



Transcript Exhibit(s)

Docket #(s): T-02584A-02-0268

T-02584A-91-0016

Exhibit #: A1, A2, A3, S1, S2

DOCKETED

JAN 16 1991

AZ CORP
JAN 16 12 43 PM '91

DOCKETED BY *[Signature]*

BEFORE THE ARIZONA CORPORATION COMMISSION

DOCUMENT
CONTROL

APPLICATION OF EXCEL
TELECOMMUNICATIONS, INC.
FOR CERTIFICATE OF CON-
VENIENCE AND NECESSITY
AS A TELECOMMUNICATIONS
RESELLER WITHIN THE STATE
OF ARIZONA

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§

APPLICATION NO. U-2584-91-016

EXHIBIT
tabbles
A-1
Admitted

APPLICATION

Excel Telecommunications, Inc. ("Applicant" or "Excel") respectfully requests that it be granted permission to establish service as a long distance telecommunications reseller under the provisions of Arizona Revised Statutes Section 40-101 et. seq., and the Arizona Administrative Code for fixed utilities R14-2-502. Applicant's application and all exhibits attached thereto are in accordance with the applicable sections of Title 14, Chapter 2 of the Arizona Administrative Code.

In support of its application, Applicant provides the following information:

A. The correct name, address, and telephone number of the applicant:

Excel Telecommunications, Inc.
11910 Greenville Avenue, Suite 400
Dallas, Texas 75243

(214) 783-4567

The postal address is as follows:

Excel Telecommunications, Inc.
Post Office Box 744114
Dallas, Texas 75374

- B. Name, address and telephone number of the management contact for the Applicant:

Mr. Kenny A. Troutt, President
Excel Telecommunications, Inc.
Post Office Box 744114
Dallas, Texas 75374

(214) 783-4567

- C. Name, address and telephone number of the attorney for the Applicant:

- D. Describe in detail the nature of the services the Applicant will provide.

Applicant seeks authority to operate as a reseller of telecommunications services throughout the State of Arizona. Such authority would include 24 hour originating and terminating intrastate interLATA calls of business and residential customers. Applicant is a pure reseller, and will provide service solely by reselling calls routed over facilities owned by other carriers. Applicant has no switches or other telecommunications facilities of its own, and is therefore not a facilities-based carrier. Applicant is not an alternative operator service provider.

- E. Indicate whether the applicant is a "C" Corporation, "S" Corporation, Partnership, Sole Proprietorship, etc.

Applicant is a "C" Corporation.

F. 1. Provide a copy of the Articles of incorporation.

Attached as Exhibit I.

- a. Provide a copy of the "Authority to Transact Business in Arizona."

Attached as Exhibit II.

- b. Provide a copy of a current "Certificate of Good Standing" from the State of Arizona and the State of Incorporation.

"Certificate of Good Standing" from the State of Texas is attached as Exhibit III. Applicant has only recently received qualification from the Arizona Secretary of State to transact business in the State of Arizona, and not yet initiated business activity in the State of Arizona, and therefore does not submit a Certificate of Good Standing from the State of Arizona.

2. List the names of the officers and directors.

The sole officer and director of Excel Telecommunications, Inc. is Kenny A. Troutt, President.

3. Not applicable, as Applicant is not an Arizona corporation.

G. Not applicable as Applicant is not a Partnership.

H. Not applicable as Applicant is not a sole Proprietorship.

I. Not applicable as the Applicant will have no facilities in Arizona.

J. Not applicable as the Applicant will construct no facilities in Arizona.

K. Not applicable as the applicant will construct no facilities in Arizona.

L. Provide the actual number of customers, by class, within the service area as of the time of the filing

and the estimated number of customers to be served for each of the first five years of operation.

Excel has no customers in Arizona at the present time.

Projections for the first five years of operation are as follows:

	RESIDENTIAL	BUSINESS
1991	120	48
1992	240	96
1993	360	144
1994	480	192
1995	600	240

- M. Provide a current balance sheet and a one year projected balance sheet that will reflect the first year of operation after a Certificate issues.

Attached as Exhibits IV and V.

- N. Provide a current income statement, and indicate whether this statement is Arizona jurisdictional information or company combined.

See company combined current income statement, attached as Exhibit VI.

- O. Indicate the date the utility expects it will begin to make a profit.

Excel is currently profitable.

- P. Provide a complete copy of your proposed tariffs which describe all the rates and charges, terms and conditions or Rules under which the Applicant will provide service.

Attached as Exhibit VII.

WHEREFORE, premises considered, Excel respectfully requests that its application for a Certificate of Convenience and Necessity to provide interexchange telecommunications service in Arizona be granted.

Dated at Dallas, Texas this 15 day of January
1991.

Respectfully submitted,

Kenny A. Tracht

EXHIBIT I
ARTICLES OF INCORPORATION



The State of Texas
Secretary of State

DEC. 6, 1988

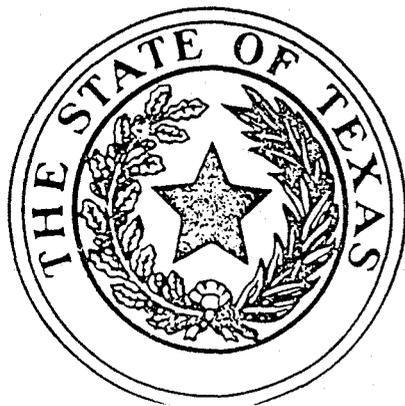
DAVID L. SHERWOOD
600 NORTH DALLAS BANK TOWER 12900 PRESTON RD
DALLAS ,TX 75230

RE:
EXCEL TELECOMMUNICATIONS, INC.
CHARTER NUMBER 01096708-00

IT HAS BEEN OUR PLEASURE TO APPROVE AND PLACE ON RECORD THE ARTICLES OF INCORPORATION THAT CREATED YOUR CORPORATION. WE EXTEND OUR BEST WISHES FOR SUCCESS IN YOUR NEW VENTURE.

AS A CORPORATION, YOU ARE SUBJECT TO STATE TAX LAWS. SOME NON-PROFIT CORPORATIONS ARE EXEMPT FROM THE PAYMENT OF FRANCHISE TAXES AND MAY ALSO BE EXEMPT FROM THE PAYMENT OF SALES AND USE TAX ON THE PURCHASE OF TAXABLE ITEMS. IF YOU FEEL THAT UNDER THE LAW YOUR CORPORATION IS ENTITLED TO BE EXEMPT YOU MUST APPLY TO THE COMPTROLLER OF PUBLIC ACCOUNTS FOR THE EXEMPTION. THE SECRETARY OF STATE CANNOT MAKE SUCH DETERMINATION FOR YOUR CORPORATION.

IF WE CAN BE OF FURTHER SERVICE AT ANY TIME, PLEASE LET US KNOW.



VERY TRULY YOURS,

Carl M. Reins

Secretary of State



The State of Texas
Secretary of State

CERTIFICATE OF INCORPORATION

OF

EXCEL TELECOMMUNICATIONS, INC.
CHARTER NUMBER 01096708

THE UNDERSIGNED, AS SECRETARY OF STATE OF THE STATE OF TEXAS,
HEREBY CERTIFIES THAT ARTICLES OF INCORPORATION FOR THE ABOVE
CORPORATION, DULY SIGNED AND VERIFIED HAVE BEEN RECEIVED IN THIS
OFFICE AND ARE FOUND TO CONFORM TO LAW.

ACCORDINGLY THE UNDERSIGNED, AS SUCH SECRETARY OF STATE, AND BY
VIRTUE OF THE AUTHORITY VESTED IN THE SECRETARY BY LAW, HEREBY ISSUES
THIS CERTIFICATE OF INCORPORATION AND ATTACHES HERETO A COPY OF THE
ARTICLES OF INCORPORATION.

ISSUANCE OF THIS CERTIFICATE OF INCORPORATION DOES NOT AUTHORIZE THE
USE OF A CORPORATE NAME IN THIS STATE IN VIOLATION OF THE RIGHTS OF ANOTHER
UNDER THE FEDERAL TRADEMARK ACT OF 1946, THE TEXAS TRADEMARK LAW, THE
ASSUMED BUSINESS OR PROFESSIONAL NAME ACT OR THE COMMON LAW.

