Commission
Cause No. 38560
Reseller Complaint Regarding 1+ IntraLATA Calling
On Behalf of MCI
Direct June 29, 1989

Before the Indiana Utility Regulatory Commission
Cause No. 37905
Intrastate Access Tariffs -- Parity with Federal Rates
On Behalf of MCI
Direct June 21, 1989

Before the Indiana Utility Regulatory Commission
Cause No. 38561
Deregulation of Customer Specific Offerings of Indiana Telephone Companies
On Behalf of MCI Regarding Staff Reports.
Direct April 14, 1989

Before the Indiana Utility Regulatory Commission
Cause No. 38561
Deregulation of Customer Specific Offerings of Indiana Telephone Companies
On Behalf of MCI Regarding GTE
Direct December 16, 1988

Before the Indiana Utility Regulatory Commission
Cause No. 38561
Deregulation of Customer Specific Offerings of Indiana Telephone Companies
On Behalf of MCI
Direct October 28, 1988

Before the Iowa Utilities Board
Docket No. FCU-06-42
In the Matter of Coon Creek Telecommunications Corp. Complaint Against Iowa Telecommunications Services
On Behalf of CCTC
Direct July 14, 2006
Rebuttal August 21, 2006

Before the Iowa Utilities Board
Docket No. ARB-05-4
In the Matter of Level 3 Communications, LLC Petition for Arbitration with Qwest
On Behalf of Level 3

Direct	July 20, 2005
Rebuttal	August 12, 2005
Surrebuttal	August 24, 2005

Before the Iowa Utilities Board
Docket Nos. INU-03-4, WRU-03-61
In Re: Qwest Corporation; Sworn Counter Statement of Position on Behalf of MCI.
December 15, 2003

Before the Iowa Utilities Board
Docket Nos. INU-03-4, WRU-03-61
In Re: Qwest Corporation; Sworn Statement of Position on Behalf of MCI.
November 14, 2003

Before the Iowa Utilities Board
Docket NOI-99-1
Universal Service Workshop; Responded to questions posed by the Staff of the Board during one day workshop
On Behalf of MCIW and AT&T
Comments — October 27, 1999

Before the Iowa Utilities Board
Docket NOI-99-1
Universal Service Workshop; Participated on numerous panels during two day workshop
On Behalf of MCI WorldCom
Comments — June 8, 1999

Before the Iowa Utilities Board
Docket No. NOI-90-1
Presentation on Imputation of Access Charges and the Other Costs of Providing Toll Services
On Behalf of MCI
October 3, 1991

Before the Iowa Utilities Board
Docket No. RPU-91-4
Investigation of the Earnings of U S WEST Communications, Inc.
On Behalf of MCI

Direct	September 25, 1991
Rebuttal	November 5, 1991
Supplemental	December 23, 1991
Rebuttal	January 10, 1992
Surrebuttal	January 20, 1992

Before the Iowa Utilities Board
Docket No. RPU-88-1
Regarding the Access Charges of Northwestern Bell Telephone Company
On Behalf of MCI
Direct — September 20, 1988

Before the Iowa Utilities Board
Docket No. RPU 88-6
IntraLATA Competition in Iowa
On Behalf of MCI
Direct September 1, 1988

Before the Kansas Corporation Commission
Docket No. 04-L3CT-1046-ARB
In the Matter of Arbitration Between Level 3 Communications LLC and SBC Communications
On Behalf of Level 3 Communications, LLC
Direct August 31, 2004

Before the Kansas Corporation Commission
Docket No. 181,097-U
General Investigation into IntraLATA Competition within the State of Kansas
On Behalf of MCI
Direct June 10, 1992
Rebuttal September 16, 1992

Before the Kentucky Public Service Commission
Case No. 2000-477
Petition of Adelphia Business Solutions for Arbitration with BellSouth
On Behalf of Adelphia
Direct January 12, 2001

Before the Kentucky Public Service Commission
Case No. 2000-404
Petition of Level 3 Communications, LLC for Arbitration with BellSouth
On Behalf of Level 3
Direct December 21, 2000

Before the Kentucky Public Service Commission
Administrative Case No. 323
Phase I; An Inquiry into IntraLATA Toll Competition, an Appropriate Compensation Scheme for Completion of IntraLATA Calls by Interexchange Carriers, and WATS Jurisdictionality
On Behalf of MCI
Direct May 20, 1993

Before the Louisiana Public Service Commission
Docket No. U-25301
Petition of Adelphia Business Solutions for Arbitration with BellSouth
On Behalf of Adelphia
Direct December 28, 2000
Rebuttal January 5, 2001

Before the Maryland Public Service Commission
Case No. 8879
Rates for Unbundled Network Elements Pursuant to the Telecommunications Act of 1996
Testimony on behalf of the Staff of the Public Service Commission of Maryland
Rebuttal — September 5, 2001
Surrebuttal — October 15, 2001

Before the Maryland Public Service Commission
Case No. 8585
Competitive Safeguards Required re C&P's Centrex Extend Service
On Behalf of MCI
Rebuttal — June 2, 1994

Before the Maryland Public Service Commission
Case No. 8585
Re Bell Atlantic Maryland, Inc.'s Transmittal No. 878
On Behalf of MCI
Direct — May 19, 1994

Before the Maryland Public Service Commission
Case No. 8585
Competitive Safeguards Required re C&P's Centrex Extend Service
On Behalf of MCI
Direct — November 12, 1993
Rebuttal — January 14, 1994

Before the Massachusetts Department of Telecommunications and Energy
D.P.U. 93-45
New England Telephone Implementation of Interchangeable NPAs
On Behalf of MCI
Direct — April 22, 1993
Rebuttal — May 10, 1993

Before the Michigan Public Service Commission
Case No. U-15230
Complaint and Application for Emergency Relief by Neutral Tandem Inc. for Interconnection with Level 3 Communications
On Behalf of Level 3
Direct — June 26, 2007

Before the Michigan Public Service Commission
Case No. U-14152
Petition of Level 3 Communications LLC for Arbitration with SBC Michigan
On Behalf of Level 3 Communications, LLC
Direct — June 1, 2004

Before the Michigan Public Service Commission
Case No. U-12528
In the Matter of the Implementation of the Local Calling Area Provisions of the MTA
On Behalf of Focal Communications, Inc.
Rebuttal — September 27, 2000

Before the Michigan Public Service Commission
Case No. U-12460
Petition of Level 3 Communications for Arbitration to Establish an Interconnection Agreement with Ameritech Michigan
On Behalf of Level (3) Communications, LLC
Direct — June 8, 2000

Before the Michigan Public Service Commission
Case No. U-12321
AT&T Communications of Michigan, Inc. Complainant v. GTE North Inc. and Contel of the South, Inc., d/b/a GTE Systems of Michigan
On Behalf of AT&T.
Direct (Adopted Testimony of Michael Starkey) — February 16, 2000
Rebuttal — May 11, 2000

Before the Michigan Public Service Commission
Case No. U-10138 (Reopener)
MCI v Michigan Bell and GTE re IntraLATA Equal Access
On Behalf of MCI
Direct — July 22, 1993

Before the Michigan Public Service Commission
Case No. U-10138
MCI v Michigan Bell and GTE re IntraLATA Equal Access
On Behalf of MCI
Direct — July 31, 1992
Rebuttal — November 17, 1992

Before the Michigan Public Service Commission
Case No. U-8987
Michigan Bell Telephone Company Incentive Regulation Plan
On Behalf of MCI
Direct — June 30, 1989

Before the Michigan Public Service Commission
Case Nos. U-9004, U-9006, U-9007 (Consolidated)
Industry Framework for IntraLATA Toll Competition
On Behalf of MCI
Direct — September 29, 1988
Rebuttal — November 30, 1988

Before the Minnesota Public Utilities Commission
Docket No. P-5733/C-07-296
In the Matter of a Complaint and Request for Expedited Hearing of Neutral Tandem, Inc. Against Level 3 Communications, LLC & In the Matter of the Application of Level 3 Communications, LLC to Terminate Services to Neutral Tandem, Inc. (Consolidated)
On Behalf of Level 3
Direct June 14, 2007
Reply July 24, 2007

Before the Minnesota Public Utilities Commission
Docket No.: P-999/CI-03-961
In the Matter of the Commission Investigation into ILEC Unbundling Obligations as a Result of the Federal Triennial Review Order
On Behalf of WorldCom, Inc. (MCI)
Direct January 23, 2004

Before the Minnesota Public Utilities Commission
Docket Nos. P-442, 421, 3012/M-01-1916; P-421/C1-01-1375; OAH Docket No. 12-2500-14490
Commission Investigation of Qwest's Pricing of Certain Unbundled Network Elements
On Behalf of McLeod USA Telecommunications Services, Inc., Eschelon Telecom of Minnesota, Inc., US Link, Inc., Northstar Access, LLC, Otter Tail Telecomm LLC, VAL-Ed Joint Venture, LLP, dba 702 Communications
Rebuttal April 18, 2002

Before the Minnesota Public Utilities Commission
Docket No. P-999/R-97-609
Universal Service Group
On Behalf of MCI WorldCom, Inc. and AT&T Communications
Comments September 28, 1999

Before the Minnesota Public Utilities Commission
USWC OSS Workshop; re OSS Issues
On Behalf of MCI WorldCom, Inc.
Comments September 14-16, 1999

Before the Minnesota Public Utilities Commission
Docket No. P-442, 421/M-96-855; P-5321, 421/M-96-909; and P-3167, 421/M-96-729 (consolidated)
Petition *for Arbitration with U S WEST Communications, Inc*
On Behalf of MCI
Direct September 20, 1996
Rebuttal September 30, 1996

Before the Minnesota Public Utilities Commission
Docket Nos. P-999/CI-85-582, P-999/CI-87-697 and P-999/CI-87-695
In the Matter of an Investigation into IntraLATA Equal Access and Presubscription; Comments of MCI on the Report of the Equal Access and Presubscription Study Committee
On Behalf of MCI
Comments — September 7, 1993

Before the Minnesota Public Utilities Commission
Docket No. P_421/CI_86_88
Summary Investigation into Alternative Methods for Recovery of Non-traffic Sensitive Costs
On Behalf of MCI
Comments to the Commission — January 30, 1987

Before the Mississippi Public Service Commission
Docket No. 2000-AD-846
Petition of Adelphia Business Solutions for Arbitration with BellSouth Telecommunications
On Behalf of Adelphia
Direct — February 2, 2001
Rebuttal — February 16, 2001

Before the Montana Public Service Commission
Docket No. D97.10.191
Application of WorldCom, Inc. for Approval to Transfer Control of MCI Communications Corporation to WorldCom, Inc.
On Behalf of MCI
Rebuttal — May 12, 1998
Amended Rebuttal — June 1, 1998

Before the Montana Public Service Commission
Docket No. 88.1.2
Rate Case of Mountain States Telephone and Telegraph Company
On Behalf of MCI
Direct — September 12, 1988

Before the Montana Public Service Commission
Docket No. 86.12.67
Rate Case of AT&T Communications of the Mountain States, Inc.
On Behalf of MCI
Direct — May 1, 1987

Before the Nebraska Public Service Commission
Application No. C-749
Application of United Telephone Long Distance Company of the Midwest for a Certificate of Public Convenience and Necessity
On Behalf of MCI
Direct — March 31, 1988

Before the Nebraska Public Service Commission
Application No. C-627
Nebraska Telephone Association Access Charge Proceeding
On Behalf of MCI
Direct November 6, 1986

Before the New Hampshire Public Utilities Commission
Docket No. DT 00-223
Investigation Into Whether Certain Calls are Local
On Behalf of BayRing Communications
Direct January 12, 2001
Rebuttal April 5, 2002

Before the New Hampshire Public Utilities Commission
Docket DE 93-003
Investigation into New England Telephone's Proposal to Implement Seven Digit Dialing for Intrastate Toll Calls
On Behalf of MCI
Direct April 30, 1993

Before the New Jersey Board of Public Utilities
Docket Nos. TX90050349, TE92111047, and TE93060211
Petitions of MCI, Sprint and AT&T for Authorization of IntraLATA Competition and Elimination of Compensation
On Behalf of MCI
Direct April 7, 1994
Rebuttal April 25, 1994

Before the New Jersey Board of Public Utilities
Docket No. TX93060259
Notice of Pre-Proposal re IntraLATA Competition; Response to the Board of Regulatory Commissioners
On Behalf of MCI
Comments September 15, 1993
Reply Comments October 1, 1993

Before the New Mexico Public Regulation Commission
Case No. 06-00325-UT
Settlement Agreement
On Behalf of the New Mexico Attorney General
Direct December 15, 2006

Before the New Mexico Public Regulation Commission
Case No. 05-00094-UT (Phase II)
In the Matter of the Implementation and Enforcement of Qwest Corporation's Amended Alternative Form of Regulation
On Behalf of the New Mexico Attorney General
Direct July 24, 2006
Direct (on proposed settlement agreement) September 25, 2006

Before the New Mexico Public Regulation Commission
Case No. 05-00466-UT
In the Matter of the Development of an Alternative Form of Regulation for Qwest Corporation
On Behalf of the New Mexico Attorney General
Direct — February 24, 2006
Rebuttal — March 31, 2006

Before the New Mexico Public Regulation Commission
Case No. 05-00484-UT
In the Matter of Level 3 Communications, LLC's Petition for Arbitration with Qwest Corporation
On Behalf of Level 3
Direct — December 15, 2005

Before the New Mexico Public Regulation Commission
Case No. 05-00094-UT
In the Matter of the Implementation and Enforcement of Qwest Corporation's Amended Alternative Form of Regulation
On Behalf of the New Mexico Attorney General
Direct — December 5, 2005

Before the New Mexico Public Regulation Commission
Case No. 05-00211-UT
In the Matter of a Notice of Inquiry to Develop a Rule to Implement House Bill 776, Relating to Access Charge Reform
On Behalf of MCI
Oral Comments — September 14, 2005

Before the New Mexico Public Regulation Commission
Case No. 00108-UT
Regarding Unfiled Agreements between Qwest Corporation and Competitive Local Exchange Carriers
On Behalf of Time Warner Telecom
Direct — May 11, 2004

Before the New Mexico Public Regulation Commission
Case Nos. 03-00403-UT and 03-00404-UT
Triennial Review Proceedings (Batch Hot Cut and Local Circuit Switching)
On Behalf of WorldCom, Inc. (MCI).
Direct — February 9, 2004

Before the New Mexico Public Regulation Commission
Utility Case No. 3495, Phase B
Consideration of Costing and Pricing Rules for OSS, Collocation, Shared Transport, Nonrecurring Charges, Spot Frames, Combination of Network Elements and Switching
On Behalf of the Staff of the New Mexico Public Regulation Commission
Direct — September 16, 2002

Before the New Mexico Public Regulation Commission
Docket No. 95-572-TC
Petition of AT&T for IntraLATA Equal Access
On Behalf of MCI
Rebuttal — August 30, 1996

Before the New Mexico Public Regulation Commission
Docket No. 87-61-TC
Application of MCI for a Certificate of Public Convenience and Necessity
On Behalf of MCI
Direct — September 28, 1987

Before the New York Public Service Commission
Case No. 07-C-0233
Petition of Neutral Tandem for Interconnection with Level 3 Communications, LLC and Request for Interim Order
On Behalf of Level 3
Direct — March 23, 2007

Before the New York Public Service Commission
Case No. 28425
Comments of MCI Telecommunications Corporation on IntraLATA Presubscription April 30, 1992
Reply Comments — June 8, 1992

Before the North Carolina Public Utilities Commission
Docket No. P-886, SUB 1
Petition of Adelphia Business Solutions or North Carolina, LP for Arbitration with BellSouth
On Behalf of Adelphia
Direct — October 18, 2000
Rebuttal — December 8, 2000

Before the North Carolina Public Utilities Commission
Docket No. P779 SUB4
Petition of Level (3) Communications, LLC for Arbitration with Bell South
On Behalf of Level (3) Communications, LLC
Direct — August 4, 2000
Rebuttal — September 18, 2000

Before the North Dakota Public Service Commission
Case No. PU-05-451
Midcontinent Communications v. North Dakota Telephone Company
On Behalf of Midcontinent
Direct — December 21, 2005
Rebuttal — January 16, 2006

