

From: Leslie Freet [mailto:leslie.freet@verizonbusiness.com]
Sent: Friday, October 26, 2007 3:45 PM
To: cburckhard@nvc.net
Cc: 'Buzacott, Alan'; jeffrey.quinn@verizonbusiness.com; 'Annette James'; john.trofimuk@verizonbusiness.com; leslie.freet@verizonbusiness.com
Subject: FW: Capital Tele Dispute Report - For your submission

October 26, 2007

Capital Telephone
ATTN: Chris Burckhard
3195 Dowlen Road Suite 101-411
Beaumont, TX 77706

Dear Chris,

This letter shall serve as notice that Verizon Business is disputing the interstate and intrastate switched access charges that Capital Telephone Company Inc (Capital) has billed to Verizon Business between July 2007 and October 2007.

Consistent with Section 2.4.1(D) of Capital Tariff FCC No. 1, Verizon Business is providing an attachment identifying a list of account numbers, dates of the disputed bills, and the disputed amounts, which total \$61,613.50 as of the October 2007 invoice period. Verizon Business hereby demands that Capital provide a full accounting and credit of the Disputed Charges. Until an accounting and credit is provided and the legality of the billed traffic is verified, Verizon Business asserts its rights to withhold further switched access charge payments.

According to our records, Capital's monthly access bills to Verizon Business jumped suddenly from zero in June, 2007 to over \$27,000 in October, 2007. Verizon Business has determined that the bills that Capital has issued to Verizon Business since July 2007 have consisted entirely of charges for traffic associated with an unlawful scheme to artificially increase the traffic that Verizon Business must route to Capital. In particular, Verizon Business has determined that the bills are inflated by the inclusion of charges for traffic routed to telephone numbers that Capital has assigned to companies advertising "free" chat lines. Verizon Business believes Capital has manufactured this increase in traffic through arrangements in which it makes net payments to communications service "customers" to direct calls to or through Capital's exchange. Such arrangements are unlawful under several provisions of the Communications Act, and may also be unlawful under other state and federal laws.

Because Capital's bills include charges for traffic associated with an unlawful scheme, and in the absence of any legitimate explanation for the highly anomalous jump in Capital's access bills, Verizon Business disputes Capital Telco's access bills from July 2007 to the present. As is permitted by the dispute provisions of Capital Tariff FCC No. 1, Verizon Business will withhold payment of Capital's July - October 2007, bills, and asserts its right to withhold future access charge payments, until this matter is resolved.

In order to facilitate resolution of this dispute, Verizon Business requests that Capital provide complete support for the disputed bills, including industry standard EMI-format call records. Verizon Business also requests that Capital provide a detailed explanation for the increase in Capital's access bills since July 2007, including a description of any financial arrangements under which Capital agreed to share switched access revenues with affiliated or unaffiliated entities, and a list of the telephone numbers that Capital has assigned to such entities.

Verizon Business also disputes Capital's access bills from July, 2007 to the present for a second reason. According to Capital's bills, Capital is billing Verizon Business for a total of 246 miles of tandem switched transport – 180 miles from the South Dakota Network tandem in Sioux Falls to a Capital "host" office in Frederick, SD and then an additional 66 miles from Frederick, SD to a Capital "remote" office in Redfield, SD. In all respects, the configuration reflected in Capital's billing – including the designation of the SDN tandem, the purported "host-remote" relationship, and Capital's billing of transport for the entire route from Sioux Falls to Redfield -- is inconsistent with applicable tariffs and an unreasonable practice in violation of the Communications Act because it has been manufactured for no purpose other than to inflate the switched access charges billed to inter-exchange carriers.

Sincerely,

Leslie Freet
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Verizon Business Line Cost Management
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Email: leslie.freet@verizonbusiness.com.