DATED DEC 6, 1988



Paul M. Raines
Secretary of State

ARTICLES OF INCORPORATION
OF
EXCEL TELECOMMUNICATIONS, INC.

FILED
In the Office of the
Secretary of State of Texas

DEC 06 1988

Clerk I-B
Corporations Section

Article I

The name of the corporation is EXCEL TELECOMMUNICATIONS, INC.

Article II

The period of its duration is perpetual.

Article III

The purpose for which the corporation is organized is the transaction of any or all lawful business for which corporations may be incorporated under the Texas Business Corporation Act.

Article IV

The aggregate number of shares which the corporation shall have authority to issue is one hundred thousand (100,000) shares of no par value.

Article V

The corporation will not commence business until it has received for the issuance of shares consideration of the value of One Thousand Dollars (\$1,000.00) consisting of money, labor done, or property actually received.

Article VI

The street address of its initial registered office is 12202 Pleasant Valley Drive, Dallas, Texas 75243, and the name of its initial registered agent at such address is Kenny A. Troutt.

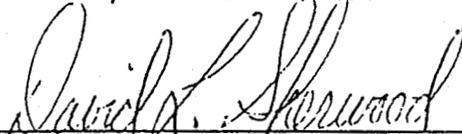
Article VII

Kenny A. Troutt shall constitute the initial sole director of the Board of Directors, and he shall serve as director until the first annual meeting of the shareholders, or until his successor shall be elected and qualify. The address of said director is:

Kenny A. Troutt 12202 Pleasant Valley Drive
Dallas, Texas 75243

Article VIII

The name and address of the incorporator is David L. Sherwood, Post Office Box 670035, Dallas, Texas 75230.

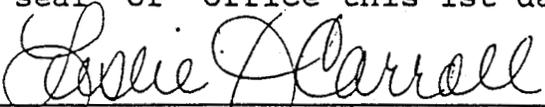


DAVID L. SHERWOOD

STATE OF TEXAS)
 :ss.
COUNTY OF DALLAS)

BEFORE ME, the undersigned Notary Public, on this day personally appeared DAVID L. SHERWOOD, known to me to be the person whose name is subscribed to the foregoing document, and being by me first duly sworn, declared that the statements therein contained are true and correct.

GIVEN under my hand and seal of office this 1st day of December, 1988.



NOTARY PUBLIC, State of Texas

My commission expires:
3/22/92

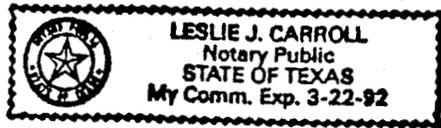


EXHIBIT II

AUTHORITY TO TRANSACT BUSINESS IN ARIZONA



ARIZONA CORPORATION COMMISSION

November 8, 1990

Excel Telecommunications, Inc.

We are pleased to notify you that your Application for Authority to transact business in Arizona was approved and filed on November 8, 1990

You must publish a copy of your Application for Authority WITHIN SIXTY (60) DAYS from the File Date. The publication must be in a newspaper of general circulation in Maricopa County, for three (3) consecutive publications. An Affidavit from the newspaper, evidencing such publication, must be delivered to the Commission for filing WITHIN NINETY (90) DAYS from the File Date.

All corporations transacting business in Arizona are required to file an Annual Report with the Commission, no later than the 15th day of the fourth (4th) month following the close of each fiscal year. Your fiscal year end is December 31, 1990. A preprinted Annual Report form will be mailed to you during that month.

If you have any questions or need further information, please contact us at (602)542-3135 or Toll Free (Arizona residents only) 1-800-345-5819.

Very truly yours,

Sonia Greer

Examiner Technician
Corporations Division
Arizona Corporation Commission

Nov 1 3 39 PM '90

FILED BY Sonia Serr
DATE FILED 11/7/90
TERM _____
DATE _____ TIME _____

APPLICATION FOR AUTHORITY OF

f- 046200

Excel Telecommunications, Inc.

Exact Corporate Name

TO: CORPORATION COMMISSION, STATE OF ARIZONA
P. O. Box 6019, Phoenix, Arizona 85005
(or)
402 West Congress, Tucson, Arizona 85701

PURSUANT TO THE PROVISIONS OF SECTIONS 10-110, 10-111 and 10-118, ARIZONA BUSINESS CORPORATION ACT, THE UNDERSIGNED CORPORATION HEREBY APPLIES FOR AUTHORITY TO TRANSACT BUSINESS IN ARIZONA.

FIRST: This application is:

- (1) An original application pursuant to A.R.S. Sec. 10-110.
- (2) An application for new authority pursuant to A.R.S. Sec. 10-118 as a result of:
 - (a) A change in the corporation's name as set forth in the second paragraph.
 - (b) A desire to pursue in this State different or additional purposes than those set forth in the corporation's prior Application for Authority as more fully described in the ninth paragraph herein.

SECOND: The name of the corporation is: _____

Excel Telecommunications, Inc.

THIRD: If the name of the corporation does not contain the word "association", "bank", "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in ARIZONA is:

FISCAL YEAR END: December 31

FOURTH: It is incorporated under the laws of Texas

FIFTH: The date of its incorporation is December 6, 1988
and the period of its duration is Perpetual

SIXTH: The address of its principal office in the jurisdiction under the laws of the state or county in which it is incorporated is: 11910 Greenville Ave, 4th Floor
Dallas, TX 75374

SEVENTH: The address of the proposed known place of business in Arizona is: C T CORPORATION SYSTEM,
3225 North Central Avenue, Phoenix, Maricopa County, Arizona 85012

EIGHTH: The name and address of the proposed statutory agent in Arizona is:
C T CORPORATION SYSTEM, 3225 North Central Avenue,
Phoenix, Maricopa County, Arizona 85012

NINTH: A brief statement of the character of the business which the corporation initially intends to conduct in Arizona and the purpose for which the corporation is organized is:
To provide 24-hour commercial and residential long distance
telecommunications service.

and the transaction of all lawful business for which corporations may be incorporated under the Arizona Business Corporation Act.

TENTH: The names and respective addresses of its directors and officers are:
NAME OFFICE ADDRESS DATE OF TAKING OFFICE
Kenny Troutt, President/Secy/Treas/Direc. 12202 Pleasant Valley Dr., Dallas TX 75243

ELEVENTH: The aggregate number of shares which it is authorized to issue, itemized by class, par value of shares, shares without par value, and series, if any, within a class is:

Number of Shares	Class	Series	Par Value Per Share or Statement That Shares Are Without Par Value
100,000	Common	----	NO PAR

TWELFTH: The aggregate number of its issued shares, itemized by class, par value of shares, shares without par value, and series, if any, within a class is:

Number of Shares	Class	Series	Par Value Per Share or Statement That Shares Are Without Par Value
100,000	Common	----	NO PAR

THIRTEENTH: The amount of its stated capital, as defined in the Arizona Business Corporation Act is:
\$ 350,000

FOURTEENTH: The application is accompanied by a copy of its Articles of Incorporation and all amendments thereto, duly authenticated by the proper officer of the State or County under the laws of which it is incorporated.

FIFTEENTH: Has any person(s): (a) serving either by election or appointment as an officer, director or trustee, incorporator of the corporation, (b) controlling or holding 20% of the proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked?

YES _____ NO X

If your answer to the above question is "YES", you MUST attach the following information for each such corporation:

1. Name and address of the corporation.
2. Full name, including alias(es) and address(es) of each person or person(s) involved.
3. State(s) in which the corporation:
 - (a) Was incorporated
 - (b) Has transacted business
4. Dates of corporate operation.
5. A description of the bankruptcy, receivership or charter revocation, including the date, the court or agency involved, and the file or cause number of the case.

SIXTEENTH: Under penalties of law, I declare that I will comply with the provisions of A.R.S. Sec. 10-128.01.