Before the North Dakota Public Service Commission
Case No. PU-2342-01-296
Qwest Corporation Price Investigation
On Behalf of the CLEC Coalition (US Link, Inc., VAL-ED Joint Venture LLP d/b/a 702 Communications, McLeodUSA Telecommunications, Inc. and IdeaOne Telecom Group, LLC)
Direct May 2, 2003

Before the North Dakota Public Service Commission
Case No. PU-2065-02-465
Petition of Level 3 for Arbitration with SRT Communications Cooperative
On Behalf of Level (3) Communications, LLC
Direct December 4, 2002

Before the North Dakota Public Service Commission
Case No. PU-2320-90-183
Implementation of SB 2320 -- Subsidy Investigation
On Behalf of MCI
Direct June 24, 1991
Rebuttal October 24, 1991

Before the Public Utilities Commission of Ohio
Case No. 04-35-TP-COI
In the Matter of the Implementation of the FCC's Triennial Review Regarding Local Circuit Switching in the Cincinnati Bell Telephone Company's Mass Market
On Behalf of AT&T
Direct February 26, 2004

Before the Oklahoma Corporation Commission
Cause No. 28713
Application of MCI for Additional CCN Authority to Provide IntraLATA Services
On Behalf of MCI
Direct April 2, 1992
Rebuttal June 22, 1992

Before the Oregon Public Utility Commission
Docket No. ARB 665
In the Matter of Level 3 Communications, LLC Petition for Arbitration with Qwest Corporation
On Behalf of Level 3
Direct August 12, 2005
Rebuttal September 6, 2005

Before the Oregon Public Utility Commission
Docket No. UM 1058
Investigation into the Use of Virtual NPA/NXX Calling Patterns
On Behalf of Level (3) Communications, LLC
Comments/Presentation November 6, 2002

Before the Oregon Public Utility Commission
Docket No. ARB 9
Interconnection Contract Negotiations Between MCImetro and GTE
On Behalf of MCI
Direct October 11, 1996
Rebuttal November 5, 1996

Before the Oregon Public Utility Commission
Docket ARB3/ARB6
Petition of MCI for Arbitration with U S WEST Communications, Inc
On Behalf of MCI
Direct September 6, 1996

Before the Oregon Public Utility Commission
Docket No. AR 154
Administrative Rules Relating to the Universal Service Protection Plan
On Behalf of MCI
Rebuttal October 31, 1986

Before the Oregon Public Utility Commission
Docket No. UT 17
Pacific Northwest Bell Telephone Company Business Measured Service
On Behalf of the Public Utility Commissioner of Oregon
Direct April 23, 1984
Rebuttal May 7, 1984

Before the Oregon Public Utility Commission
Docket No. UT 9
Pacific Northwest Bell Telephone Company Business Measured Service
On Behalf of the Public Utility Commissioner of Oregon
Direct October 27, 1983

Before the Pennsylvania Public Utility Commission
Docket No. A-310190
Petition of Comcast Business Communications, LLC d/b/a Comcast Long Distance for Arbitration of an Interconnection Agreement with The United Telephone Company of Pennsylvania LLC d/b/a Embarq Pennsylvania Pursuant to Section 252 of the Federal Communications Act of 1934 as Amended, and Applicable State Law
On Behalf of Comcast
Direct June 6, 2008
Rebuttal

Before the Pennsylvania Public Utility Commission
Docket Nos. A-310922F7003/A-310922F7038
Petition of Core Communications, Inc. for Arbitration of Interconnection Rates, Terms and Conditions with the RTCC, the PTA and the Frontier Companies
On Behalf of Core
Direct December 7, 2007
Rebuttal February 5, 2008
Surrebuttal March 4, 2008

Before the Pennsylvania Public Utility Commission
Docket No. A-310922F7004
Petition of Core Communications, Inc. for Arbitration of Interconnection Rates, Terms and Conditions Pursuant to 47 USC §252(b) with Windstream Pennsylvania, Inc. f/k/a Alltell
On Behalf of Core
Direct August 17, 2007
Rebuttal September 6, 2007

Before the Pennsylvania Public Utility Commission
Docket No. A-310922F7002
Petition of Core Communications, Inc. for Arbitration with the United Telephone Company of Pennsylvania d/b/a Embarq
On Behalf of Core
Direct April 27, 2007
Rebuttal June 4, 2007

Before the Pennsylvania Public Utility Commission
Docket No. C-20028114
Level 3 Communications, LLC v. Marianna & Scenery Hill Telephone Company
On Behalf of Level (3) Communications, LLC
Direct September 5, 2002

Before the Pennsylvania Public Utility Commission
Docket No. I-00940034
Investigation Into IntraLATA Interconnection Arrangements (Presubscription)
On Behalf of MCI
Direct December 9, 1994

Puerto Rico Telecommunications Board
Case Nos. JRT-2008-AR-0001
Petition of Centennial Puerto Rico License Corp. for Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Puerto Rico Telephone Company.
On Behalf of Centennial Puerto Rico License Corp.
Direct June 9, 2008

Puerto Rico Telecommunications Board
Case Nos. JRT-2005-Q-0121, JRT-2005-Q-0128, JRT-2003-Q-0297, JRT-2004-Q-0068
Telefonica Larga Distancia de Puerto Rico, Inc., Worldnet Telecommunications, Inc., Sprint Communications Company, LP, and AT&T of Puerto Rico, Inc., v. Puerto Rico Telephone Company, Inc.
On Behalf of Centennial Puerto Rico License Corporation
Direct — January 19, 2006

Before the Rhode Island Public Utilities Commission
Docket No. 2089
Dialing Pattern Proposal Made by the New England Telephone Company
On Behalf of MCI
Direct — April 30, 1993

Before the South Carolina Public Service Commission
Docket No. 2000-516-C
Adelphia Business Solutions of South Carolina, Inc. Arbitration with BellSouth Telecommunications
On Behalf of Adelphia
Direct — November 22, 2000
Rebuttal — December 14, 2000

Before the South Carolina Public Service Commission
Docket No. 2000-0446-C
US LEC of South Carolina Inc. Arbitration with BellSouth Telecommunications
On Behalf of US LEC
Direct — October 20, 2000

Before the South Dakota Public Utilities Commission
Docket No. TC03-057
Application of Qwest to Reclassify Local Exchange Services as Fully Competitive
On Behalf of WorldCom, Inc., Black Hills FiberCom and Midcontinent Communications
Direct — May 27, 2003

Before the South Dakota Public Utilities Commission
Docket No. F-3652-12
Application of Northwestern Bell Telephone Company to Introduce Its Contract Toll Plan
On Behalf of MCI
Direct — November 11, 1987

Before the Tennessee Regulatory Authority
Docket No. 00-00927
Petition of Adelphia Business Solutions for Arbitration with BellSouth Telecommunications
On Behalf of Adelphia
Direct — January 31, 2001
Rebuttal — February 7, 2001

Before the Texas Public Utilities Commission
PUC Docket No. 35402
Petition of Comcast Phone of Texas, LLC for Arbitration with United Telephone Company of Texas, Inc. d/b/a Embarq Pursuant to Section 252 of the Federal Communications Act of 1934, as Amended, and Applicable State Laws.
On Behalf of Comcast
Direct — April 14, 2008
Rebuttal — April 28, 2008

Before the Texas Public Utilities Commission
PUC Docket No. 28821
Arbitration of Non-costing Issues for Successor Interconnection Agreement to the Texas 271 Agreement
On Behalf of KMC Telecom III, LLC, KMC Telecom V, Inc. (d/b/a KMC Network Services, Inc.), and KMC Data, LLC
Direct — July 19, 2004
Rebuttal — August 23, 2004

Before the Texas Public Utilities Commission
PUC Docket No. 26431
Petition of Level 3 for Arbitration with CenturyTel of Lake Dallas, Inc. and CenturyTel of San Marcos, Inc.
On Behalf of Level (3) Communications, LLC
Direct — October 10, 2002
Reply — October 16, 2002

Before the Texas Public Utilities Commission
PUC Docket No. 22441
Petition of Level 3 for Arbitration with Southwestern Bell Telephone Company
On Behalf of Level (3) Communications, LLC
Direct — June 5, 2000
Rebuttal — June 12, 2000

Before the Utah Public Service Commission
Docket No. 03-999-04
In the Matter of a Proceeding to Address Actions Necessary to Respond to the FCC's Triennial Review Order
On Behalf of WorldCom, Inc. (MCI)
Direct — January 13, 2004

Before the Utah Public Service Commission
Docket No. 00-999-05
In the Matter of the Investigation of Inter-Carrier Compensation for Exchanged ESP Traffic
On Behalf of Level 3 Communications, LLP
Direct — February 2, 2001

Before the Utah Public Service Commission
Docket No. 97-049-08
USWC Rate Case
On Behalf of MCI
Surrebuttal September 3, 1997
Revised Direct September 29, 1997

Before the Utah Public Service Commission
Docket No. 96-095-01
MCImetro Petition for Arbitration with USWC Pursuant to 47 U.S.C. Section 252
On Behalf of MCI
Direct November 8, 1996
Rebuttal November 22, 1996

Before the Utah Public Service Commission
Case No. 83-999-11
Investigation of Access Charges for Intrastate InterLATA and IntraLATA Telephone Services
On Behalf of MCI
Direct July 7, 1988

Before the Utah Public Service Commission
Case No. 87-049-05
Petition of the Mountain State Telephone and Telegraph Company for Exemption from Regulation of Various Transport Services
On Behalf of MCI
Direct November 16, 1987

Before the Washington Utilities and Transportation Commission
Docket No. UT-033011
In the Matter of Washington Utilities and Transportation Commission, Petitioners, v. Advanced Telecom Group, Inc., et al, Respondents
On Behalf of Time Warner Telecom of Washington, LLC
Direct September 13, 2004

Before the Washington Utilities and Transportation Commission
Docket No. UT-030614
In the Matter of the Petition of Qwest Corporation for Competitive Classification of Basic Exchange Telecommunications Services
On Behalf of MCI, Inc.
Direct August 13, 2003
Rebuttal August 29, 2003

Before the Washington Utilities and Transportation Commission
Docket No. UT-021569
Developing an Interpretive or Policy Statement relating to the Use of Virtual NPA/NXX Calling Patterns
On Behalf of MCI, KMC Telecom, and Level (3) Communications, LLC
Workshop Participation May 1, 2003

Before the Washington Utilities and Transportation Commission
Docket No. UT-021569
Developing an Interpretive or Policy Statement relating to the Use of Virtual NPA/NXX Calling Patterns
On Behalf of WorldCom, Inc. and KMC Telecom
Comments — January 31, 2003

Before the Washington Utilities and Transportation Commission
Docket No. UT-023043
Petition of Level 3 for Arbitration with CenturyTel of Washington, Inc.
On Behalf of Level (3) Communications, LLC
Direct — October 18, 2002
Rebuttal — November 1, 2002

Before the Washington Utilities and Transportation Commission
Docket No. UT-003013, Part D
Continued Costing and Pricing of Unbundled Network Elements, Transport, and Termination
On Behalf of WorldCom, Inc.
Direct — December 21, 2001

Before the Washington Utilities and Transportation Commission
Docket No. UT-970325
Rulemaking Workshop re Access Charge Reform and the Cost of Universal Service
On Behalf of MCI
Comments and Presentation — January 13, 1998

Before the Washington Utilities and Transportation Commission
Docket No. UT-960338
Petition of MCImetro for Arbitration with GTE Northwest, Inc., Pursuant to 47 U.S.C.252
On Behalf of MCI
Direct — October 11, 1996
Rebuttal — November 20, 1996

Before the Washington Utilities and Transportation Commission
Docket No. U-88-2052-P
Petition of Pacific Northwest Bell Telephone Company for Classification of Services as Competitive
On Behalf of MCI
Direct — September 27, 1988

Before the West Virginia Public Service Commission
Case No. 97-1338-T-PC
Petition of WorldCom, Inc. for Approval to Transfer Control of MCI Communications Corporation to WorldCom, Inc.
On Behalf of MCI
Rebuttal — June 18, 1998

Before the West Virginia Public Service Commission
Case No. 94-0725-T-PC
Bell Atlantic - West Virginia Incentive Regulation Plan
On Behalf of MCI
Direct October 11, 1994

Before the Wisconsin Public Service Commission
Docket No. 05-MA-135
Petition of Level 3 for Arbitration with Wisconsin Bell, Inc. d/b/a/ SBC Wisconsin
On Behalf of Level (3) Communications, LLC
Direct September 1, 2004

Before the Wisconsin Public Service Commission
Docket No. 05-MA-130
Petition of Level 3 for Arbitration with CenturyTel
On Behalf of Level (3) Communications, LLC
Direct September 30, 2002
Reply October 9, 2002

Before the Wisconsin Public Service Commission
Docket No. 05-NC-102
Petition of MCI for IntraLATA 10XXX 1+ Authority
On Behalf of MCI
Direct April 3, 1992

Before the Wisconsin Public Service Commission
Docket No. 05-TR-103
Investigation of Intrastate Access Costs and Intrastate Access Charges
On Behalf of MCI
Direct November 15, 1990

Before the Wisconsin Public Service Commission
Docket No. 2180-TR-102
GTE Rate Case and Request for Alternative Regulatory Plan
On Behalf of MCI
Direct October 1, 1990
Rebuttal October 15, 1990

Before the Wisconsin Public Service Commission
Docket No. 6720-TR-104
Wisconsin Bell Rate Case
On Behalf of MCI
Direct April 16, 1990

Before the Wisconsin Public Service Commission
Docket No. 05-TR-102
Investigation of Intrastate Access Costs, Settlements, and IntraLATA Access Charges
On Behalf of MCI
Direct December 1, 1989

Before the Wisconsin Public Service Commission
Docket No. 6720-TI-102
Review of the WBI Rate Moratorium
On Behalf of MCI
Direct October 9, 1989
Rebuttal November 17, 1989

Before the Wisconsin Public Service Commission
Docket No. 05-TI-112
Disconnection of Local and Toll Services for Nonpayment -- Part A; Examination of Industry Wide Billing and Collection Practices -- Part B
On Behalf of MCI
Direct July 5, 1989
Rebuttal July 12, 1989

Before the Wisconsin Public Service Commission
Docket No. 6720-TR-103
Investigation Into the Financial Data and Regulation of Wisconsin Bell, Inc.
On Behalf of MCI
Rebuttal May 11, 1989

Before the Wisconsin Public Service Commission
Docket No. 05-NC-100
Amendment of MCI's CCN for Authority to Provide IntraLATA Dedicated Access Services
On Behalf of MCI
Direct May 1, 1989

Before the Wisconsin Public Service Commission
Docket No. 6720-TI-102
Review of Financial Data Filed by Wisconsin Bell, Inc.
On Behalf of MCI
Direct March 6, 1989

Before the Wisconsin Public Service Commission
Docket No. 05-TI-116
In the Matter of Provision of Operator Services
On Behalf of MCI
Rebuttal December 12, 1988

Before the Wisconsin Public Service Commission
Docket No. 05-TR-102
Investigation of Intrastate Access Costs, Settlements, and IntraLATA Access Charges
On Behalf of MCI
Direct October 31, 1988
Rebuttal November 14, 1988

Before the Wyoming Public Service Commission
In the Matter of Level 3 Communications, LLC Petition for Arbitration with Qwest Corporation
On Behalf of Level 3
Direct September 8, 2005
Rebuttal November 18, 2005

Before the Wyoming Public Service Commission
Docket No. 9746 Sub 1
Application of MCI for a Certificate of Public Convenience and Necessity
On Behalf of MCI
Direct June 17, 1987

Before the Wyoming Public Service Commission
Docket No. 72000-TC-97-99
In the Matter of Compliance with Federal Regulations of Payphones
On Behalf of MCI
Oral Testimony May 19, 1997

Comments Submitted to the Federal Communications Commission and/or the Department of Justice

Comments to the Department of Justice (Task Force on Telecommunications) on the Status of OSS Testing in Arizona and the USWC Collaborative on Behalf of MCI WorldCom, Inc.
November 9, 1999

Comments to FCC Staff of Common Carrier Bureau on the Status of OSS Testing in Arizona on Behalf of MCI WorldCom, Inc.
November 9, 1999

Presentation to FCC Staff on the Status of Intrastate Competition on Behalf of MCI.
February 16, 1995

Ameritech Transmittal No. 650
Petition to Suspend and Investigate on Behalf of MCI re Ameritech 64 Clear Channel Capability Service.
September 4, 1992

Ameritech Transmittal No. 578
Petition to Suspend and Investigate on Behalf of MCI re Ameritech Directory Search Service.
November 27, 1991

CC Docket No. 91-215
Opposition to Direct Cases of Ameritech and United (Ameritech Transmittal No. 518; United Transmittal No. 273) on Behalf of MCI re the introduction of 64 Kbps Special Access Service.
October 15, 1991

Ameritech Transmittal No. 562
Petition to Suspend and Investigate on Behalf of MCI re Proposed Rates and Possible MFJ Violations Associated with Ameritech's OPTINET Reconfiguration Service (AORS).
September 30, 1991

Ameritech Transmittal No. 555
Petition to Suspend and Investigate on Behalf of MCI re Ameritech Directory Search Service.
August 30, 1991

Ameritech Transmittal No. 526
Petition to Suspend and Investigate on Behalf of MCI re Proposed Flexible ANI Service.
April 17, 1991

Ameritech Transmittal No. 518
Petition to Suspend and Investigate on Behalf of MCI re Proposed Rates for OPTINET 64 Kbps Service.
March 6, 1991

Selected Reports, Presentations and Publications

CLE International 10th Annual Conference, "Telecommunications Law," "Technology Update – The State of Wireless Technologies in Canada – A Comparison of Wireless Technologies in Canada and the United States of America."
December 13-14, 2007

"The State of Wireless Technologies in Canada – A Comparison of Wireless Technologies in Canada and the United States of America"; Presented to Bell Canada Enterprises.
May 25, 2007.

CLE International 8th Annual Conference, "Telecommunications Law," "VoIP and Brand X – Legal and Regulatory Developments."
December 8-9, 2005

QSI Technical Report No. 012605A "IP-Enabled Voice Services: Impact of Applying Switched Access Charges to IP-PSTN Voice Services"
Ex Parte filing in FCC dockets WC Dockets No. 04-36 (In the Matter of IP-Enabled Services), 03-266 (In the Matter of Level 3 Communications LLC Petition for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of 47 U.S.C. § 251(g), Rule 51.701(b)(1), and Rule 69.5(b); IP Enabled Services)
Washington DC, January 27, 2005

QSI Report to the Wyoming Legislature "The Wyoming Universal Service Fund. *An Evaluation of the Basis and Qualifications for Funding*" December 3, 2004.

Presentation to the Iowa Senate Committee Regarding House Study Bill 622/Senate Study Bill 3035; Comments on Behalf of MCI
February 19, 2004

National Association of Regulatory Utility Commissioners Summer Committee Meetings; Participated in Panel regarding "Wireless Substitution of Wireline – Policy Implications."
July 25, 2003

Seminar for the New York State Department of Public Service entitled "Emerging Technologies and Convergence in the Telecommunications Network". Presented with Ken Wilson of Boulder Telecommunications Consultants, LLC
February 19-20, 2003

"Litigating Telecommunications Cost Cases and Other Sources of Enlightenment"; Educational Seminar for State Commission and Attorney General Employees on Litigating TELRIC Cases; Denver, Colorado.
February 5-6, 2002

Illinois; Presentation to the Environment & Energy Senate Committee re Emerging Technologies and Their Impact on Public Policy, on Behalf of MCI WorldCom, Inc.
March 8, 2000

"Interpreting the FCC Rules of 1997"; The Annenberg School for Communication at the University of Southern California; Panel Presentation on Universal Service and Access Reform.
October 23, 1997

"NECA/Century Access Conference"; Panel Presentation on Local Exchange Competition.
December 13-14, 1995

"TDS Annual Regulatory Meeting"; Panel Presentation on Local Competition Issues.
August 29, 1995

"Phone+ Supershow '95"; Playing Fair: An Update on IntraLATA Equal Access; Panel Presentation.
August 28-30, 1995

"The LEC-IXC Conference"; Sponsored by Telecommunications Reports and Telco Competition Report; Panel on Redefining the IntraLATA Service Market -- Toll Competition, Extended Area Calling and Local Resale.
March 14-15, 1995

The 12th Annual National Telecommunications Forecasting Conference; Represented IXCs in Special Town Meeting Segment Regarding the Convergence of CATV and Telecommunications and other Local Competition Issues.
May 23-26, 1994

TeleStrategies Conference -- "IntraLATA Toll Competition -- Gaining the Competitive Edge"; Presentation on Carriers and IntraLATA Toll Competition on Behalf of MCI.
May 13-14, 1993

NARUC Introductory Regulatory Training Program; Panel Presentation on Competition in Telecommunications on Behalf of MCI.
March 14-17, 1993

TeleStrategies Conference -- "IntraLATA Toll Competition -- A Multi-Billion Dollar Market Opportunity." Presentations on the interexchange carriers' position on intraLATA dialing parity and presubscription and on technical considerations on behalf of MCI.
December 2-3, 1992

North Dakota Association of Telephone Cooperatives Summer Conference, July 8-10, 1992. Panel presentations on "Equal Access in North Dakota: Implementation of PSC Mandate" and "Open Network Access in North Dakota" on Behalf of MCI.
July 9, 1992

TeleStrategies Conference -- "Local Exchange Competition: The $70 Billion Opportunity." Presentation as part of a panel on "IntraLATA 1+ Presubscription" on Behalf of MCI.
November 19, 1991

Wisconsin Public Utility Institute -- Telecommunications Utilities and Regulation Course; May 13-16, 1991; Participated in IntraLATA Toll Competition Debate on Behalf of MCI.
May 16, 1991

Michigan; Presentation to the Michigan Senate Technology and Energy Commission and the House Public Utilities Committee re MCI's Building Blocks Proposal and SB 124/HB 4343.
May 15, 1991

Wisconsin; Comments Before the Wisconsin Assembly Utilities Committee Regarding the Wisconsin Bell Plan for Flexible Regulation, on Behalf of MCI.
May 16, 1990

Michigan; Presentation to the Michigan Senate Technology and Energy Committee re SB 124 on behalf of MCI.
March 20, 1991

Illinois Telecommunications Sunset Review Forum; Two Panel Presentations: Discussion of the Illinois Commerce Commission's Decision in Docket No. 88-0091 for the Technology Working Group; and, Discussion of the Treatment of Competitive Services for the Rate of Return Regulation Working Group; Comments on Behalf of MCI.
October 29, 1990

Wisconsin Public Utility Institute -- Telecommunications Utilities and Regulation; May 14-18, 1990; Presentation on Alternative Forms of Regulation.
May 16, 1990

Michigan; Presentation Before the Michigan House and Senate Staff Working Group on Telecommunications; "A First Look at Nebraska, Incentive Rates and Price Caps," Comments on Behalf of MCI.
October 30, 1989

National Association of Regulatory Utility Commissioners -- Summer Committee Meeting, San Francisco, California. Panel Presentation -- Specific IntraLATA Market Concerns of Interexchange Carriers; Comments on Behalf of MCI.
July 24, 1989

Wisconsin Public Utility Institute -- Telecommunications Utilities and Regulation; May 15-18, 1989; Panel Presentation -- Interexchange Service Pricing Practices Under Price Cap Regulation; Comments on Behalf of MCI.
May 17, 1989

Minnesota; Senate File 677; Proposed Deregulation Legislation; Comments before the House Committee on Telecommunications.
April 8, 1987

Exhibit TJG-2:

Raymond James Rural ILEC Study

RAYMOND JAMES®

Telecommunications Services
Wireline
Industry Report

EQUITY RESEARCH

June 20, 2008

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Statistical Analysis of Access Line Impact on ILEC Financial Results

- In this report, we look at the overall impact of access line losses on the financial results of the ILECs within our coverage universe. We continue to assert that there are many other factors driving these businesses beyond simple access line trends.

- We have applied linear regression analysis to the companies and the group going back five years to see where the relationships exist between access lines and the income statement, with some very interesting results. For the most part, access lines were statistically meaningful predictors of revenue; however this relationship was often an inverse one, implying revenue increased as access lines declined. The relationship to EBITDAS and FCF, however, was usually not very strong, making access line trends appear less meaningful to cash flow and dividend stability, in our opinion.

- Access line losses have displayed a limited impact on the reported results, as sales of unregulated services, special access, and broadband have continued to make up for the declines, and we expect the impact of increasing demand related to wireless backhaul to further insulate the ILECs from lost primary line revenue. For this reason we focused on reported results and not ARMIS data, which believe is misleading.

- Increased demand for data from businesses in their territory (25% to over 50% of their business) has also offset residential access line losses. As xDSL matures, revenue offsets may be more difficult and could negatively change the revenue and profitability characteristics of the ILECs going forward.

- Overall, we believe historical trends suggest access lines should not be the sole measure of wireline carriers' business direction, as average revenue per line has consistently trended up as access lines decline, with positive mix-shifts, up selling, and regulatory factors keeping revenue flat to up over the same period. We believe the data we highlight in our report supports this thesis.

- The companies with reliable data that demonstrate the least impact to revenue, EBITDAS, and FCF are Alaska, Cincinnati Bell, Consolidated Communications and CenturyTel.

- We note the RBOCs are largely excluded from this report due to a lack of accurate pro-forma data for acquisitions. Additionally, they are highly diversified into enterprise and wireless, making line losses less meaningful, in our opinion. We believe this industry continues to demonstrate positive characteristics beyond access line trends that are keeping models stable, and we encourage investors to consider these trends in analyzing these companies.

Please read disclosure/risk information on page 23 and Analyst Certification on page 24.

The Raymond James Financial Center, 880 Carillon Parkway, St. Petersburg, FL 33716
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Access Line Trends: Not What They Seem to Be

In this report, we examine the relationships between access lines and telecom companies' financials through the use of linear regressions and scatter plots. In the past, access lines have been viewed as either the key determinant of financial results, or at least one of the most critical factors, with financial models driven by access line trends. Having financial models built on access lines has been troubling to investors over the past six or seven years as access lines have continued to decline. Much to everyone's amazement, the resulting revenue and EBITDAS stability and FCF growth have been quite puzzling, and while we have asserted for several years that access lines have less to do with driving the model than investors think, this has largely been an argument based on our observance of the continued financial stability while lines decline and ARPU steadily grows. Our data suggest that in many instances, the ability of access lines to explain the variance in revenue and cash flow is low or even negative, as we discuss later, implying access lines were not the determinant we had previously thought, or companies have diversified significantly enough to offset the impact of decreasing access lines. These are the questions that form the basis for this report.

In order to determine which parts of the financial results were potentially driven by access lines and to what degree, we ran linear regressions of access lines on a variety of metrics, including: revenue, EBITDAS, operating income, capital expenditures, and levered free cash flow per share. After that data was collected, the output for the linear regressions supplied us with standard regression statistics (multiple R, R^2, adjusted R^2, and standard error) along with an ANOVA table (regression coefficients, t-stat, p-value, sum of squares, confidence interval, and mean sum of squares), which we used to evaluate the relationships between access lines and the other data fields.

We found that the relationships that made the most sense to focus on were revenue, EBITDAS, and FCF, and we utilized Multiple R (correlation), R^2 (% of variation explained by variable), and the p-value to determine the amount of variation in these lines due to access line trends. We used a p-value of .05 for the purpose of statistical significance, while Multiple R and R^2 describe how closely related the two data categories are, with the multiple R ranging from -1.0 to 1.0.

Second, using the most recent 21 quarters of reported financial data from the categories above we constructed scatter plots for each relationship between the financial data and access lines across the companies we cover. Trend lines were fitted to each of the graphs along with the equation of the line, giving a visual representation of two data series. The trend line takes the relationship between the two data series into consideration and allows prediction of future data points. Scatter plots are essentially a graphical version of the correlation or multiple R.

Third, for well diversified companies such as Cincinnati Bell (CBB) and Alaska (ALSK) we also show the regression results that exclude the wireless segment for revenue, EBITDAS, and levered free cash flow in order to get a clearer picture on the relationship between the data and access lines purely from a wireline perspective. We are interested in how the line losses impact the wireline business mainly, but this does not tell the whole story, as the wireless businesses are inherently supported by the wireline network. It is important to note that wireless and other operations are key tenants of our diversification thesis, and the resulting statistical analysis supports this view. Scatter plots and trend lines were constructed for this data, and we adjusted some outlying data points and made some adjustments for divested divisions and unusual one time items, which, in our opinion, gave us a better view of the company with regards to its current and future operations. We chose to leave current CLEC operations and CLEC lines in our model as we view these as one of the few areas of the wireline infrastructure where we can more easily observe an alternative use of the historical incumbent local exchange carrier (ILEC) investment (we suspect there are many others we are less able to observe, as we will discuss later in this report).

We have looked at the industry in various formats, with regressions run on a variety of factors across individual companies, sub-groups, and modifications of the companies to exclude divested assets as well as to exclude wireless where appropriate. We believe that removing wireless in many cases gives an interesting picture into the core wireline operations, as this is the part of the model that we believe comes into question the most, but keeping in mind the inherent diversification wireless brings and is likely to continue to bring in the future.

We focused these regressions on reported financial data as we believe this is the data that investors are basing decisions on. Several flavors of more regulatory related data exist, such as ARMIS data filed at the FCC, but we view Automated Reporting Management Information System (ARMIS) data as having little value. These figures are related to the regulated portion of the ILEC only, thus excluding significant (and permanent) lines of business. We also point out that the ILECs have a motivation to use FCC filing rules to their advantage, making the data look as bad for them as possible as they pursue additional regulatory relief. Therefore, we believe audited financial data from quarterly reports is appropriate for investment decisions.

Lastly, the results for Verizon (VZ) are excluded from this analysis, and only limited data from AT&T (T) is included. The primary reason for this is the data we have for these companies on a pro forma basis (adjusting for acquisitions: AT&T, MCI, AT&T Wireless, and BellSouth primarily, and divestitures: Idearc, international assets, etc.) is limited to the last three years, which does not give us enough data points to make a regression that we can have high confidence in. Similarly, the data we show for Embarq (EQ) is also less reliable due to only having 11 periods of pro-forma data where 20 periods are needed for reliable output. We have shown some AT&T and Embarq regressions later in this report for illustration, but the conclusions drawn in this report are primarily useful in analyzing the smaller carriers where access line trends are more critical. We also point out that it is quite apparent that AT&T and Verizon have significantly diversified away from residential business, and it does appear to be consensus opinion that they are primarily enterprise and wireless plays, making the regulated ILEC portion of its business less relevant to the entire company. The results are very interesting, and we have them summarized later in the report.

Statistical Measures and Definitions Used in This Report

In analyzing the data, we used the output for the linear regressions, standard regression statistics (multiple R, R^2, adjusted R^2, and standard error) along with an ANOVA table (regression coefficients, t-stat, p-value, sum of squares, confidence interval, and mean sum of squares), which we used to evaluate the relationships between access lines and the other data fields. Multiple R is the correlation coefficient which measures the tendency of two variables to move together. It is also the square root of R^2 or coefficient of determination. This describes how much of the variance in the financial metrics is explained by access lines. We use an R^2 of 0.4 or higher as our marker for statistical relevance, which corresponds to access lines explaining 40% of the variance in revenue, EBITDAS, and FCF per share. The x variable regression coefficient describes the slope of the line and the relationship between access lines and revenue, EBITDAS, and FCF per share. We used a p-value of .05 for the purpose of statistical significance, while Multiple R and R^2 describe how closely related the two data categories are, with the multiple R ranging from -1.0 to 1.0.