Under penalties of law, I declare that I have examined this application and to the best of my knowledge and belief it is true, correct and complete.

Excel Telecommunications, Inc.

(CORPORATE NAME)

By: Kenny A Troutt Pres
President Kenny Troutt

By: Kenny A Troutt Pres
Secretary Kenny Troutt

I, E. Wayne Patterson, having been designated to act as Statutory Agent, hereby consent to act in that capacity until removed or resignation is submitted in accordance with the Arizona Revised Statutes.

E. Wayne Patterson
(Signature of Statutory Agent)

E. Wayne Patterson, Assistant Vice President

ARIZONA CORPORATION COMMISSION
INCORPORATING DIVISION

Phoenix Address: 1200 West Washington
Phoenix, Arizona 85007

Tucson Address: 402 West Congress
Tucson, Arizona 85701

CERTIFICATE OF DISCLOSURE

A.R.S. Sections 10-128 & 10-1084

PLEASE SEE REVERSE SIDE

Excel Telecommunications, Inc.
EXACT CORPORATE NAME

CHECK APPROPRIATE BOX(ES) A or B
ANSWER "C"

THE UNDERSIGNED CERTIFY THAT:

A. No persons serving either by elections or appointment as officers, directors, incorporators and persons controlling, or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:

1. Have been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraining the trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate where such injunction, judgment, decree or permanent order:
- (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
 - (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
 - (c) Involved the violation of the antitrust or restraint of trade laws of that jurisdiction.

B. For any person or persons who have been or are subject to one or more of the statements in Items A.1 through A.3 above, the following information MUST be attached:

1. Full name and prior name(s) used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7-year period).
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

STATEMENT OF BANKRUPTCY, RECEIVERSHIP OR REVOCATION

A.R.S. Sections 10-128.01 and 10-1083

C. Has any person serving (a) either by election or appointment as an officer, director, trustee or incorporator of the corporation or, (b) major stockholder possessing or controlling any proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked? YES ___ NO X

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION:

- 1. Name and address of the corporation.
- 2. Full name, including alias and address of each person involved.
- 3. State(s) in which the corporation:
 - (a) Was incorporated.
 - (b) Has transacted business.
- 4. Dates of corporate operation.
- 5. A description of the bankruptcy, receivership or charter revocation, including the date, court or agency involved and the file or cause number of the case.

Under penalties of law, the undersigned incorporators/Officers declare that we have examined this Certificate, including any attachments, and to the best of our knowledge and belief it is true, correct and complete.

BY Kenny A Troutt DATE 10/28/9
TITLE Kenny Troutt, President

BY Kenny A Troutt DATE 10/28/9
TITLE Kenny Troutt, Secretary

FISCAL DATE: _____

Arizona News Service, Inc.

P.O. Box 2260

Phoenix, Arizona 85002

(602) 258-7026

Arizona Capitol Times • Arizona Legislative Report • Yellow Sheet Report • LOLA

ARIZONA CAPITOL TIMES

AFFIDAVIT OF PUBLICATION

RECEIVED
DEC 20 1990
ARIZONA CORP. COMMISSION

STATE OF ARIZONA)
County of Maricopa) ss

DIANA CREIGHTON, being duly sworn deposes and says: I am the Associate Publisher of the ARIZONA CAPITOL TIMES, a weekly newspaper of general circulation published at Phoenix, Maricopa County, Arizona, and that the

Application for Authority

(Filed: 11/8/90)

of

EXCEL TELECOMMUNICATIONS, INC.

was published in said newspaper once a week for three successive and/or consecutive weeks, with publication dates as follows:
December 5, 12 and 19, 1990

Diana Creighton

Subscribed and sworn to before me this 20th day of December, 1990

Jodie L. Boursell



OFFICIAL SEAL
JODIE L. BOURSELL
Notary Public - Arizona
Principal Offices in
Maricopa County
My Commission Expires Oct. 19, 1991

EXHIBIT III
CERTIFICATE OF GOOD STANDING



BOB BULLOCK
Comptroller

COMPTROLLER OF PUBLIC ACCOUNTS
STATE OF TEXAS
AUSTIN, 78774

NOVEMBER 28, 1990

COYLE KELLY
1004 WEST AVE
AUSTIN, TX 78701

THE STATE OF TEXAS

COUNTY OF TRAVIS

I, Bob Bullock, Comptroller of Public Accounts of the State of Texas,
DO HEREBY CERTIFY that according to the records of this office
EXCEL TELECOMMUNICATIONS INC
is, as of this date, in good standing with this office, for the
purpose of dissolution, merger or withdrawal having filed the
required franchise tax reports and having paid the franchise tax
computed to be due thereunder through April 30, 1991.

GIVEN UNDER MY HAND AND SEAL OF OFFICE
in the City of Austin, this 28th day
of November, 1990, A.D.

BOB BULLOCK
COMPTROLLER OF PUBLIC ACCOUNTS

EXHIBIT IV
CURRENT BALANCE SHEET

EXCEL TELECOMMUNICATIONS, INC.

BALANCE SHEET

AT SEPTEMBER 30, 1990
WITH COMPARATIVE STATEMENT FOR SEPTEMBER 30, 1989

A S S E T S

	<u>SEPTEMBER</u> <u>30, 1990</u>	<u>SEPTEMBER</u> <u>30, 1989</u>
<u>CURRENT ASSETS:</u>		
Cash in Bank	\$ 339,956.95	\$ 2,706.46
Petty Cash	400.00	.00
Accounts Receivable	761,482.74	112,854.54
Employee Receivables	13,948.60	10,316.62
Annual Service Charge Receivable	25,018.50	25,794.00
Investor Receivables	.00	2,873.00
Miscellaneous Receivables	<u>15,489.34</u>	<u>1,988.16</u>
TOTAL CURRENT ASSETS	\$1,156,296.13	\$156,532.78
 <u>OFFICE FURNITURE & EQUIPMENT:</u>		
Furniture & Equipment	\$ 49,857.95	\$ 18,357.07
Less:		
Accumulated Depreciation	<u>(7,748.47)</u>	<u>(2,088.89)</u>
TOTAL FURNITURE & EQUIPMENT	\$ 42,109.48	\$ 16,268.18
 <u>OTHER ASSETS:</u>		
Refundable Deposits	\$ 13,456.24	\$ 675.00
Organization Costs	750.00	750.00
Less:		
Accumulated Amortization	<u>(150.00)</u>	<u>.00</u>
TOTAL OTHER ASSETS	\$ 14,056.24	\$ 1,425.00
 TOTAL ASSETS	 <u>\$1,212,461.85</u>	 <u>\$174,225.96</u>

EXCEL TELECOMMUNICATIONS, INC.

BALANCE SHEET

AT SEPTEMBER 30, 1990

WITH COMPARATIVE STATEMENT FOR SEPTEMBER 30, 1989

LIABILITIES

	<u>SEPTEMBER</u> <u>30, 1990</u>	<u>SEPTEMBER</u> <u>30, 1989</u>
<u>CURRENT LIABILITIES:</u>		
Accounts Payable	\$ 374,928.57	\$ 27,396.85
Payroll Taxes Payable	6,505.62	1,602.99
Sales Tax Payable	1,937.07	3,161.38
Federal Excise Tax Payable	5,183.81	1,928.96
911 Surcharge Tax Payable	56.03	.00
TOTAL CURRENT LIABILITIES	<u>\$ 388,611.10</u>	<u>\$ 34,090.18</u>
<u>SHORT TERM LIABILITIES:</u>		
Notes Payable	<u>\$ 48,546.51</u>	<u>\$ 3,000.00</u>
TOTAL SHORT TERM LIABILITIES	<u>\$ 48,546.51</u>	<u>\$ 3,000.00</u>
<u>LONG TERM LIABILITIES:</u>		
Loans from Inventors	<u>\$ 257,054.00</u>	<u>\$ 201,750.00</u>
TOTAL LONG TERM LIABILITIES	<u>\$ 257,054.00</u>	<u>\$ 201,750.00</u>
TOTAL LIABILITIES	<u>\$ 694,211.61</u>	<u>\$ 238,840.18</u>
 <u>STOCKHOLDER'S EQUITY</u>		
Common Stock	\$ 1,000.00	\$.00
Treasury Stock	(24,000.00)	.00
Retained Earnings-Beginning	(109,468.95)	.00
Profit (Loss) Year Todate	<u>650,719.19</u>	<u>(64,614.22)</u>
TOTAL STOCKHOLDER'S EQUITY	<u>\$ 518,250.24</u>	<u>\$ (64,614.22)</u>
TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	<u><u>\$1,212,461.85</u></u>	<u><u>\$ 174,225.96</u></u>

EXHIBIT V
PROJECTED BALANCE SHEET

EXCEL TELECOMMUNICATIONS, INC.
ONE YEAR PROJECTED BALANCE SHEET
AT DECEMBER 31, 1991

A S S E T S

CURRENT ASSETS:

Cash	\$ 680,000
Accounts Receivable	1,500,000
Miscellaneous Receivables	<u>100,000</u>
TOTAL CURRENT ASSETS	\$2,280,000

OFFICE FURNITURE & EQUIPMENT:

Furniture & Equipment	\$ 100,000
Less:	
Accumulated Depreciation	<u>(15,000)</u>
TOTAL FURNITURE & EQUIPMENT	\$ 85,000

OTHER ASSETS:

Refundable Deposits	\$ 27,000
Organizaion Costs	750
Less:	
Accumulated Amortization	<u>(300)</u>
TOTAL OTHER ASSETS	\$ 27,450

TOTAL ASSETS	<u>\$2,392,450</u>
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EXCEL TELECOMMUNICATIONS, INC.
ONE YEAR PROJECTED BALANCE SHEET
AT DECEMBER 31, 1991

L I A B I L I T I E S

CURRENT LIABILITIES:

Accounts payable	\$ 700,000
Taxes payable	<u>27,000</u>
Total Current Liabilities	\$ 727,000

SHORT TERM LIABILITIES:

Notes payable	\$ <u>100,000</u>
TOTAL SHORT TERM LIABILITIES	\$ 100,000

LONG TERM LIABILITIES:

Loans from Investors	\$ <u>500,000</u>
TOTAL LONG TERM LIABILITIES	\$ 500,000

TOTAL LIABILITIES: \$1,327,000

S T O C K H O L D E R ' S E Q U I T Y

Common Stock	\$ 1,000
Retained Earnings-Beginning	150,000
Profit Year to Date	<u>914,450</u>
TOTAL STOCKHOLDER'S EQUITY	\$1,065,450

TOTAL LIABILITIES & STOCKHOLDER'S EQUITY \$2,392,450

EXHIBIT VI

COMPANY COMBINED CURRENT INCOME STATEMENT

EXCEL TELECOMMUNICATIONS, INC.
STATEMENT OF INCOME
FOR NINE MONTHS ENDED SEPTEMBER 30, 1990

	<u>SEPTEMBER</u> <u>30, 1990</u>	<u>YEAR TODATE</u> <u>1990</u>
<u>INCOME:</u>		
Long Distance Telephone Service	\$489,181.05	\$1,616,362.88
800 Telephone Service	210.00	920.00
Service Charges	.00	120.00
Annual Service Charge	.00	7,783.32
Annual Application Fees	.00	135.00
Area Coordinator Fees	56,345.00	457,109.00
Managing Representative Fees	177,550.00	899,469.00
Independent Representative Fees	15,725.00	71,975.80
Sales Aids	64,418.00	216,283.67
Shipping Fees	4,410.62	10,591.21
Voice Mail	1,360.00	5,222.00
A.L.D. Management Fee	39,918.34	149,271.47
Interest Income	.00	573.26
TOTAL INCOME	\$849,118.01	\$3,435,816.61

COST OF SALES:

Line Charges	\$372,458.85	\$1,132,800.52
Sales Commission	75,697.00	276,049.69
Corporate Commission	21,550.00	166,913.63
Long Distance Usage Commission	26,037.06	54,346.40
Training Commission	49,142.00	161,959.00
Travel Expense	12,679.93	60,144.92
Business Meeting	(361.19)	8,532.83
Advertising & Marketing Material	52,220.16	211,027.86
Promotions/Trips	.00	4,314.30
Customer Calling Cards	.00	8,471.42
Discounts & Credit Card Fees	6,185.08	29,139.39
Shipping Costs	8,461.24	26,724.33
Shipping Supplies	358.14	1,476.55
TOTAL COST OF SALES	\$624,428.27	\$2,141,900.84
GROSS PROFIT	\$224,689.74	\$1,293,915.77

OPERATING EXPENSES:

Salaries	\$ 44,578.41	\$ 197,944.09
Contract Labor	14,853.04	51,116.09
Bad Debt	1,823.67	14,403.58
Southwestern Bell Billing Fee	5,150.87	26,764.73
N.B.C. Billing Fee	753.22	4,721.48
Data Masters Billing Fee	1,523.95	6,322.97
Factoring Commission	6,764.59	23,484.19
Back Charges	.00	33,847.31
Advertising & Promotion	253.87	1,911.03
Automobile Expense	.00	147.17

	SEPTEMBER 30, 1990	YEAR TODATE 1990
Bank Charges	\$ 90.09	\$ 1,057.01
Delivery Charges	745.75	5,019.49
Depreciation Expense	720.09	4,097.05
Dues & Subscriptions	550.00	1,111.65
Entertainment	.00	241.88
Equipment Lease	2,121.22	21,145.84
Equipment Repair	1,842.81	7,732.23
Insurance-General	.00	307.00
Interest Expense	.00	542.83
Miscellaneous Expense	20.00	3,718.49
Office Supplies	3,477.46	14,464.74
F.I.C.A. Tax Expense	3,410.24	15,142.75
T.E.C. Tax Expense	620.91	4,197.42
F.U.T.A. Tax Expense	167.82	1,095.19
Permits, License & Fees	.00	765.81
Postage	6,000.00	24,896.50
Printing	4,439.03	22,165.65
Legal Services	839.55	41,167.85
Accounting Services	2,663.60	18,648.84
Computer Programming Services	4,469.07	47,258.75
Miscellaneous Services	211.57	478.32
Rent	2,500.00	17,684.00
Telephone	1,831.42	12,681.87
Voice Telephone	.00	1,037.44
Refunds-Telephone Charges	239.49	3,826.55
Refunds-Annual Service Charges	120.00	3,963.34
Refunds-A/C Fees	1,770.00	1,873.68
Refunds-M/R Fees	2,450.00	4,100.00
Refunds-I/R Fees	500.00	880.00
Refunds-Sales Aids	34.61	279.73
Taxes-Franchise	.00	186.90
Taxes-Property	.00	265.14
Travel	.00	500.00
	<u>\$117,536.35</u>	<u>\$ 643,196.58</u>
TOTAL OPERATING EXPENSES		
	<u>\$107,153.39</u>	<u>\$ 650,719.19</u>
NET INCOME (LOSS) BEFORE TAXES		

EXHIBIT VII
PROPOSED TARIFF

TITLE SHEET

ARIZONA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of intrastate, interLATA, interexchange telecommunications services provided by Excel Telecommunications, Inc., with principal offices at 11910 Greenville Avenue, Suite 400, Dallas, Texas 75243. This tariff applies for services furnished within the State of Arizona. This tariff is on file with the Arizona Corporation Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

Issued:

Effective: _____

by:

Kenny A. Troutt, President
Excel Telecommunications, Inc.
11910 Greenville Ave., Suite 400
Dallas, TX 75243

CHECK SHEET

Sheets 1 through 14 inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

<u>SHEET</u>	<u>REVISION</u>
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original

Issued:

Effective: _____

by:

Kenny A. Troutt, President
Excel Telecommunications, Inc.
11910 Greenville Ave., Suite 400
Dallas, TX 75243

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Section 2 - Rules and Regulations.....6
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Section 4 - Rates.....14

Issued:

Effective: _____

by:

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Excel Telecommunications, Inc.
11910 Greenville Ave., Suite 400
Dallas, TX 75243

SYMBOLS

The following are the only symbols used for the purposes indicated below:

- D - Delete or Discontinue
- I - Change Resulting In An
Increase to A Customer's Bill
- M - Moved From Another Tariff Location
- N - New
- R - Change Resulting In A
Reduction to A Customer's Bill
- T - Change In Text or Regulation
But No Change In Rate or Charge

Issued:

Effective: _____

by:

Kenny A. Troutt, President
Excel Telecommunications, Inc.
11910 Greenville Ave., Suite 400
Dallas, TX 75243

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Company - Excel Telecommunications, Inc.