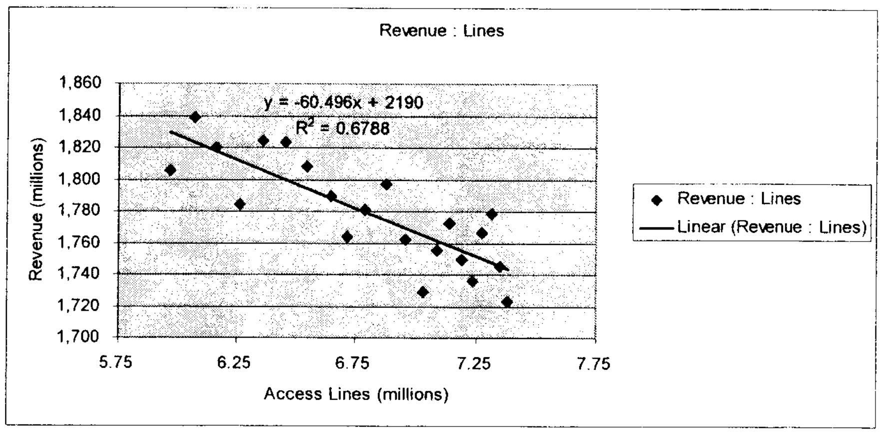
ILECs in Aggregate

In looking at the data for the ILECs, we ran a regression on total access lines and financial data for Alaska Communications Systems, Cincinnati Bell (CTL), Consolidated Communications (CNSL), CenturyTel (CTL), Citizens Communications, and Iowa Telecom (IWA) from 1Q03 through 1Q08 (comments on individual companies and the basis for the numbers we used are included in their individual sections later in this report). These companies were chosen because they all had a reliable set of 21 periods' data. The results tend to support our overall thesis that access lines are not driving the results of these companies to a significant degree.

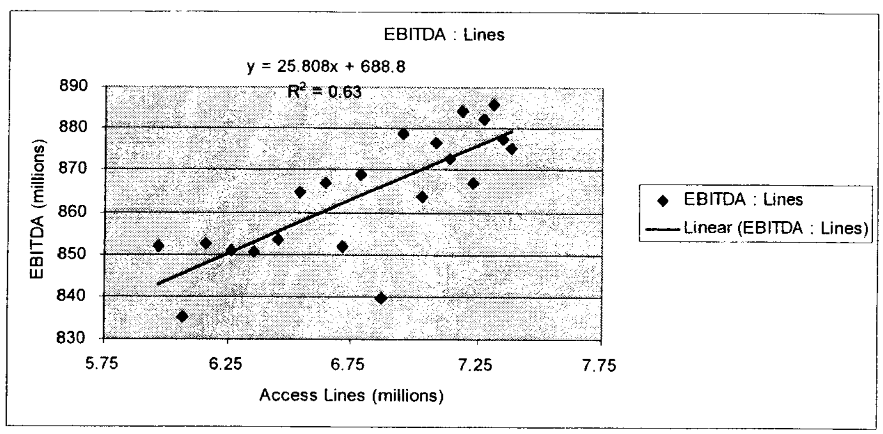
As demonstrated in the following tables, in aggregate, the R^2 for access lines regressed on revenue was 0.68 but with a negative slope, implying access lines are a poor predictor of revenue in and of itself because it means revenue increases as access lines decline. When we go a step further and run the regression of access lines on EBITDAS (highly important due to the dividends paid and the survivability from an interest coverage and FCF perspective) the R^2 goes to 0.63 with a positive slope, showing a good ability to explain trends in EBITDAS. The regression coefficient of 25.8 and p-value of 31.8x10^-6 imply the data was statistically significant.

The individual companies showed a wider range of correlations, but we believe this aggregate regression does demonstrate that focusing on access lines would not appear to be the best way to assess the health and direction of the industry.

ILEC Revenue



ILEC EBITDAS



Source: Company reports and Raymond James estimates.

What is Changing?

There are several factors that we believe to be at work within the space that are not directly related to access lines per se. First, the growth in overall data demand has benefited the rural ILECs to a large degree, just as it has for the RBOCs. With ILEC exposure to enterprise ranging from 25% to over 50%, the ability for data and enterprise demand to positively impact these carriers regardless of access line trends is significant. Citizens Communications has stated on its last two earnings calls that, over the past two years, it has replaced an average of 65% of the monthly revenue erosion due to access line losses with growth in enterprise data. Add to this xDSL, long distance growth, and other value added services (voice mail, caller ID, call waiting, etc.), and it is not hard to see how Citizens has maintained relatively stable results in the face of access line declines (for more on Citizens, see individual section later in this report). We do not have statistics like this from other carriers, but we would expect results to be relatively consistent, and would explain at least some of the lost revenue.

Somewhat related to this is wireless traffic growth, which is the flip-side of wireless substitution. Increasing wireless traffic drives wireless backhaul, helping the smaller ILECs. Most of these carriers do not have wireless units of their own anymore, (Alaska and Cincinnati Bell being notable exceptions, and recent advanced wireless service (AWS) and 700 MHz spectrum purchases by others have yet to demonstrate their business models) but they do provide virtually all of the special access circuits for tower backhaul in their markets, and in many cases fiber transport along their out-of-the-way fiber routes within their territory. We believe this has been a significant boost to their revenue and profitability, and with wireless data demand expected to continue, this trend should grow as well. These circuits are not usually visible in the access line counts, but they are clearly helping with top-line trends.

Individual Company Results

The following sections depict our analysis of individual companies:

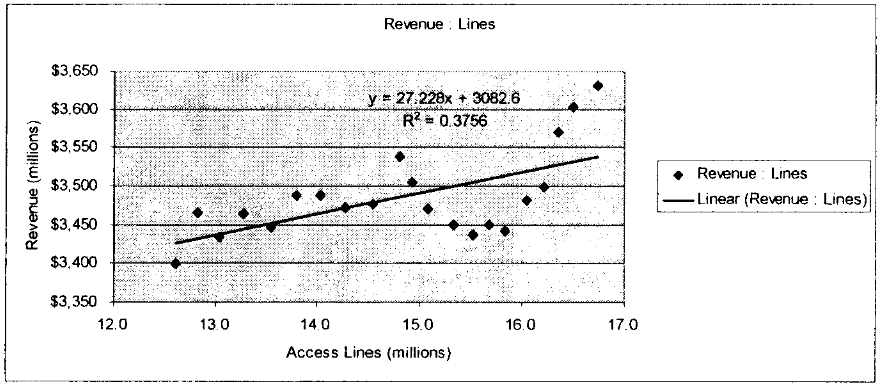
Qwest

Qwest (Q) is an interesting example as it is relatively M&A free over the past few years, does not have wireless (making access lines more directly related to the majority of its business), and has more exposure to residential business, tempered by much less exposure to basic cable penetration within its territory than AT&T or Verizon. We also have some insight into Qwest Corp. from separate SEC filings that give us a partial view of what Qwest would look like as a stand alone RBOC. Corporate allocations and other factors keep this from being a clean picture, but it is interesting nonetheless.

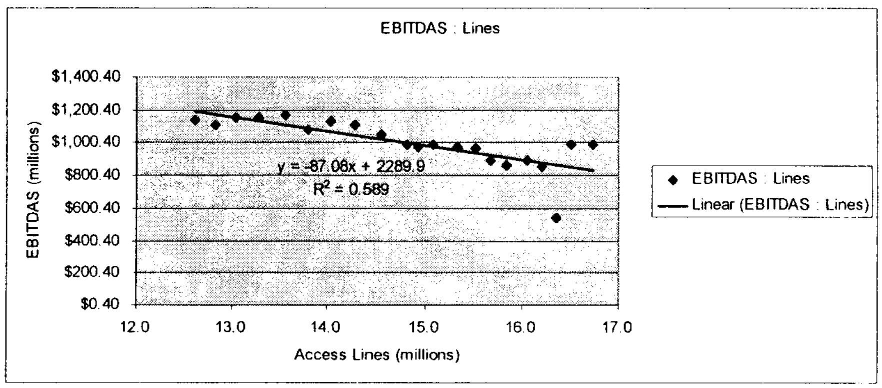
The regressions for Qwest tell us that access lines explain some of the variation of revenue for Qwest, with a regression coefficient of 27.2, as shown in the following table. This is significantly different than 0 given the F-statistic p-value of 0.003. EBITDAS, however, was not explained well by access lines with a -87.1 coefficient as cost cutting, xDSL growth, and increasing trends in revenue from classic Qwest (the long distance and out of region data business) as well as other improvements to the top line more than offset EBITDAS lost from access lines. The regression for Qwest tells us that access lines are not a strong predictor of revenue for Qwest, with an R^2 of 0.376, as shown in the following table. EBITDAS, however, had a large portion of variation explained by changes in access lines with the R^2 coming in at 0.589, but this is negatively correlated with multiple R of 0.77, implying that EBITDAS goes up as access lines decline.

This is partly explained by the increasing trends in revenue from classic Qwest (the long distance and out of region data business) as well as other improvements to the top line and cost controls that were growing alongside the trend in declining access lines. Overall, access lines appear to be accurate predictors of revenue but not EBITDAS for Qwest. Lastly, FCF was not explained well by access lines with a coefficient of -0.06 and an R^2 of 0.04

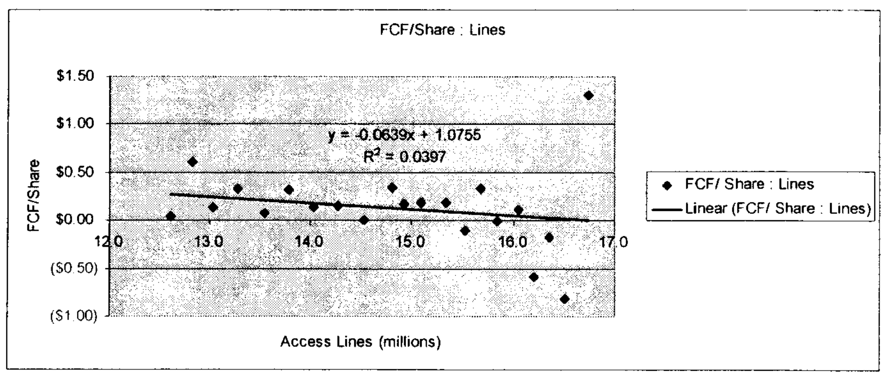
Qwest Revenue



Qwest EBITDAS



Qwest FCF/Share

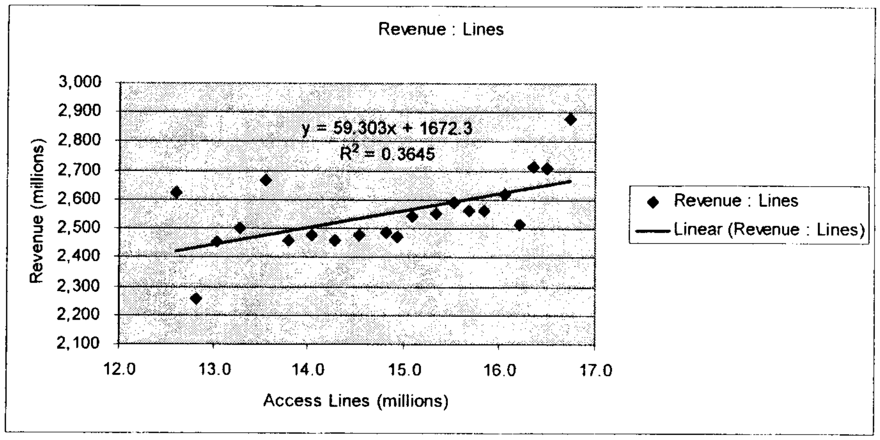


Source: Company reports and Raymond James estimates.

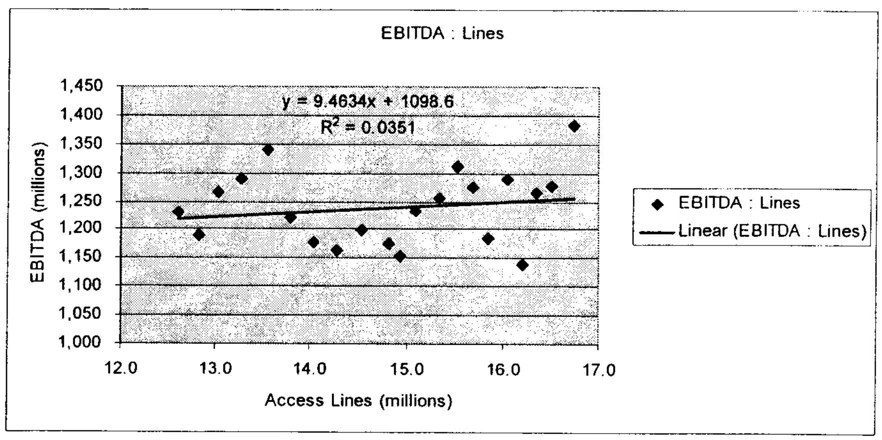
Qwest Corp.

The next slice would be to look at Qwest Corp. Here we get different results, with the R^2 for revenue only slightly better as the classic Qwest results are removed, coming in at 0.364. The EBITDAS, however, is not statistically significant (0.416) with an R^2 of 0.035. The regression for Qwest Corp. tells us that access lines explain more of the variation of revenue than in Qwest International, with a regression coefficient of 59.3, as shown in the table below. This is significantly different than 0 given the F-statistic p-value of 0.004. EBITDAS, however, was not explained well by access lines with a 9.5 coefficient and 0.42 P-value, and an R^2 of 0.035. Again, the cost allocations are somewhat arbitrary and difficult to get additional insight into, but we believe the negative coefficient on the Qwest International regression due to improvements in classic Qwest is removed by looking at this data, which is important. Either way, access lines appear to be accurate predictors of revenue but not for EBITDAS for Qwest.

Qwest Corp. Revenue



Qwest Corp. EBITDAS



Source: Company reports and Raymond James estimates.

Wireless ILECs – Alaska and Cincinnati Bell

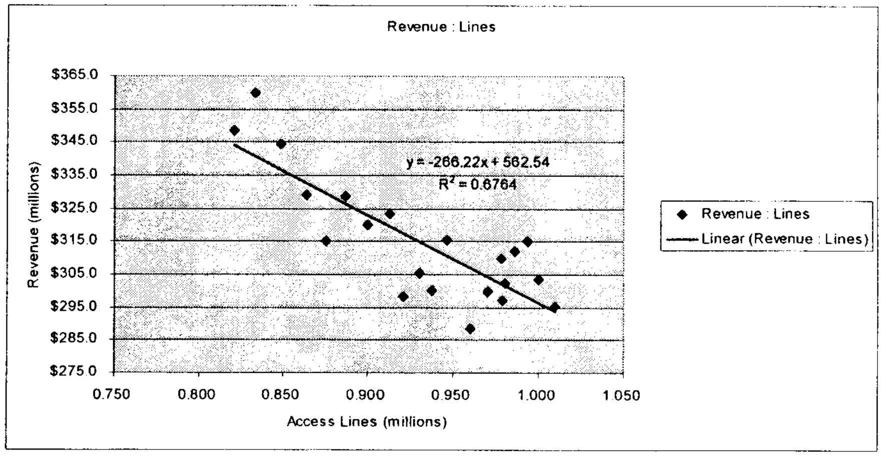
Next we look at two carriers that have significant wireless assets and are diversifying away from the residential business quickly. Alaska and Cincinnati Bell are often mentioned in the line-loss commentary as they appear to be islands in the middle of this storm, and the outcome is often assumed to be more dire for them than for other carriers.

Cincinnati Bell

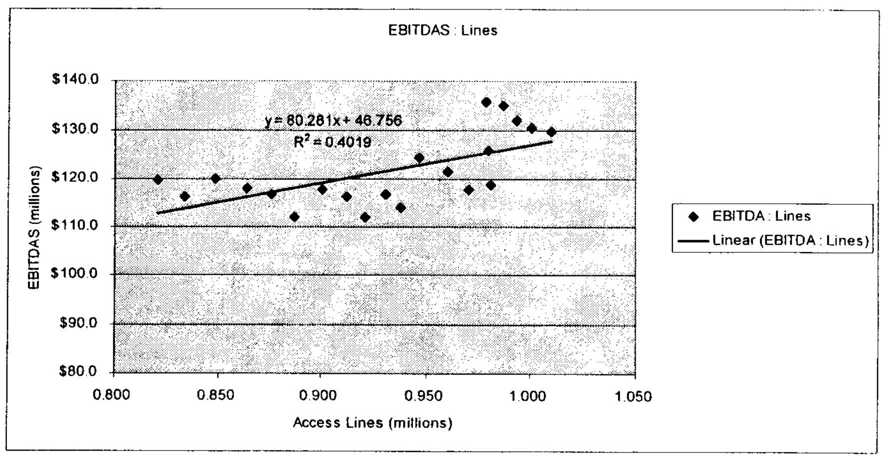
The regression for Cincinnati Bell tells us that access lines do not explain the variation of revenue for the company, with a regression coefficient of -266.2. EBITDAS however, was partially explained by access lines as the F-statistic P-value was 0.002 and a regression coefficient of 80.3. The R^2 of the two series stood at 0.676 for revenue, and 0.402 for EBITDAS, respectively. Overall, access lines appear to be poor predictors of revenue, but good predictors of EBITDAS for Cincinnati Bell.

We believe the negative slope is explained by wireless and data center trends that have been developing over the past five years, with Cincinnati Bell experiencing some declining wireless periods during the regression, while Alaska did not. We believe the data center revenue growth offset the revenue lost from access lines, but that EBITDAS declined given the superior margins of the access lines relative to the data center business. Lastly, FCF was partially explained by access lines with a coefficient of 0.97 and a p-value of 0.02 and an R^2 of .32

Cincinnati Bell Revenue

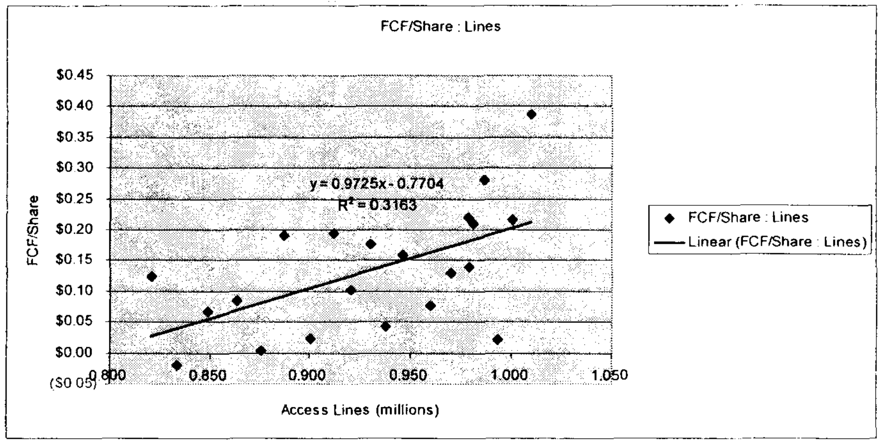


Cincinnati Bell EBITDAS



Source: Company reports and Raymond James estimates.

Cincinnati Bell FCF/Share



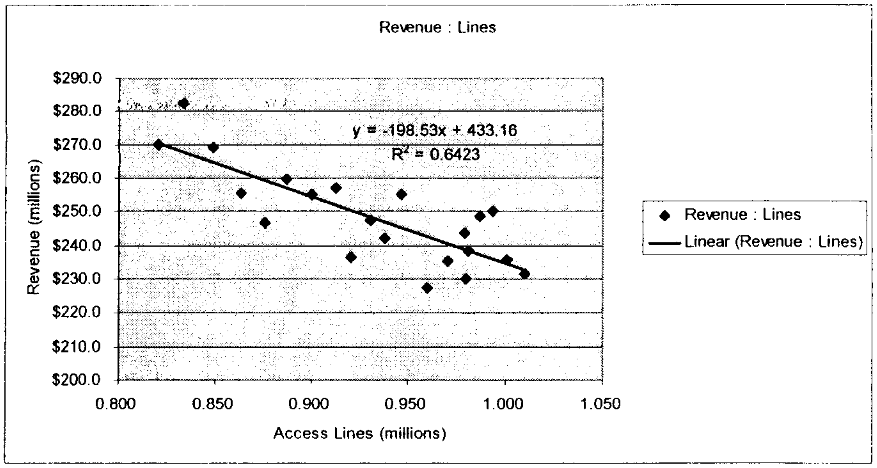
Source: Company reports and Raymond James estimates.

The regression for Cincinnati Bell (excluding wireless) tells us that access lines still do not explain the variation of revenue for the company, with a regression coefficient of -198.5, as shown in the following table. EBITDAS however, was partially explained by access lines as the F-statistic P-value was 0.031 and a coefficient of 46.6. The R^2 for the two series stood at 0.642 for revenue, and 0.223 for EBITDAS, respectively, implying a large percentage of wireline only revenue was inversely related to access lines, but not EBITDAS. Overall, access lines appear to be poor predictors of revenue, but good predictors of EBITDAS for Cincinnati Bell when the wireless unit is excluded. We believe the data center revenue growth offset the revenue lost from access lines, but that EBITDAS declined given the superior margins of the access lines relative to the data center business.

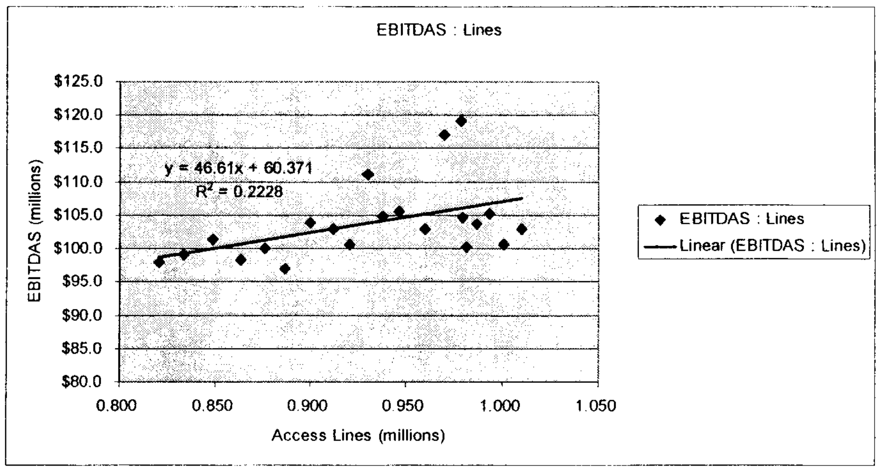
We believe this is due to cost controls and overall positive FCF trends over the past several years through debt refinancing and generally improved business, including the data center business. The general conclusion here is that Cincinnati Bell is diversifying away from the residential phone business, and that access lines are not driving this business to a large extent. We also believe it is a reflection of the company's ability to adjust its cost structure beyond commonly held views that it has a rigidly fixed cost structure. We believe this could be the case for many of the companies we cover.

Cincinnati Bell - Excluding Wireless

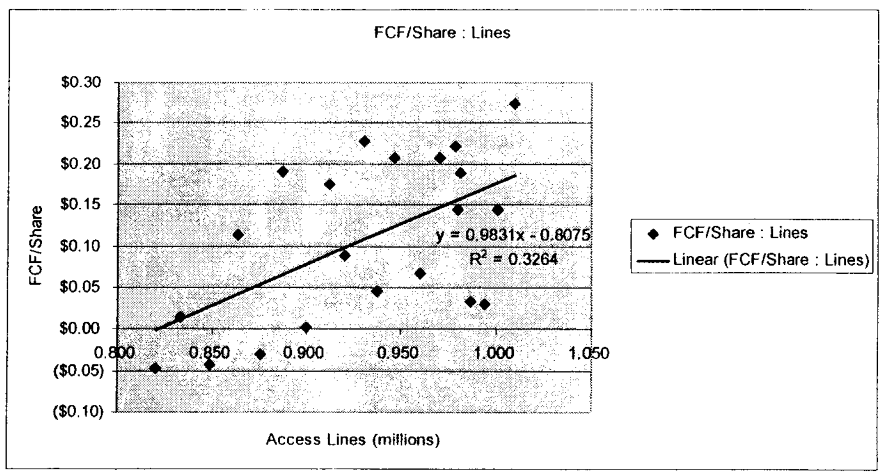
Cincinnati Bell Wireline Revenue



Cincinnati Bell Wireline EBITDAS



Cincinnati Bell Wireline FCF/Share



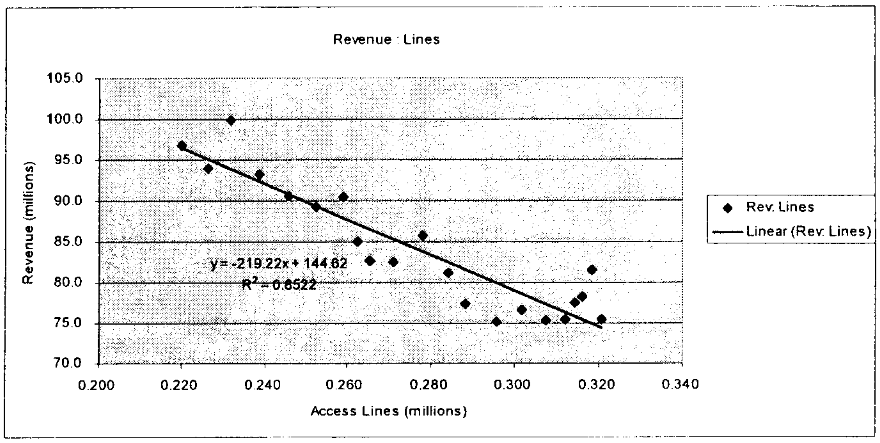
Source: Company reports and Raymond James estimates.

Alaska

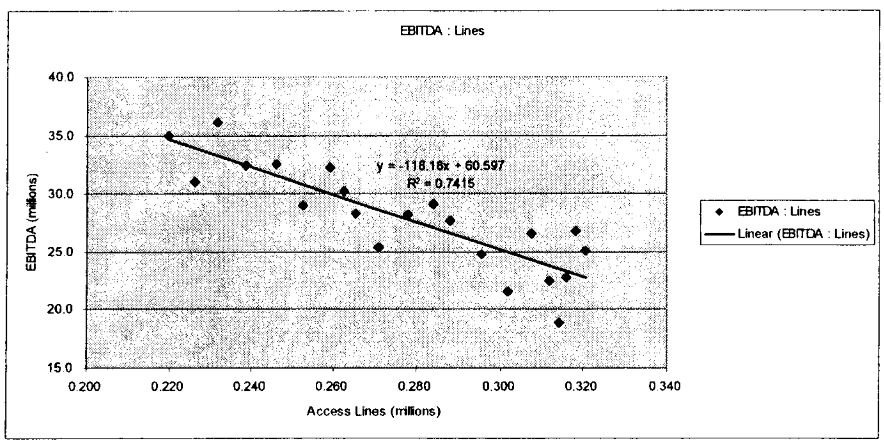
The regression for Alaska tells us that access lines don't explain the variation of revenue or EBITDAS for Alaska, with regression coefficients of -219.2 and -118.2 respectively, and with an R^2 of 0.85 for revenue and 0.74 for EBITDAS. Overall, access lines do not appear to be accurate predictors of revenue or EBITDAS, as wireless and data growth are overshadowing access line losses. However, it is negatively correlated, implying the counter intuitive concept that as access lines decline, revenue moves up nicely. We believe this is an interesting argument for looking at non-access line related revenue trends that are working below the surface.

Going forward, we believe data will continue to be a larger piece of wireline revenue and decrease the statistical relationship between lines and revenue, boosted by wireless related growth, which has been a strong driver of the business over the past few years. We do note that the results are not statistically significant for FCF per share, with the R^2 coming in at only 0.122

Alaska Revenue

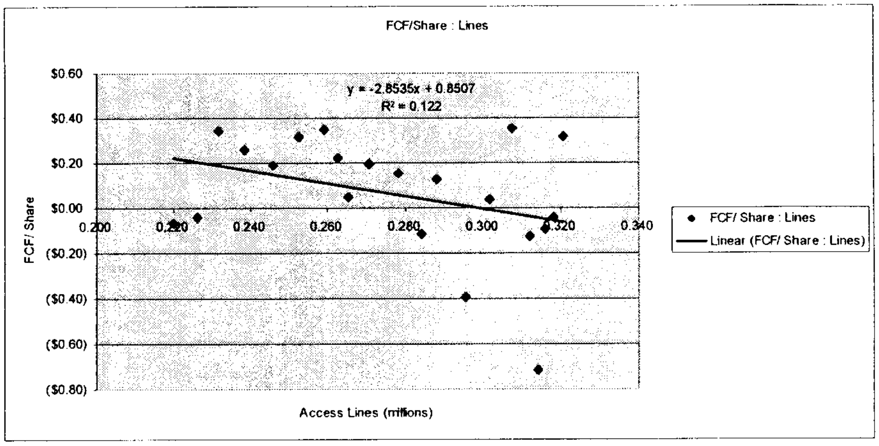


Alaska EBITDAS



Source: Company reports and Raymond James estimates.

Alaska FCF/Share

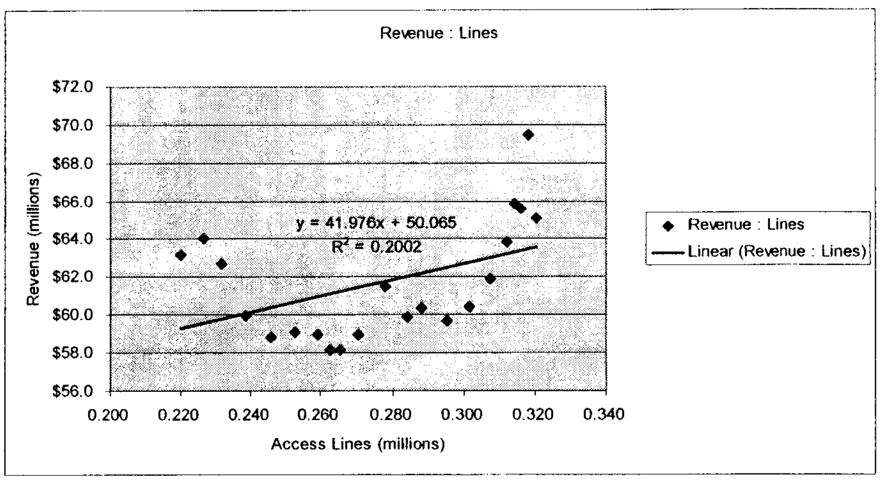


Source: Company reports and Raymond James estimates.

The regression for Alaska (excluding wireless) tells us that access lines partially explain the variation of revenue for Alaska, with a regression coefficient of 42.0. This is significantly different than 0 given the F-statistic p-value of 0.042. The R^2 however, was only 0.2. However, the scatter plot indicates a divergence from the trend as recent growth in data is offsetting access line declines and causing overall revenue growth. EBITDAS was not explained well by access lines as the F-statistic P-value was 0.18 and an R^2 of 0.09. Overall, access lines appear to be accurate predictors of revenue, historically, but not for EBITDAS for Alaska. Lastly, FCF was not explained well by access lines with a coefficient of 0.5, a 0.65 p-value and an R^2 of 0.01.

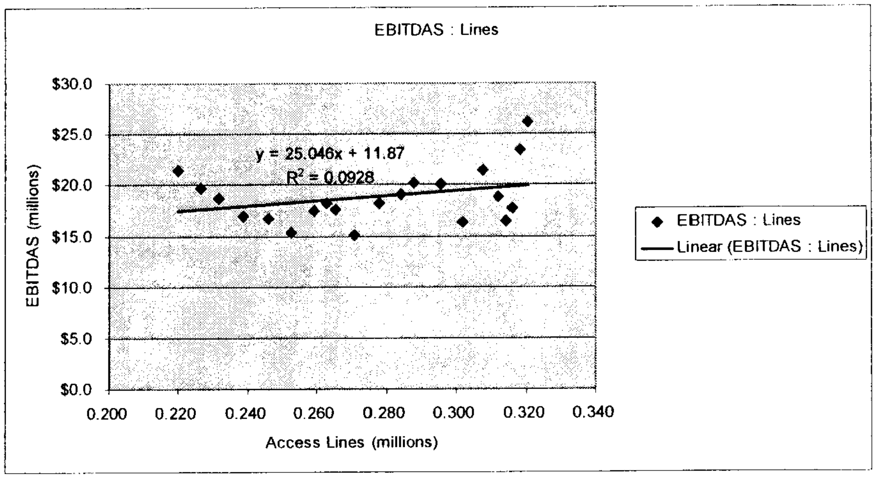
Excluding Wireless

Alaska Revenue Excluding Wireless

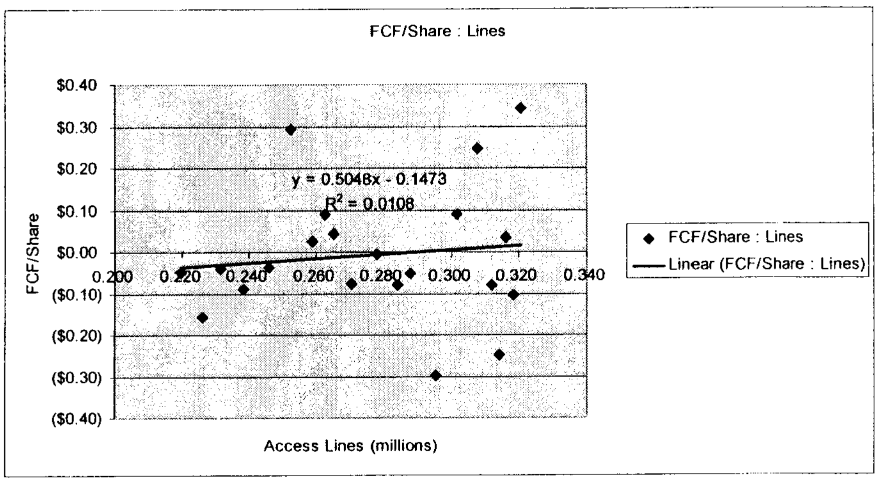


Source: Company reports and Raymond James estimates.