Customer or subscriber - The person, firm, corporation or other entity which orders service and is responsible for payment of charges due and compliance with the Company's tariff regulations.

Day - From 8:00 AM up to but not including 5:00 PM local time Monday through Friday.

Evening - From 5:00 PM up to but not including 11:00 PM local time Sunday through Friday.

Night/Weekend - From 11:00 PM up to but not including 8:00 AM Sunday through Friday, and 8:00 AM Saturday up to but not including 5:00 PM Sunday.

Holidays - Excel Telecommunications, Inc.'s, Night/Weekend rate applies to the following holidays:

New Year's Day
Memorial Day
Independence Day
Labor Day
Thanksgiving Day
Christmas Day

Issued:

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11910 Greenville Ave., Suite 400
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SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of Excel Telecommunications, Inc.

Excel Telecommunications, Inc.'s services are furnished for communications originating throughout the State of Arizona under terms of this Tariff.

Excel Telecommunications, Inc. operates the communication services provided herein in accordance with the terms and conditions set forth under this Tariff. It may act as the customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the customer, to allow connection of a customer's location to Excel's network. The customer shall be responsible for all charges due for such service arrangement.

The Company's services are provided on a monthly basis, and are available twenty-four hours per day, seven days per week.

2.2 Limitations

2.2.1 Service is offered subject to the availability of facilities and the provisions of this Tariff.

2.2.2 Excel Telecommunications, Inc. reserves the right to discontinue furnishing service, or limit the use of service necessitated by conditions beyond its control; or when the customer is using service in violation of the law or the provisions of this Tariff.

Issued:

Effective: _____

by:

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11910 Greenville Ave., Suite 400
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2.3 Liabilities of the Company

- 2.3.1 Excel Telecommunications, Inc. is not liable for damages arising out of mistakes, interruptions, omissions, delays, errors, or defects in the transmission occurring in the course of furnishing service or facilities, and not caused by the negligence of its employees or its agents.
- 2.3.2 Excel Telecommunications, Inc. shall be indemnified and held harmless by the customer against:
- (A) Claims for libel, slander, or infringement of copyright arising out of the material, data, information, or other content transmitted over the Company's network.
 - (B) All other claims arising out of any act or omission of the customer in connection with any service provided by Excel Telecommunications, Inc.

2.4 Continuity of Service

In the event of foreknowledge of an interruption of service for a period exceeding 24 hours, the customer will be notified in writing, by mail, at least one week in advance.

2.5 Customer Application for Service

Businesses or residential customers wishing to obtain service submit an authorization used by Excel Telecommunications, Inc., to instruct a local exchange company to establish one of the long distance companies under contract with Excel as the 1+ equal access dialing long distance service on the customer-specified telephone numbers.

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11910 Greenville Ave., Suite 400
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The authorization form is merely a request for service and does not in itself bind Excel to service, nor does it bind the applicant to subscribe to the service.

2.6 Establishment and Reestablishment of Credit

Excel reserves the right to examine a credit record of all applicants and customers.

2.7 Notices

2.7.1 Any notice Excel may give to a customer may be given orally to the customer, or his authorized representative, or by written notice mailed to the customer's billing address or to such address as may be subsequently given by the customer to Excel.

2.7.2 Unless otherwise provided by these rules, any notice from any customer or his authorized representative must be given by written notice, by mail, to Excel's business office.

2.8 Rendering and Payment of Bills

2.8.1 Billing periods are monthly.

2.8.2 The billing date is dependent on the billing cycle assigned to the customer.

2.8.3 Customers will receive bills by one of two methods:

A. Customers may be billed directly by Excel Telecommunications, Inc. Such bills are due and payable upon receipt. Bills may be paid by mail at the business office of Excel. All charges for services are payable only in United States currency, and may be made by check, money order, or cashiers check.

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by:

Kenny A. Troutt, President
Excel Telecommunications, Inc.
11910 Greenville Ave., Suite 400
Dallas, TX 75243

-
- B. Customers may be billed on Excel's behalf by the customer's local exchange telecommunications company. An insert in the customer's local exchange company monthly bill provides detailed information on charges for long distance services obtained through Excel Telecommunications, Inc., including the specific date and time of each call, its duration, place of termination, and charge. These charges are included as a portion of the total monthly charges billed by the customer's local exchange company. Bills are due and payable under the terms specified by the customer's local exchange company.

2.9 Disputed Bills

2.9.1 In the case of a billing dispute between a customer and Excel for service furnished to the customer, which cannot be settled with mutual satisfaction, the customer can take the following course of action within 30 days of the disputed bill's issue date.

- A. First, the customer may request, and Excel will comply with the request, an in-depth review of the disputed amount. The undisputed portion and subsequent bills must be paid on a timely basis or the service may be subject to disconnect.
- B. Second, if there is still a disagreement about the disputed amount after the investigation and review by a manager of Excel, the customer may appeal to the Arizona Corporation Commission for their investigation and decision.

Issued:

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by:

Kenny A. Troutt, President
Excel Telecommunications, Inc.
11910 Greenville Ave., Suite 400
Dallas, TX 75243

The address of the Commission is:

Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007.

2.10 Discontinuance and Restoration of Service

Service continues to be provided until cancelled, by the customer, in writing, or until cancelled by Excel as set forth below.

2.10.1 Cancellation by the customer

A customer may have his service discontinued by giving 30 days notice to Excel of his desire. Excel will hold the customer responsible for payment of all bills for service furnished until the cancellation date specified by the customer or until 30 days after the cancellation notice is received.

2.10.2 Cancellation by Excel

Excel may immediately discontinue service or cancel an application for service without incurring any liability when there is an unpaid bill for any sum due to the carrier for service that is more than 30 days beyond the date of issue.

2.10.3 Restoration Procedure

By submission of authorization for service as under Rule 2.5.

2.11 Deposits

The Company does not require a deposit from the customer.

Issued:

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by:

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Dallas, TX 75243

2.12 Advance Payments

No advance payment required.

2.13 Taxes

All state and local taxes (i.e., gross receipts tax, sales tax, municipal utilities tax) are listed as separate line items and are not included in the quoted rates.

Issued: _____ Effective: _____

by:

Kenny A. Troutt, President
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Dallas, TX 75243

SECTION 3 - DESCRIPTION OF SERVICE

3.1 Timing of Calls

3.1.1 Billing Increments

A. Business: Charges per call will be incurred at the rate of one-tenth of the respective per minute rate, above, for each incremental six-second period, or part thereof.

B. Residential: Charges per call will be incurred at the respective per minute rate for each minute or part thereof.

3.1.2 Rate Period Overlap

For messages which overlap one or more rate periods, the rate in effect at the time of call origination in the originating area applies to the entire duration of that call.

3.2 Minimum Call Completion Rate

A customer can expect a call completion rate (number of calls completed/number of calls attempted) of not less than 90% during peak use periods for all FG D services ("1+" dialing).

3.3 Service Offerings

3.3.1 Direct Access ("1+") Long Distance Service

A flat rate, direct access, inter/intrastate long distance service, available to business and residential customers.

Issued:

Effective: _____

by:

Kenny A. Troutt, President
Excel Telecommunications, Inc.
11910 Greenville Ave., Suite 400
Dallas, TX 75243

3.3.2 Travel Card Service

Customers are issued a Travel Card imprinted with a 1+ 800 toll free number which may be used to access Excel's long distance network.

3.3.3 Directory Assistance

Local exchange directory assistance operators may be accessed by dialing 0+ 555-1212, or 0+ (xxx)555-1212.