Alaska EBITDAS Excluding Wireless



Alaska FCF/Share Excluding Wireless



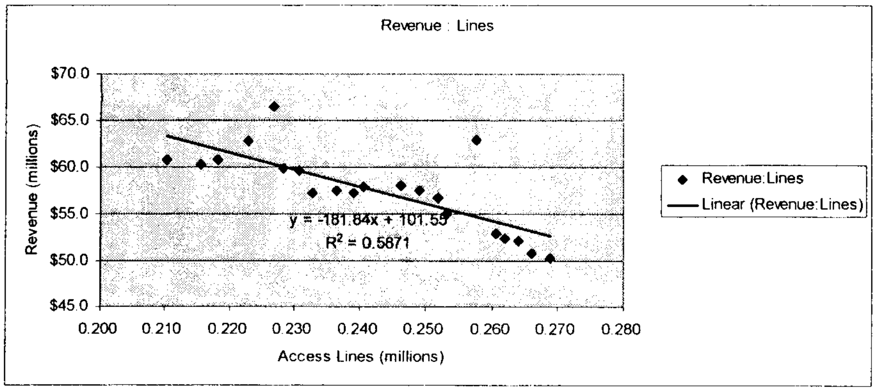
Source: Company reports and Raymond James estimates.

Iowa Telecom

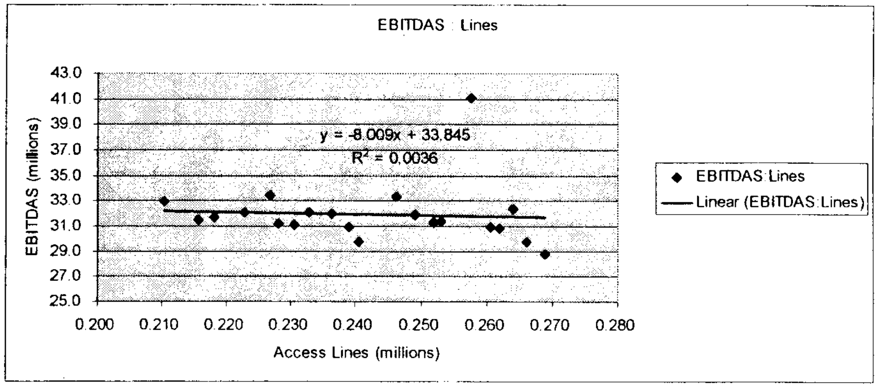
Iowa Telecom displayed another set of data implying the explanation of the variance of revenue and access line trends is high, although the direction is inverted. We note Iowa's results include previous minor acquisitions, Montezuma and Bakers. Iowa displayed a relatively high coefficient of variance of -181.8, which the F-value P-stat of 5.124E-05 being statistically significant. The R^2 of 0.587 for revenue is significant and suggests access line changes explain a significant amount of variance in revenue. Once again, this relationship is negative implying that revenue grows as access lines decline, making it a poor predictor of results, in our opinion.

EBITDAS results, however, show no statistically significant explanation of variance with an F statistic P-value of 0.7966, and an R^2 of 0.004. The correlation coefficient of -8.009 is also low, in our opinion, and the negative slope implies an inverse relationship as well. Also, access lines do not appear to provide a statistically meaningful explanation of FCF trends with a coefficient of variance of -2.3093, a statistically insignificant p-value of 0.986, and an R^2 of 0.0771.

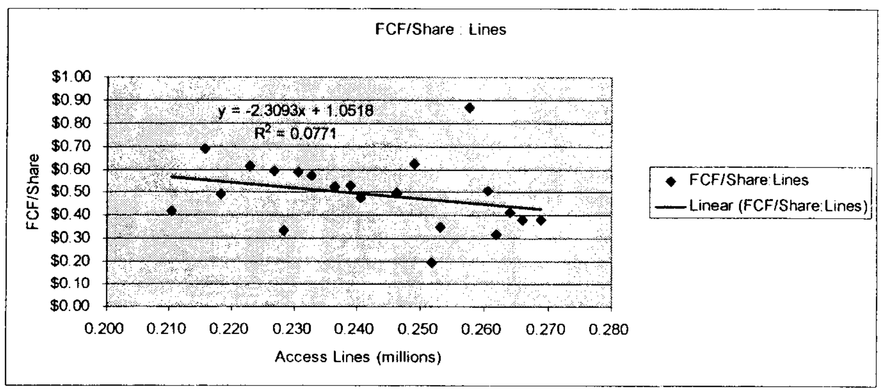
Iowa Telecom Revenue



Iowa Telecom EBITDAS



Iowa Telecom FCF/Share



Source: Company reports and Raymond James estimates.

We believe these trends demonstrate access lines are clearly not driving revenue, EBITDAS, and FCF for Iowa. We would suggest this makes Iowa one of the better stocks to look at regardless of access line trends, particularly as they do not appear to be a meaningful driver of FCF needed to support Iowa's large dividend payout. We do note that Mediacom (MCCC) has just recently entered the market, so arguably the competitive dynamics have permanently shifted, but with an estimated 16-17% customer overlap between Mediacom and Iowa, the overall threat remains low relative to many other rural ILECs.

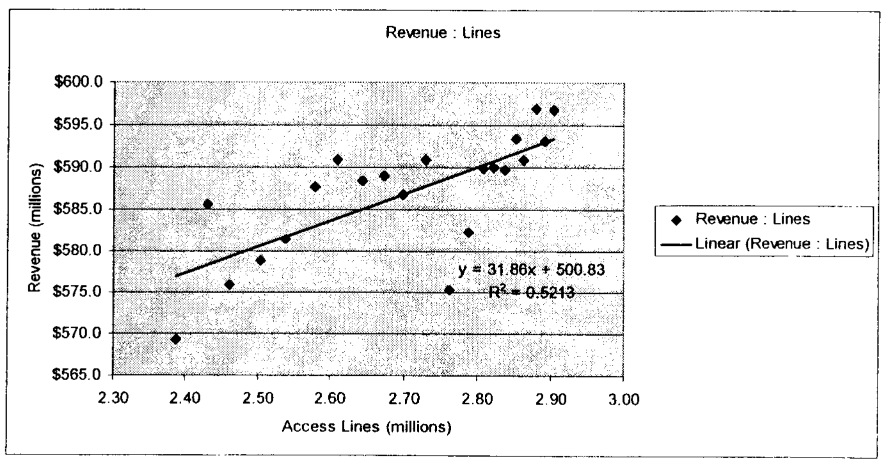
Citizens Communications

Next we move on to Citizens Communications, which always seems to be at the center of the access line debate due to its heavy concentration in competition riddled Rochester, New York, and more recently with its exposure to California and Arizona's housing growth declines. In analyzing this data, we made a few adjustments to the reported results. First, to make the business comparable to the current model, we added back Commonwealth Telephones results to Citizens (to adjust for the acquisition made last year), and removed the impact of Electric Lightwave which was divested in August 2006, and the utility properties that were divested in August 2003 and April 2004. The data is improved for Citizens compared to the company excluding Commonwealth, implying benefits from consolidation.

The regression for Citizens tells us that access lines explain some of the variation of revenue for Citizens, with a regression coefficient of 31.86. This is significantly different than 0, thus useful in explaining the variation, given the F-statistic p-value of 0.0002. EBITDAS was not explained well by access lines as the regression coefficient came in low at 14.3, and the F-statistic P-value was 0.15.

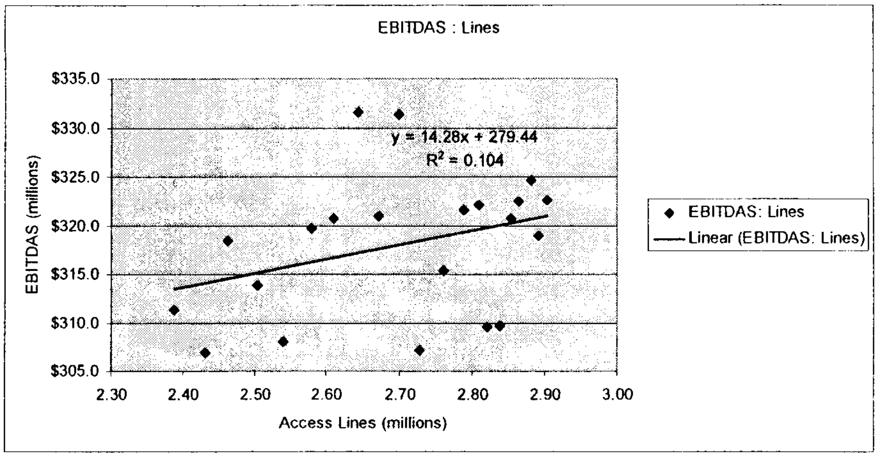
The results are interesting, with a somewhat high R^2 for the revenue regression at 0.52, but a statistically insignificant R^2 of 0.10 for EBITDAS. The relationship for access lines and revenue was positive, however, implying that revenue and EBITDAS do decline as access lines decline. This should be somewhat concerning for Citizens investors, but other factors appear to be at work, such as cost cutting and the aforementioned growth in enterprise data and other revenue not directly related to access lines such as special access and tower backhaul, which are working in favor of investors.

Citizens Revenue



Source: Company reports and Raymond James estimates.

Citizens EBITDAS



Source: Company reports and Raymond James estimates.

Does Regulation Make a Difference?

CenturyTel, Consolidated Communications, Alaska, and for a little while longer, Windstream (WIN) have one additional factor in the revenue and cash flow of their ILECs that differ from the other carriers in this report in that they are regulated as rate of return carriers at the state level, in most, if not all of their markets. Rate of return carriers have cost recovery mechanisms that allow them to adjust prices for certain products as their costs increase, therefore earning an 11.25% return on the assets employed to services these regulated services.

The actual calculation of these prices and returns are not available publicly, so we do not have a good view into regulated intra-state revenue and cap ex versus regulated interstate revenue and cap ex, versus non-regulated business (Internet, CLEC, special access, etc.). However, the results of our linear regressions for these carriers does appear to be better than price-cap carriers (which do not benefit from regulatory cost recovery to the same extent), so we suspect this is a factor in their ability to keep revenue and cash flow moving forward in the face of access line erosion.

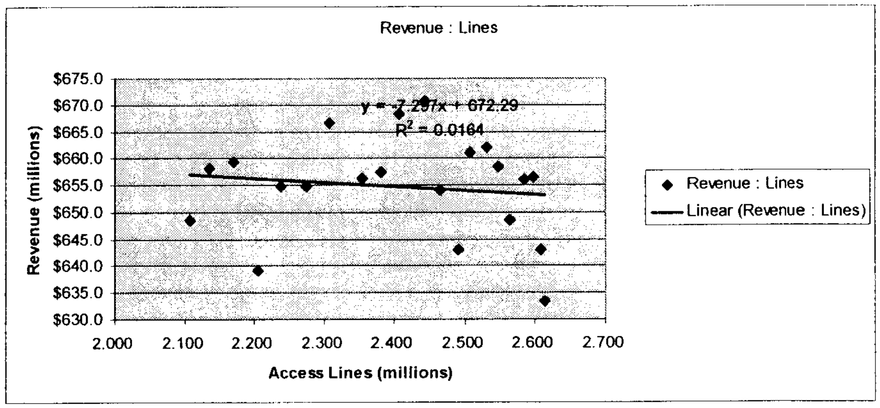
CenturyTel

CenturyTel's results appear to imply that access lines do not drive revenue as the company is able to offset these losses with other services. However the EBITDAS trajectory implies these services are lower margin. We have adjusted the data to include Madison River, which the company acquired in April 2007, and its other business has been relatively acquisition free over the test period with the wireless unit shed prior to our five year data sample.

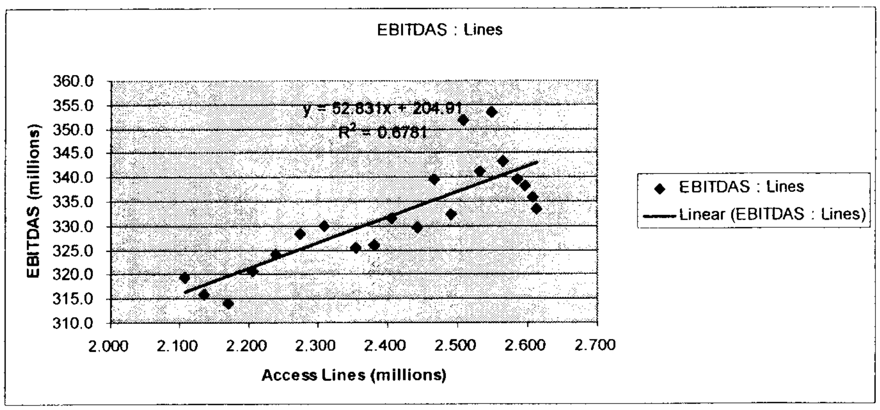
The regression for CenturyTel tells us that access lines do not explain the variation of revenue for the company, with a regression coefficient of -7.3. The R^2 for the revenue regression is also relatively low at 0.016. EBITDAS was explained well by access lines given 52.8 regression coefficient and an f-statistic p-value of 4.5x10^-6; the R^2 for the EBITDAS was 0.68, also implying the explanation of the variance is well tied to access lines. We note the company has done an excellent job of driving CELC and fiber transport revenue but believe the margins are appreciable lower than the ILEC business. Lastly, FCF was not explained well by access lines with a coefficient of -0.68, and an R^2 of 0.13. These results imply CenturyTel is displaying positive trends despite access line declines.

We did make one significant adjustment to the CenturyTel data. In 3Q07, the company received the last significant regulatory true-up of a certain nature that, due to changes in regulation and accounting, we do not expect them to receive going forward. Regulatory true-ups from the Universal Service Fund (USF) and access revenue are a fact of life for ILECs, but this one significantly skewed the data to the extent that the EBITDAS displayed negative slope and the R^2 was not significant. We have excluded this to make the outlook more representative of the future trends, although we did add it back to prior periods where it was applicable because it is legitimate revenue and cash flow that the company is recognizing in its entirety going forward. Other carriers have not had these issues to this extent.

CenturyTel Revenue

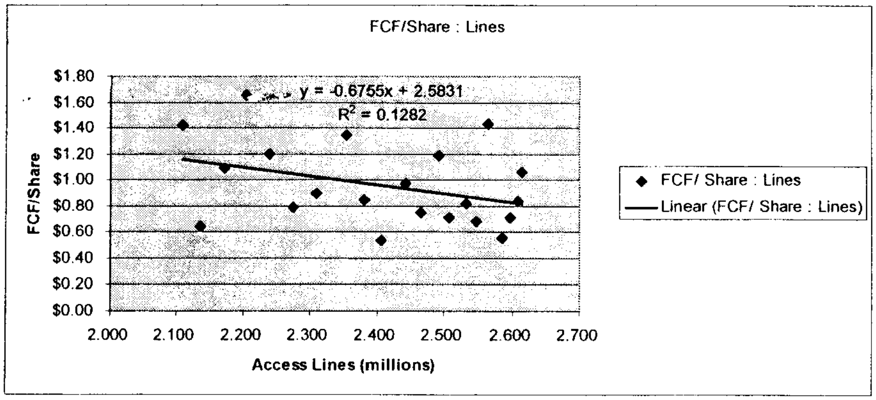


CenturyTel EBITDAS



Source: Company reports and Raymond James estimates.