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Effective: _____

by:

Kenny A. Troutt, President
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Dallas, TX 75243

SECTION 4 - RATES

4.1 Direct Access ("1+") Long Distance Service

Rates per minute on completed calls:

4.1.1 Business

DAY	EVENING	NIGHT/WEEKEND
\$0.2200	\$0.1800	\$0.1700

The following volume discounts apply to the monthly total of an individual business' usage at the above rates (note: Calling Cards and International Calls are not included in usage nor discount):

Usage in Dollars	Discount in %
0 - 99	0
100 - 249	3
250 - 499	6
500 - 749	10
750 - 999	13
1000 - 1999	16
2000 - 2999	18
3000+	20

 Issued:

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by:

Kenny A. Troutt, President
 Excel Telecommunications, Inc.
 11910 Greenville Ave., Suite 400
 Dallas, TX 75243

4.1.2 Residential

	DAY	EVENING	NIGHT/WEEKEND
Mileage Band:			
0 - 10 miles			
Initial Minute:	0.204	0.133	0.102
Add'l Minute:	0.094	0.061	0.047
11 - 22 miles:			
Initial Minute:	0.289	0.188	0.145
Add'l Minute:	0.136	0.088	0.068
23 - 55 miles:			
Initial Minute:	0.332	0.215	0.166
Add'l Minute:	0.170	0.111	0.085
56 - 124 miles:			
Initial Minute:	0.391	0.254	0.196
Add'l Minute:	0.221	0.144	0.111
125 - 292 miles:			
Initial Minute:	0.391	0.254	0.196
Add'l Minute:	0.255	0.166	0.128
293+ miles:			
Initial Minute:	0.434	0.282	0.217
Add'l Minute:	0.264	0.171	0.132

4.2 Travel Card calls

Customers are issued a Travel Card imprinted with a 1 + 800 toll free telephone number which may be used to access Excel's long distance network. Calls completed by this method will be charged at the following rate, regardless of the time of day or date completed:

For the first minute or part thereof: \$ 0.89
 For each minute thereafter, or part thereof: \$ 0.29

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by:

Kenny A. Troutt, President
 Excel Telecommunications, Inc.
 11910 Greenville Ave., Suite 400
 Dallas, TX 75243

4.3 Directory Assistance

Charges for all calls made to directory assistance, regardless of the time of day or date completed:

0 + 555-1212: \$ 0.75
0 + (xxx) 555-1212: \$ 0.75

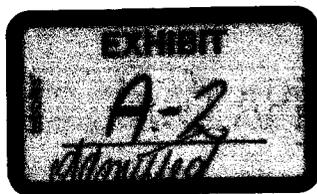
No additional measured use or per call charges apply to calls made to directory assistance.

Issued:

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by:

Kenny A. Troutt, President
Excel Telecommunications, Inc.
11910 Greenville Ave., Suite 400
Dallas, TX 75243



APPLICATION RECEIVED

ARIZONA CORPORATION COMMISSION

Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate Telecommunications Services 7007 APP-8 P 12: 16

Mail original plus 10 copies of completed application to:

For Docket Control Only: (Please Stamp Here)

AZ CORP COMMISSION DOCUMENT CONTROL

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

T-02584A-02-0268

Please indicate if you have current applications pending in Arizona as an Interexchange reseller, AOS provider, or as the provider of other telecommunication services.

Type of Service: Interexchange Reseller

Docket No.: U-2584-91-016 Date: January 18, 1991 Date Docketed: January 18, 1991

Type of Service:

Docket No.: Date: Date Docketed:

A. COMPANY AND TELECOMMUNICATION SERVICE INFORMATION

(A-1) Please indicate the type of telecommunications services that you want to provide in Arizona and answer the appropriate numbered items:

- Resold Long Distance Telecommunications Services (Answer Sections A, B, C).
Resold Local Exchange Telecommunications Services (Answer Sections A, B, C).
Facilities-Based Long Distance Telecommunications Services (Answer Sections A, B, D).
X Facilities-Based Local Exchange Telecommunications Services (Answer Sections A, B, D, E)

(A-2) The name, address, telephone number (including area code), facsimile number (including area code), e-mail address, and World Wide Web address (if one is available for consumer access) of the Applicant:

Excel Telecommunications, Inc.
8750 North Central Expressway, Suite 2000
Dallas, TX 75231
Telephone: (214) 863-8700
Facsimile: (214) 863-8721

(A-3) The d/b/a ("Doing Business As") name if the Applicant is doing business under a name different from that listed in Item (A-2):

Not Applicable

(A-4) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Management Contact:

Robbin Johnson

Assistant General Counsel

Excel Telecommunications, Inc.

8750 North Central Expressway, Suite 2000

Dallas, TX 75231

Telephone: (214) 863-8700

Facsimile: (214) 863-8721

(A-5) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Attorney and/or Consultant:

Dana Hoyle

Regulatory Affairs

Excel Telecommunications, Inc.

8750 North Central Expressway, Suite 2000

Dallas, TX 75231

Telephone: (214) 424-6679

Facsimile: (214) 424-1510

(A-6) The name, address, telephone number (including area code), facsimile number (including area code), E-mail address of the Applicant's Complaint Contact Person:

Joel Ballew, Director, Regulatory Affairs

Excel Telecommunications, Inc.

8750 North Central Expressway, Suite 2000

Dallas, TX 75231

Telephone: (214) 863-8700

Facsimile: (214) 863-8721

(A-7) What type of legal entity is the Applicant?

Sole proprietorship

Partnership: _____ Limited, _____ General, _____ Arizona, _____ Foreign

Limited Liability Company: _____ Arizona, _____ Foreign
 Corporation: "S", _____ "C", _____ Non-profit, _____ Arizona, _____ Foreign

Other, specify: _____

(A-8) Please include "Attachment A":

Attachment "A" must include the following information:

1. A copy of the Applicant's Certificate of Good Standing as a domestic or foreign corporation, LLC, or other entity in the State of Arizona.
2. A list of the names of all owners, partners, limited liability company managers (or if a member managed LLC, all members), or corporation officers and directors (specify).
3. Indicate percentages of ownership.

Excel Telecommunications, Inc. is a wholly owned subsidiary of Excel Communications, Inc.

(A-9) Include your Tariff as "Attachment B".

Your Tariff must include the following information:

1. Proposed Rates and Charges for each service offered (reference by Tariff page number). **64-68**
2. Tariff Maximum Rate and Prices to be Charged (reference by Tariff page number). **64-68**
3. Terms and Conditions Applicable to provision of Service (reference by Tariff page number). **23-48**
4. Deposits, Advances, and/or Prepayments Applicable to provision of Service (reference by Tariff page number). **28-30**
5. The proposed fee that will be charged for returned checks (reference by Tariff page number). **34**

(A-10) Indicate the geographic market to be serve

Statewide. (Applicant adopts statewide map of Arizona provided with this application).

Other. Describe and provide a detailed map depicting the area.

(A-11) Indicate if the Applicant has been or if the Applicant is currently involved in any formal or informal complaint proceedings pending before any State or federal Regulatory Commission:

Yes No

If "Yes", please provide the following information:

1. States in which the Applicant has been or is involved in proceedings.
2. Detailed explanations of the Substance of the Complaints.
3. Commission Orders that resolved any and all Complaints.
4. Actions taken by the Applicant to remedy and/or prevent the Complaints from re-occurring.

Please see **Attachment E**.

(A-12) Indicate if the Applicant has been or is currently involved in any civil or criminal investigations AND/OR had judgment entered against it in any civil matter or been convicted of any criminal acts related to the delivery of telecommunications services within the last five (5) years:

X Yes No

If "Yes", please provide the following information.

1. States involved in the judgments and/or convictions.
2. Reasons for the investigation and/or judgment.
3. Copy of the Court order, if applicable.

Please see *Attachment F*.

(A-13) Indicate if the Applicant's customers will be able to access alternative toll service providers or resellers via 1+101XXXX access.

X Yes No

(A-14) Is applicant willing to post a Performance Bond? Please check appropriate box(s).