CenturyTel FCF/Share

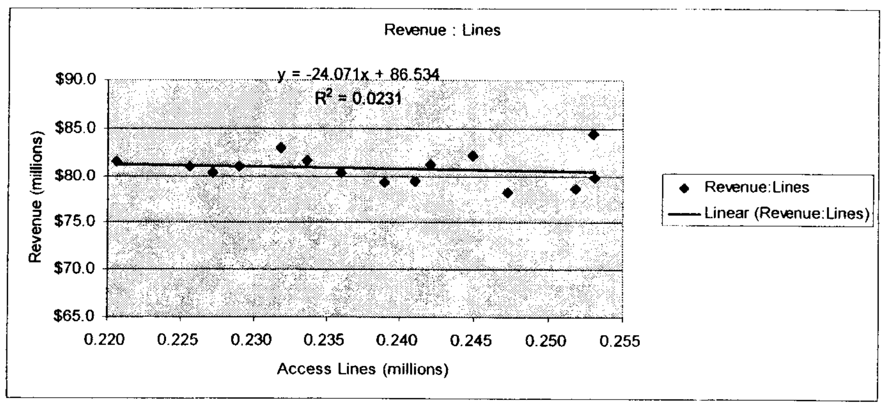


Source: Company reports and Raymond James estimates.

Consolidated Communications

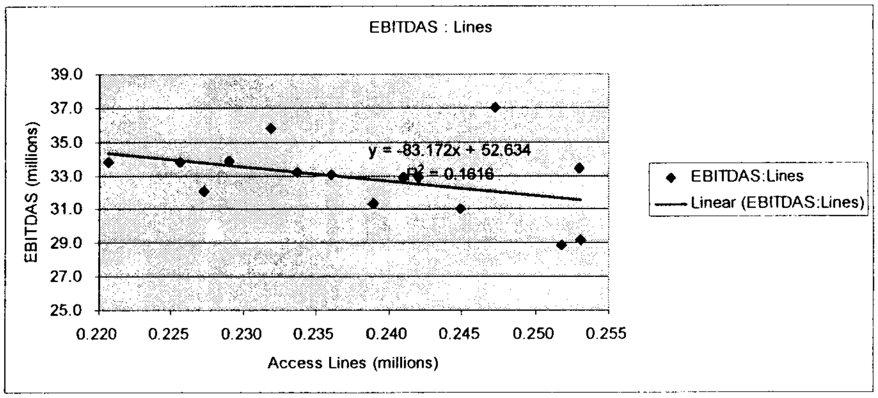
Consolidated Communications is also relatively M&A free over our study period (we have excluded the North Pittsburgh acquisition results from 1Q08 for the purposes of this report), and also a rate of return ILEC. The regression for Consolidated tells us that access lines do not explain the variation of revenue for the company, with a regression coefficient of -24.1, due to the negative slope (implying revenue increases as access lines decline). The R^2 for the revenue regression is also relatively low at 0.02. EBITDAS was also not explained well by access lines given a high f-statistic p-value of 0.14 and the R^2 for the EBITDAS was 0.16, also implying the explanation of the variance is not well tied to access lines. FCF demonstrated similar trends with a regression coefficient of 6.0 and a p-value of 0.38 and an R^2 of 0.06. Again, regression coefficients are negative for revenue and EBITDAS, further implying they are not explained well by access line variations.

Consolidated Revenue

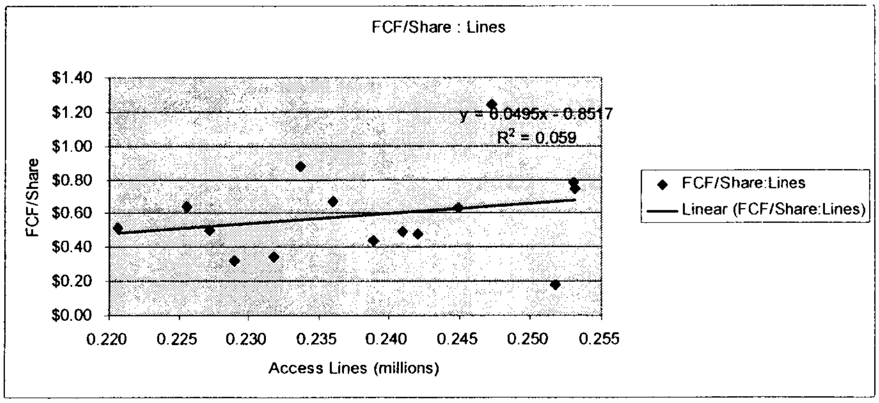


Source: Company reports and Raymond James estimates.

Consolidated EBITDAS



Consolidated FCF/Share



Source: Company reports and Raymond James estimates.

Consolidated has done a solid job of driving xDSL and video revenue over the past few years as it has put the Illinois and Texas properties together, and we also suspect rate of return regulation has been a beneficiary. Consolidated's FCF has benefited from minority wireless partnerships it owns with Verizon, but this revenue does not impact top line or EBITDAS, making Consolidated a very attractive investment, in our opinion.

Inconclusive Companies

We have included AT&T, Embarq, and Windstream with the limited data that we have for them. Due to M&A, we only have limited data back to 2005. Unfortunately, this does not give us full regression data that we can have confidence in. To have full confidence, we would need at least 20 data points, but we have included these data points as a reference due to their impact in the industry, with the caveat that it is not statistically reliable.

Windstream

Windstream will be converting price cap from rate of return, following the FCC's approval of its petition, potentially obviating historical regression results, and rate of return is possibly benefiting the data we do have, given the results of other rate of return carriers. The data we have only goes back 13 periods.

The regression for Windstream tells us that access lines do not explain the variation of revenue for the company, with a regression coefficient of -61.2.

EBITDAS was also not explained well by access lines with a regression coefficient of -17.6. The R^2 for the revenue regression was 0.40 and for EBITDAS was .06.

AT&T

The data for AT&T only includes 13 periods due to the M&A activity between AT&T, SBC Bell South, and Cingular Wireless, giving an unclear picture prior to 2005. The regression for AT&T tells us that access lines don't explain the variation of revenue or EBITDAS AT&T, with regression coefficients of -110.0 and -183.0 respectively. Overall, access lines do not appear to be accurate predictors of revenue or EBITDAS, as wireless and data growth are overshadowing access line losses. However, it is negatively correlated, implying the counter intuitive concept that as access lines decline, revenue moves up nicely. We believe this is an interesting argument for looking at non-access line related revenue trends that are working below the surface. However, after excluding wireless, the coefficients flip to 220.0 for revenue and 105.1 for EBITDAS as AT&T's higher rate of access line losses was not able to be offset by other business segments. We believe this is the case among the carriers with more urban markets which have historically experienced access line declines at a higher rate than the rural carriers.

Embarq

The data for Embarq only includes 11 periods of pro-forma data due to their spin out from Sprint (S) in 2005, making it the least reliable of all the data we analyzed. As such, these are not very reliable regressions, and we believe the direction of the company has been fundamentally changing over this time period. Bearing this in mind, we caution investors in using this data to make investment decisions, although it does give a basic framework for items to watch going forward. The regression for Embarq tells us that access lines do explain the variation of revenue or EBITDAS, with regression coefficients of 95.3 and 56.3 respectively. These regressions are statistically significant at a 95% confidence level given their p-values of 4.8x10^-7 and .041. Overall, access lines do appear to be accurate predictors of revenue and of EBITDAS to a lesser degree, as Embarq may not have diversified as much as other ILECs, with wireless and data growth to overshadow access line losses. Furthermore, it is positively correlated, implying the concept that as access lines decline, revenues decline. Again we want to caution investors that this regression only includes 11 periods, so the results are not as strong as the other regressions in our report and shouldn't be extrapolated lightly.

Our research suggests that the further down the income statement and FCF model we go, the less predictive the regression is. Once again, despite the company's exposure to residential and cable growth, we point out that it's diversifying away from residential in favor of enterprise and wholesale revenue, and we believe the cost cutting that has been in place over the past two years has helped cash flow as well as made the cost structure more variable.

Conclusions

So what does all of this mean for our coverage universe? In aggregate, the data we have demonstrated in this report suggests ILEC access line changes often explain a larger amount of the changes in revenue than we would have previously suggested according to our linear regression analysis, but that often this relationship is negative. The reason for this inverse relationship is not as clear as we would like (because there are few publicly available data points to support these revenue sources), but we suspect it is due to a couple of key factors.

First, the ILECs have been diversifying away from traditional regulated residential telephone service, which is a positive dynamic for the future of the industry and the companies as a whole, given that access lines are not likely to begin to grow for some time. Some of these are more obvious, such as wireless growth at Cincinnati Bell and Alaska (as well as AT&T and Verizon). Others are less obvious, such as the flip side of wireless erosion, as special access and local and regional transport grow to support wireless carriers. Another less obvious piece is data traffic, especially from enterprise customers that are experiencing growth in demand along with other U.S. businesses in more urban markets.

The most consistent result of our linear regressions was found in EBITDAS and FCF, where the explanation of the variance in these items by changes in access lines was generally very low and/or not statistically significant using the tests and metrics we believed to be most relevant. This is really the key when considering that returning cash to shareholders is a very common theme espoused by management teams in the group. This is mostly done through significantly high dividend payouts, but also through large annual share repurchases that investors have come to expect and have factored into their models and investment decisions. As such, the ability to drive continued positive EBITDAS and FCF is just as critical for both of these investment themes to play out.

The bear case here is really four-fold. First, there is a strong relationship to revenue and access lines and that could eventually catch up with the industry. This leads to the second tenet of the bear case from our data, namely that the EBITDAS and FCF have been protected through cost cutting and efficiencies that have been gained over the past several years, and those will end and the decline will ensue. The third foundation for a bear case is that M&A has been keeping the efficiency curve going for some time, and that it will end and the erosion to the rest of the income statement will begin. The fourth would be that competition is not fully baked into these models, and as competition matures, these results will look quite different.

These are clearly concerns investors need to weigh, however we would argue the following. With regard to the strong relationship between revenue and access lines, if one believes this will catch up, they would need to consider the inverse relationship often observed, and what is causing it, could it change, and when. This is a more difficult item to nail down, but it does underscore that the ILECs are deriving increasing levels of revenue from non-traditional sources and from sources that are not tied to access lines.

Cost cutting is clearly a benefit and has likely driven EBITDAS stability. The question would be what is the profitability of the new revenue sources described above, and how variable are ILEC costs, really? We believe costs are more variable than is often viewed on the Street just judging from reported results (again, a positive case for rate of return carriers where cost adjustment potential is known to exist). We believe cost cutting can continue for some time, and regulatory benefits will not be taken away, as rural ILECs carry significantly more political clout than the average new report might imply.

On M&A, it could be the case that acquisitions have been keeping the industry's efficiencies going for same time, but we do not see irrational prices being paid for M&A, or even a very significant level of it occurring, either. These would be signs of an unhealthy industry trying to stay one step away from the bankruptcy lawyers. Additionally, with hundreds and hundreds of ILECs in the U.S., the length of any merger streak could be very long, and the benefits for the long term appear to strengthen the industry.

The competition aspect is also difficult to demonstrate either way. We do see continued wireless substitution and cable competition negatively impacting the space, and this is likely to continue. Wireless backhaul and transport is offsetting much of this erosion, but the actual relationship is not well known.

The introduction of video and satellite resale agreements is also a potentially positive offset to cable competition, as some carriers (Consolidated, Windstream, Citizens, and AT&T and Verizon to mention a few) have already begun to utilize this as an offset.

So, we view the ILEC industry as being more stable over the next few years than many on the Street give it credit for, especially in terms of EBITDAS and FCF trends that the investment theses are largely built on. We view companies like AT&T, Verizon, Cincinnati Bell, and Alaska as the best ways to invest in the space and avoid negative impact from access line trends. Additionally, we would view negative reactions by the Street to access line trends as buying opportunities for longer-term oriented investors.

We would like to extend a special thanks to Dr. Scott Brown, Raymond James Senior Economist for his help with the statistical analysis, and Mike Ciaccia, for his contribution to the data collection and analysis.

Public companies mentioned in this report.

Company Name	Ticker	Priced as of 06/19/08	RJ&A Rating (if Applicable)
Alaska Communications Systems Group Inc.	ALSK	$12.60	Outperform
AT&T Inc.	T	$35.15	Outperform
CenturyTel Inc.	CTL	$32.01	Market Perform
Cincinnati Bell Inc.	CBB	$4.11	Outperform
Citizens Communications	CZN	$11.15	Outperform
Consolidated Communications Holdings	CNSL	$15.71	Outperform
Embarq	EQ	$44.71	Strong Buy
Iowa Telecommunications	IWA	$18.68	Market Perform
Mediacom	MCCC	$5.87	
Qwest Communications Intl.	Q	$4.09	Underperform
Sprint Nextel Corp.	S	$8.28	Outperform
Verizon Communications	VZ	$36.50	Market Perform
Windstream Corp.	WIN	$13.05	Outperform

Important Investor Disclosures

Strong Buy (SB1)................Expected to appreciate and produce a total return of at least 15% and outperform the S&P 500 over the next six months. For higher yielding and more conservative equities, such as REITs and certain MLPs, a total return of at least 15% is expected to be realized over the next 12 months.

Outperform (MO2)................Expected to appreciate and outperform the S&P 500 over the next 12 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12 months.

Market Perform (MP3)..........Expected to perform generally in line with the S&P 500 over the next 12 months and is potentially a source of funds for more highly rated securities.

Underperform (MU4)............Expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold.

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Suitability ratings are not assigned to stocks rated Underperform (Sell). Projected 12-month price targets are assigned only to stocks rated Strong Buy or Outperform.

Suitability Categories (SR)

Total Return (TR) ....Lower risk equities possessing dividend yields above that of the S&P 500 and greater stability of principal.

Growth (G)............................Low to average risk equities with sound financials, more consistent earnings growth, possibly a small dividend, and the potential for long-term price appreciation.

Aggressive Growth (AG).....Medium or higher risk equities of companies in fast growing and competitive industries, with less predictable earnings and acceptable, but possibly more leveraged balance sheets.

High Risk (HR)......................Companies with less predictable earnings (or losses), rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and risk of principal.

Venture Risk (VR) ....Companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, and a substantial risk of principal.

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Raymond James Relationships: RJA expects to receive or intends to seek compensation for investment banking services from the subject companies in the next three months.

Company Name	Disclosure
Alaska Communications Systems Group Inc.	Raymond James & Associates makes a NASDAQ market in shares of ALSK.
Consolidated Communications Holdings	Raymond James & Associates makes a NASDAQ market in shares of CNSL.
Iowa Telecommunications	Raymond James & Associates received non-securities-related compensation from IWA within the past 12 months.
Windstream Corp.	Raymond James & Associates received non-securities-related compensation from WIN within the past 12 months.

General Risk Factors: Following are some general risk factors that pertain to the projected 12-month target prices included on our research for stocks rated Strong Buy or Outperform: (1) Industry fundamentals with respect to customer demand or product / service pricing could change and adversely impact expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes toward the sector or this stock; (3) Unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation; or (4) External factors that affect the U.S. economy, interest rates, the U.S. dollar or major segments of the economy could alter investor confidence and investment prospects.

Specific Investment Risks Related to the Industry or Issuer

Wireline Telecom Services Risk Factors
Wireline telecom services remain highly regulated, and should regulation become less favorable, promoting more competition or reducing subsidies for these companies, the sector could be negatively impacted. Technological substitution remains a highly credible threat toward most wireline telecom services companies' revenue and earnings. A large amount of debt could leverage the industry to the downside should earnings and cash flows face significant pressure.

Additional Risk and Disclosure information, as well as more information on the Raymond James rating system and suitability categories, is available at www.rjcapitalmarkets.com/SearchForDisclosures_main.asp. Copies of research or Raymond James' summary policies relating to research analyst independence can be obtained by contacting any Raymond James & Associates or Raymond James Financial Services office (please see www.raymondjames.com for office locations) or by calling (727) 567-1000, toll free (800) 237-5643 or sending a written request to the Equity Research Library, Raymond James & Associates, Inc., Tower 3, 6th Floor, 880 Carillon Parkway, St. Petersburg, FL 33716.