For Long Distance Resellers, a \$10,000 bond will be recommended for those resellers who collect advances, prepayments or deposits.

X Yes No

If "No", continue to question (A-15).

For Local Exchange Resellers, a \$25,000 bond will be recommended.

Yes No

If "No", continue to question (A-15).

For Facilities-Based Providers of Long Distance, a \$100,000 bond will be recommended.

Yes No

If "No", continue to question (A-15).

X For Facilities-Based Providers of Local Exchange, a \$100,000 bond will be recommended.

X Yes No

If "No", continue to question (A-15).

Note: Amounts are cumulative if the Applicant is applying for more than one type of service.

(A-15) If No to any of the above, provide the following information. Clarify and explain the Applicant's deposit policy (reference by tariff page number). Provide a detailed explanation of why the applicant's superior

financial position limits any risk to Arizona consumers.

(A-16) Submit copies of affidavits of publication that the Applicant has, as required, published legal notice of the Application in all counties where the services will be provided.

Prior to issuance of the CC&N, the Applicant must complete and submit an Affidavit of Publication Form. Refer to Attachment C - Legal Notice Material (Newspaper Information, Sample Legal Notice and Affidavit of Publication).

(A-17) Indicate if the Applicant is a switchless reseller of the type of telecommunications services that the Applicant will or intends to resell in the State of Arizona:

Yes No

If "Yes", provide the name of the company or companies whose telecommunications services the Applicant resells.

Excel plans to provide its service through unbundled network elements ("UNEs"), specifically the unbundled network elements platform ("UNE-P") purchased from the incumbent local exchange provider, either Verizon or Qwest. The Company may eventually collocate its equipment in central offices and/or carrier hotels insofar as feasible within the changing telecommunications market.¹

(A-18) List the States in which the Applicant has had an application approved or denied to offer telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona:

A list of places where the Applicant is currently certified is attached as *Exhibit G*.

Excel has only had one application to provide local exchange service rejected; however, the Company was able to resolve all issues and subsequently was granted local exchange authority. In August of 1997, the Texas Public Utility Commission ("TXPUC") denied Excel's application to provide resold local exchange services, based in part upon concerns generated by a single complaint, which was raised at the open meeting of the TXPUC to discuss Excel's local application. This complaint later proved to be false. Nevertheless, the TXPUC directed Excel to show improvement in overall complaint levels. When Excel returned to the TXPUC for certification some months later, the Company was recognized for setting new industry customer safeguard standards with its processes and procedures. The Company has since "upgraded" its resold local certification in Texas to include facilities-based services and has remained in good standing before the TXPUC.

(A-19) List the States in which the Applicant currently offers telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona.

¹ At some future date, should the telecommunications market and related business considerations dictate, the Company may expand further into facilities-based services via strategic deployment of its own equipment; however, at present, Excel intends to concentrate upon provision of service through UNE combinations.

The Company is not currently operating as a local exchange carrier in the jurisdictions listed in *Exhibit F*, but intends to in the near future. However, the Company is operating as an interexchange carrier in all 50 states.

B. FINANCIAL INFORMATION

(B-1) Indicate if the Applicant has financial statements for the two (2) most recent years.

X Yes

No

If "No," explain why and give the date on which the Applicant began operations.

(B-2) Include "Attachment D".

Provide the Applicant's financial information for the two (2) most recent years.

1. A copy of the Applicant's balance sheet.
2. A copy of the Applicant's income statement.
3. A copy of the Applicant's audit report.
4. A copy of the Applicant's retained earnings balance.
5. A copy of all related notes to the financial statements and information.

(B-3) Indicate if the Applicant will rely on the financial resources of its Parent Company, if applicable.

The Company may rely on its Parent company, Excel Communications, Inc. for financial support from time to time.

(B-4) The Applicant must provide the following information.

1. Provide the projected total revenue expected to be generated by the provision of telecommunications services to Arizona customers for the first twelve months following certification, adjusted to reflect the maximum rates for which the Applicant requested approval. Adjusted revenues may be calculated as the number of units sold times the maximum charge per unit.
2. Provide the operating expenses expected to be incurred during the first twelve months of providing telecommunications services to Arizona customers following certification.
3. Provide the net book value (original cost less accumulated depreciation) of all Arizona jurisdictional assets expected to be used in the provision of telecommunications service to Arizona customers at the end of the first twelve months of operation. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list.

4. If the projected value of all assets is zero, please specifically state this in your response.
5. If the projected fair value of the assets is different than the projected net book value, also provide the corresponding projected fair value amounts.

See Attachment D.

C. RESOLD LONG DISTANCE AND/OR LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(C-1) Indicate if the Applicant has a resale agreement in operation

Yes No

If "Yes", please reference the resale agreement by Commission Docket Number or Commission Decision Number.

D. FACILITIES-BASED LONG DISTANCE AND/OR FACILITIES BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(D-1) Indicate if the Applicant is currently selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services in the State of Arizona. This item applies to an Applicant requesting a geographic expansion of their CC&N:

Yes No

If "Yes," provide the following information:

1. The date or approximate date that the Applicant began selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services for the State of Arizona.
2. Identify the types of facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services that the Applicant sells in the State of Arizona.

If "No," indicate the date when the Applicant will begin to sell facilities-based long distance telecommunications AND/OR facilities-based local exchange telecommunications services in the State of Arizona:

Applicant expects to begin selling facilities-based local exchange services in the First Quarter of 2003.

(D-2) Check here if you wish to adopt as your petition a statement that the service has already been classified as competitive by Commission Decision:

- Decision # 64178 Resold Long Distance
- Decision # 64178 Resold LEC
- Decision # 64178 Facilities Based Long Distance
- Decision # 64178 Facilities Based LEC

E. FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(E-1) Indicate whether the Applicant will abide by the quality of service standards that were approved by the Commission in Commission Decision Number 59241:

Yes No

(E-2) Indicate whether the Applicant will provide all customers with 911 and E911 service, where available, and will coordinate with incumbent local exchange carriers ("ILECs") and emergency service providers to provide this service:

Yes No

(E-3) Indicate that the Applicant's switch is "fully equal access capable" (i.e., would provide equal access to facilities-based long distance companies) pursuant to A.A.C. R14-2-1111 (A):

Yes No

(D-2) Check here if you wish to adopt as your petition a statement that the service has already been classified as competitive by Commission Decision:

- Decision # 64178 Resold Long Distance
- Decision # 64178 Resold LEC
- Decision # 64178 Facilities Based Long Distance
- Decision # 64178 Facilities Based LEC

E. FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

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(E-2) Indicate whether the Applicant will provide all customers with 911 and E911 service, where available, and will coordinate with incumbent local exchange carriers ("ILECs") and emergency service providers to provide this service:

Yes No

(E-3) Indicate that the Applicant's switch is "fully equal access capable" (i.e., would provide equal access to facilities-based long distance companies) pursuant to A.A.C. R14-2-1111 (A):

Yes No

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county, and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services (A.A.C. Title 14, Chapter 2, Article 11) and that the company will abide by Arizona state law including the Arizona Corporation Commission Rules. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.

James G. Timmer
(Signature of Authorized Representative)

4/5/02

(Date)

James G. Timmer

(Print Name of Authorized Representative)

Executive Vice President, Chief Financial Officer

(Title)

SUBSCRIBED AND SWORN to before me this 5th day of April, 2002

Joan D. Landry
NOTARY PUBLIC

My Commission Expires 7-25-03



ATTACHMENT A

CORPORATE INFORMATION

Christina A. Gold	Chairman, President and CEO
Huntley W. Bakich	Senior Vice President, eBusiness
Mike Roudi	Senior Vice President — North American Product Marketing
William G. Smit	Senior Vice President, Network
Laura Collins	Senior Vice President of US Sales and North American Representative Services
James R. McFelea	Senior Vice President, Customer Service
James G. Timmer	Executive Vice President and Chief Financial Officer
Christopher P. Kelly	General Counsel
Michael T. Boychuk,	Executive Vice President and Chief Financial Officer [BCE]
David G. Masse	Assistant Corporate Secretary [BCE]

Directors:

Christina A. Gold
William G. Smit
James G. Timmer

Through a series of intervening companies, Excel is an indirect wholly owned subsidiary of Bell Canada Enterprises ("BCE"). BCE, at the time of this filing, has negotiated to transfer control of the North American Excel companies to Var Tec Telecom, Inc. ("Var Tec"). The AZ Corporation Commission approved this transaction in Docket Numbers, T-03401A-01-09-52; T-02584A-01-09-52; and T-03188A-01-09-52. All state and federal approvals have been obtained and the closing of the transaction is imminent. The Company will expeditiously file supplemental information to reflect the transaction's closing.