The views expressed in this report accurately reflect the personal views of the analyst(s) covering the subject securities. No part of said person's compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report. In addition, said analyst has not received compensation from any subject company in the last 12 months.

Investors should consider this report as only a single factor in making their investment decision.

For clients in the United Kingdom:

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Additional information is available on request.

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Exhibit TJG-3:

Pages from Nemont Web Site

Nemont
discover us

All for one. One for all.

Home | E-Bill
Employment | Local Links
Consumer Info | Contact Us

History | Scholarships | Board Members | Affiliations | Nemont Today | What's New | Call Before You Dig

Customer Center

- New Listings
- Payment Drop Sites
- Special Needs
- Contact Us
- Service Areas

Personal

- Long Distance
- Local Calling Services
- Wireless
- Internet

About Nemont - Williston, North Dakota

Serving the Williston and Trenton areas of North Dakota with digital switching and transport over an all digital fiber optic network, and advanced custom calling and CLASS features such as:

- Caller ID
- Voice Mail

Business Customer solutions include telecommunications equipment, key systems, PBX, ADSL, DS-1, DS-3, and DSO high speed data services.

Business

Let our Business Services Group design a solution right for your organization.

Learn why

WE OFFER SOLUTIONS FOR EQUIPMENT AND SERVICES

Ask Us About

INTERNET THE WAY IT WAS MEANT TO BE!

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Customer Center

- New Listings
- Payment Drop Sites
- Special Needs
- Contact Us
- Service Areas

Personal

- Long Distance
- Local Calling Services
- Wireless
- Internet

Nemont Long Distance

By choosing Nemont Long Distance for ALL of your long distance calls, just dial "1" plus the area code and telephone number you wish to call. There are no extra numbers to dial. You can also get calling cards, toll free numbers and calling cards.

Why Choose Nemont Long Distance?

- Only ONE Bill
- Only ONE Long Distance Carrier
- NO Monthly Fees
- NO Monthly Minimum Usage Charges
- NO Hidden Charges
- Locally Owned
- Answered By a Person Instead of a Machine
- PIC Change fee paid by Nemont Long Distance

ONLINE SIGN UP

Sign up online for Nemont Long Distance. Click here.

PIC FREEZE

Slamming is the "unauthorized changing of your Long Distance provider (s)."

Protect yourself from being slammed by filling out and sending this PIC FREEZE form online.

Or you can download the form, fill it out, and mail it to your local telephone company.

Residential and Business Rates

Available 24 hours a day, 7 days a week. 10¢/minute for all calls within the United States and Canada.

Business

Let our Business Services Group design a solution right for your organization.

Learn why

WE OFFER SOLUTIONS FOR EQUIPMENT AND SERVICES

Ask Us About

INTERNET THE WAY IT WAS MEANT TO BE!

High Speed Broadband Internet Solutions

Click here for details

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Calling Cards & Toll Free Number Services

Calling Cards
Nemont Long Distance calling cards are 35¢/minute and a 35¢ surcharge per call. Calling Cards are not automatically assigned, for more information call 1-800-636-6680.

Toll Free Numbers
Nemont Long Distance offers toll free numbers to business's or households who want to accept the charges for incoming calls. Calls from anywhere in the United States are billed at 15¢/minute, with a monthly service charge of $3.00. Calls from Canada are 30¢/minute, and also include the monthly service charge of $3.00. There is a one time set-up fee of $10.00.

International Calling

Nemont Long Distance International rates are very competitive. The rates to each country vary. Click here for international rates.

Terms & Conditions

Click here to review the terms and conditions.

Unlimited Long Distance Acceptable Use Policy

Nemont - Willston, North Dakota
Local Calling Services

Getting Started

Call Nemont Customer Service at 1-866-572-7744, to order new service or to makes changes to current services. A customer service specialist will explain rates, services available and will place the order for you.

Some information we will need to know to establish new service will be:

- Your name and complete address (physical address)
- Social Security Number
- Spousal Information/Joint Account
- Type of service you want (Residential/Business)
- Previous provider information
- Previous phone number and address
- Employment information
- Long Distance carrier you would like
- How you wish to be listed in the directory
- Special Needs (jacks/wiring)
- Neighbor's name
- Previous Resident

QUICKLINKS
Custom Calling Features

Worry Free Wire Maintenance
Voice Mail
Call Acceptance
Call Forward
Call Rejection
Caller ID
Call Waiting
Call Transfer
Home Intercom
Priority Call
Hot Line
Smart Line
Speed Calling
Distinctive Ring
Continuous Redial
Last Call Return
Call Trace
Three Way Calling

Custom Calling Features

Caller ID Blocking Options

Per Call Blocking

Per Line Blocking

Worry Free Wire Maintenance
If you subscribe to our Worry Free Wire Maintenance, we will repair your jack or inside wiring at ***no charge***. If you don't subscribe, we will be happy to repair the problem, however, we will charge you an isolation charge as well as labor and materials.

Voice Mail
Voice Mail provides an audio mailbox to record, store, retrieve, review, save and handle audio messages. The service will greet incoming callers with a personal or a standard greeting. It provides audio prompts and personal security codes for customers and users of the service. Customers can access the service from any tone signaling telephone. Voice Mail is available for residential and business users. In addition, we provide General Access Voice Mail.

Call Acceptance *64
Now you can protect your quiet time but still be reached by special people. You can program your phone to only allow specified callers to ring through (up to 15), to your telephone, all other callers will get a message suggesting they call back later and your phone doesn't ring.

Call Forward *72
Call Forward lets you forward incoming calls automatically to another phone number, by simply dialing a code to turn on and off the feature.

Call Forward Busy
When you are on the phone all incoming calls will be forwarded to your specified number. The specified number can be another number in the home, a cell phone or a different location.

Call Forward No Answer
You can program your phone to forward all calls not answered to another number. The other number can be a cell phone, another other number in the home, or a different location.

Call Forward Select
You can program your phone to forward only those calls from a special list of numbers to another number such as your cell phone. When your service is turned "on", calls from numbers in your "forward-to" list will be re-routed to your "forward-to" number. All others will ring at your phone, as usual.

Call Rejection *60
You can program your phone to reject calls from any number you place in the rejection list. When your service is "turned-on" any callers in this list will hear an announcement that you're not accepting calls at this time. All other calls will ring through as usual.

Call Rejection Anonymous *77
When you've turned this service "on" any callers who have blocked their number

from your Caller ID display will hear an announcement that you do not accept anonymous calls and that they should remove blocking and call back. All other calls will ring through as usual.

Caller ID Name
When you receive a call, the name and number of the person calling you is shown on your Caller ID display screen. A Caller ID Box or Caller ID phone is needed for this feature.

Caller ID Number
When you receive a call, the number of the person calling you is shown on your Caller ID display screen. A Caller ID Box or Caller ID phone is needed for this feature.

Call Waiting/Cancel Call Waiting
Call Waiting lets you answer another call even when you're already on the phone. If you're talking on the phone and someone else tries to call you, local or long distance, you hear a quick "beep" tone. Your second caller will hear only a normal ringing signal.

Call Waiting can be canceled on a per call basis, either before initiating a call or during an existing call. Cancel Call Waiting remains in effect only for that call. Once you hang up, or depress the "switchhook", Call Waiting is automatically restored. Any parties calling will receive a busy signal when Cancel Call Waiting is in effect. ***Note: You must have Three-Way Calling to Cancel Call Waiting during a call.***

Call Waiting Caller ID
Call Waiting ID allows the customer to control the disposition of incoming calls while in an off-hook condition via a visual display unit.

Additionally, it allows for the automatic display of a calling party's name and/or telephone number (excluding non-published and non-listed telephone numbers) to the called customer, which gives the called customer an opportunity to decide whether to answer the call immediately or not. The name and number are displayed on customer provided equipment.

The name displayed shall be the name associated with the calling telephone number as shown on the Company's records. The Company, in its discretion, may abbreviate or limit that name for display purposes. The Company does not assure accuracy, and it shall not be liable to any party.

Home Intercom
Use your phone to talk with someone in another part of the house, garage, workshop, or barn - wherever there's an extension.

Priority Call (VIP Alert) *61
When you make a list of special callers, your phone uses a special ring to announce calls from any of those numbers. If you also have Caller Waiting, you'll hear a special Call Waiting Tone.

Hotline
Hotline allows a customer to establish a switched connection to a predetermined number when the customer's telephone goes off-hook. No dialing is required and the call is processed immediately to the predetermined telephone number, automatically.

Smart Line
Smart Line allows a specific amount of time after the receiver is off-hook before it automatically dials a pre-designated number. This allows you to use the telephone normally but to ring a designated number simply by staying off-hook.

Speed Calling 8 or 30
Speed Calling allows you to reach 8 or 30 frequently called numbers by dialing just one or two digits instead of the entire phone number.

Distinctive Ring
Distinctive Ring allows you to have two telephone numbers assigned to the same line. You know who the call is for before you answer the phone, because each number has a distinctive ring. You can assign a number solely to the children, or you can assign a separate number to your home business and one to the family.

Continuous Redial *66
You can save time dialing busy number's over and over. Your phone can keep dialing a number while you go about your business, eliminating wasted time and aggravation. As soon as the line is free, your phone rings you and the call is automatically placed for you.

Last Call Return *69
Tired of rushing to catch a ringing telephone only to find out you just missed the call? Now, you can dial a special code and you will be given a recording of the phone number that last called.

Call Trace *57
When you receive a harassing call, you can dial a simple code to trace the source of that call. The information about that call is recorded in the telephone company's equipment. You will not be given the name or telephone number of the person who called.

At your request, trace information will be forwarded to local law enforcement for further action after the necessary forms have been signed.

Three Way Calling
Three-Way Calling lets you turn an everyday, two-way phone call into a three-way conference conversation. It's great for holidays or on special occasions, when you wish to exchange greetings with friends and relatives at two other locations.

Caller ID Blocking Options
Caller ID Blocking suppresses your name and number so that the called party with Calling Name and Number does not receive this information. Because there

may be occasions when you need to call anonymously, we will automatically equip your line with Per-Call Blocking at NO CHARGE.

Per Call Blocking *67
By dialing a special code before you place a call, you can prevent your phone number and name from appearing on the Caller ID display of the person receiving your call.

Per Line Blocking
When you request* Per-Line Blocking, you do not need to dial a code to block your name and number each time you place a call. Your number will automatically appear as "Private". To override Per-Line Blocking (allowing your number to be displayed) on an individual call, you must dial a special code *82, before placing the call.

You must call our office to subscribe to this service provided at* ***NO CHARGE.*

Return to top

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Phone: 1-800-636-6680 • Fax: 1-406-783-5274 • info@nemont.net

Nemont Wireless

Get The Freedom Of Mobility

Nemont provides wireless service in association with Triangle Communications. Nemont's wireless network is a reliable and extensive cellular and PCS network in Montana and northwest North Dakota. Wireless phones can be used throughout the US and Canada. Company locations with local customer service representatives and agents throughout the service area make it convenient to activate a wireless phone and make inquiries.

Nemont offers a number of different service plans and calling features, so it's easy to find the right plan for your needs.

Please review our Terms of Service.

Please review our Privacy Policy.

Please review our Hearing Aid Compatibility with Mobile Phones Overview & FAQ.

Please review our Return Policy.

Peace of mind for pennies a day! Read about our Handset Protection Plan.

Phone: 1-800-636-6680 • Fax: 1-406-783-5274 • info@nemont.net

Customer Center

- Internet Home
- Search Engines
- Local Links
- Service Areas
- High Speed Internet

Personal

- Check Your Time
- Change Your Password
- Webmail
- FAQ
- Terms of Service

Nemont Internet

Nemont provides unlimited local dial-up access and ADSL for customers. Toll free customer support, and a host of Internet resources including email are available.

ADSL - High speed internet is available in select service areas. Certain perimeter restrictions may apply.

Please contact us at help@nemont.net. Call us Monday-Friday, 8 a.m.-5 p.m. at 1-800-636-6680 for new activations, billing, or more information. For 24-hour tech support please call 1-888-338-0252 or email help@nemont.net.

Business

Let our Business Services Group design a solution right for your organization.

Learn why

WE OFFER SOLUTIONS FOR EQUIPMENT AND SERVICES

Ask Us About

OUR LATEST INTERNET NEWSLETTER
(click here)

Exhibit 3

Prehearing Order in Case No. PU-05-451

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Midcontinent Communications/North Dakota Telephone Company Rural Exemption Investigation

Case No. PU-05-451

PREHEARING ORDER

December 13, 2005

Upon a prehearing conference held December 9, 2005, Patrick W. Durick, Pearce & Durick, and J. G. Harrington, Dow, Lohnes & Albertson, PLLC, appearing for Midcontinent Communications; Donald A. Negaard, Pringle & Herigstad, P.C., and Thomas A. Moorman, Kraskin, Moorman & Cosson, LLC, appearing for North Dakota Telephone Company; and William W. Binek, Chief Counsel, and Patrick J. Fahn, Utilities Analysist, appearing for the North Dakota Public Service Commission, and pursuant to a stipulation by and among counsel for Midcontinent Communications and North Dakota Telephone Company, without objection by counsel for the North Dakota Public Service Commission, it is

ORDERED, that upon the completion of all pending discovery (whether "formal" or "informal"), expected to be done December 9, 2005, no further discovery shall be undertaken by Midcontinent Communication (for convenience, sometimes referred to as "Midco") or North Dakota Telephone Company (for convenience, sometimes referred to as "NDTC") except upon motion to the Commission's designated and acting hearing officer and in accordance with an order upon such motion, or otherwise as the Commission may allow; and it is further

ORDERED, that Midco shall serve and file its direct testimony and exhibits for the hearing not later than 4:30 p.m. C.S.T., December 21, 2005; and it is further

ORDERED, that NDTC shall serve and file its direct testimony and exhibits for the hearing not later than 4:30 p.m. C.S.T., January 9, 2006; and it is further

ORDERED, that Midco shall serve and file any rebuttal testimony and exhibits for the hearing not later than 4:30 p.m. C.S.T., January 16, 2006; and it is further

ORDERED, that no other or further filing of testimony or exhibits prior to the hearing shall be permitted except as the Commission may allow; and it is further

ORDERED, that all testimony and exhibits served and filed for the hearing pursuant to this order shall be served and filed electronically, provided, however, that if service and filing electronically cannot reasonably be accomplished service and filing shall be made by facsimile transmission upon advance notice given by telephone to the office of the person upon whom service electronically was attempted and to the offices of the North Dakota Public Service Commission for the attention of Illona A. Jeffcoat-Sacco, Executive Secretary; and it is further

ORDERED, that the hearing of this matter shall commence at 10:00 a.m. C.S.T., January 23, 2006, in the Commission Hearing Room, 12th Floor, State Capitol, Bismarck, North Dakota.

Dated at Bismarck, North Dakota this 13th day of December, 2005.

State of North Dakota
Public Service Commission

Al Wahl, Administrative Law Judge
Office of Administrative Hearings
1707 North 9th Street
Bismarck, North Dakota 58501
Telephone: (701) 328-3260

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Midcontinent Communications/North Dakota Telephone Company Rural Exemption Investigation

Case No. PU-05-451

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the **PREHEARING ORDER** was mailed, regular maul, on the 13 day of December, 2005, to:

Mr. Patrick W. Durick
Pearce & Durick
P.O. Box 400
Bismarck, ND 58502-0400

Mr. Don Negaard
Pringle & Herigstad, P.C.
P.O. Box 1000
Minot, ND 58702-1000

Mr. J. G. Harrington
Dow, Lohnes & Albertson, PLLC
1200 New Hampshire Avenue NW
Suite 800
Washington, DC 20036

Mr. Thomas J. Moorman
Kraskin, Moorman & Cosson, LLC
2120 L Street NW - Suite 520
Washington, DC 20037

and that a true and correct copy of the above document was mailed, inside mail, at the State Capitol on the 13 day of December, 2005, to:

Mr. William W. Binek
Chief Counsel
Public Service Commission
600 East Boulevard Avenue
Bismarck, ND 58505-0480

OFFICE OF ADMINISTRATIVE HEARINGS
Al Wahl, Administrative Law Judge

Louise Wetzel

Louise Wetzel