All of the individuals referenced above may be reached at the following address:

EXCEL TELECOMMUNICATIONS, INC.
8750 North Central Expressway, Suite 2000
Dallas, TX 75231
Telephone: (214) 863-8700
Facsimile: (214) 863-8721

Facsimile: (214) 863-8721

ATTACHMENT B

INITIAL TARIFF

**REGULATIONS AND SCHEDULE OF INTRASTATE CHARGES
APPLYING TO END-USER LOCAL EXCHANGE
COMMUNICATIONS SERVICES WITHIN
THE STATE OF ARIZONA**

Issued: April 8, 2002

Effective:

**Jerry G. Kirby, Sr. Tariff Manager
Excel Telecommunications, Inc.
8750 North Central Expressway, Suite 2000**

CHECK SHEET

The Title Page and pages listed below of this tariff are effective as of the date shown. Revised sheets contain all changes from the original tariff that are in effect as of the date indicated.

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EXPLANATION OF SYMBOLS

- (C) Indicates a Change in Regulations
- (D) Indicates a Discontinued Rate or Regulation
- (E) Indicates a Correction of an Error Made During a Revision
- (I) Indicates a Rate Increase
- (M) Indicates a Move of Text but no Change in Text, Rate or Regulation
- (N) Indicates a New Rate or Regulation
- (R) Indicates a Rate Reduction
- (T) Indicates a Change in Text but no Change in Rate or Regulation

SECTION 1 - DEFINITIONS

The definitions specified herein apply to the intrastate local exchange services and facilities furnished by Excel Telecommunications, Inc. (hereinafter also referred to as "the Company") in the State of Arizona.

ACCESS LINE

A central office line which provides access to the telephone network for local and long distance telephone services.

AIR LINE MEASUREMENT

The shortest distance between two points.

ANCILLARY DEVICES

All terminal equipment except telephone instruments, PBX-PABX systems, key systems and data services.

ANSWERING EQUIPMENT

Equipment that will automatically answer incoming calls and make an announcement. It may also be equipped to record messages.

APPLICANT

Any person, partnership, cooperative corporation, corporation, or any combination thereof requesting affirmative service or action from the Company.

AUTHORIZED USER

A person, firm or corporation (other than the customer) who has been authorized by the Company to communicate over a private line or channel according to the terms of the tariff and (1) on whose premises a station of the private line service is located or (2) who receives from or sends to the customer over such private line or channel communications relating solely to the business of the customer.

SECTION 1 - DEFINITIONS - (Continued)

BUILDING

A structure under one roof, or two or more structures under separate roofs but connected by passageways, in which the wires or cables of the Company can be safely run provided the plant facility requirements are not appreciably greater than would normally be required if all structures were under one roof. In those cases where there are several structures under separate roofs but connected by passageways and the plant facility requirements for furnishing telephone service are appreciably greater than would normally be required if all the structures were under one roof, the term "Same Building" applies individually to each of the separate structures.

BUSINESS SERVICE

Telecommunications service furnished to customers where the primary or obvious use is of a business, professional or occupational nature.

CALL

An attempted communication, whether completed or not.

CALLING AREA

See Local Service Area.

CANCELLATION CHARGES

A charge applicable under certain conditions when application for service and/or facilities is canceled in whole or in part prior to the completion of the work involved or before contract period is completed.

CENTRAL OFFICE

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

SECTION 1 - DEFINITIONS - (Continued)

COMPANY

Excel Telecommunications, Inc.

COMMISSION

Arizona Corporation Commission

CUSTOMER TROUBLE REPORT

Any oral or written report from a customer or user of telecommunications service received by the Company relating to a physical defect or to difficulty or dissatisfaction with the service provided by the Company's facilities.

DELINQUENT BILLS

Outstanding account balances which are not paid by the due date.

DEMARICATION POINT

The point of interconnection between the Company's communications facilities and the terminal equipment, protective apparatus or wiring at a subscriber's premises. The Demarcation Point is located on the customer's side of the Company's protector or equivalent, where a protector is not used, and consists of a modular jack or equivalent.

DIRECT CONNECTION

Connection of terminal equipment to the Company's exchange facilities by means other than acoustic and/or inductive coupling.

DIRECTORY

A book or other tangible medium, which alphabetically lists each telephone customer with his/her address and telephone number.

SECTION 1 - DEFINITIONS - (Continued)

DIRECTORY ASSISTANCE SERVICE

A service provided to assist customers in obtaining telephone numbers which are or are not listed in a directory.

DIRECTORY ASSISTANCE CALL COMPLETION

A service provided that gives customers the option of having their local or intraLATA calls automatically completed when they request a telephone listing from the Directory Assistance (DA) operator.

DIRECTORY LISTING

The publication of a Company directory and/or directory assistance records, of information relative to a customer's telephone number, by which telephone users are able to ascertain the call number of a desired station.

DISCONNECT NOTICE

The written notice sent to a customer following billing, notifying the customer that service will be disconnected if charges are not satisfied by the date specified on the notice.

DISCONNECTION OF SERVICE

An arrangement made at the request of a customer or initiated by the Company for violation of tariff regulations by the customer, for a permanent interruption of telephone service. A "final" bill would be rendered showing monies owed to the Company as of the date the service was disconnected.

ENTRANCE FACILITIES

Facilities extending from the point entrance on private property to the premises on which service is furnished.

SECTION 1 - DEFINITIONS - (Continued)

EXCHANGE

A unit established by the Company for the administration of telecommunications service in a specified area for which a separate local rate schedule is provided. The area usually embraces a city, town, or village and its environs. It consists of one or more central offices, together with associated plant facilities used in furnishing telecommunications services in that area.

EXCHANGE AREA

The area within which the Company furnishes complete telephone service from one specific exchange at the exchange rates applicable within that area.

EXCHANGE LINE

Any circuit connecting an exchange access line with a central office.

EXCHANGE SERVICE

Exchange service is a general term describing as a whole, the facilities for local intercommunications, together with the capability to send and receive a specified or an unlimited number of local messages at charges in accordance with the provisions of this Tariff.

- (a) Flat Rate Service: A classification of exchange service furnished a customer under tariff provisions, for which a stipulated charge is made, regardless of the amount of use.
- (b) Individual Line Service: A classification of exchange service which provides that only one exchange access line shall be served by the circuit connected.

SECTION 1 - DEFINITIONS - (Continued)

EXCHANGE SERVICE AREA

The area within which the Company furnishes complete local telephone service at the applicable exchange rates for that area.

EXTENDED AREA SERVICE

A type of telephone service furnished under tariff provisions whereby customers of a given exchange may complete calls to and/or may receive calls from one or more exchanges without the application of long distance message telecommunications charges.

FACILITIES

All the plant and equipment of the Company and all instrumentalities owned, licensed, used, controlled, furnished, or supplied for or by the Company, including any construction work in progress allowed by the Commission.

FAMILY

A group of two or more persons related by blood, marriage or adoption and residing together. A primary family consists of the head of a household and all (one or more) other persons in the household related to the head of household. A secondary family comprises two or more persons such as guests, lodgers, or resident employees and their relatives, living in a household or quasi-household (other than the negligible number or such groups among inmates or institutions) and related to each other.

FLAT-RATE SERVICE

A classification of exchange service furnished a customer under tariff provisions for which a stipulated charge is made regardless of the amount of use.

FOREIGN EXCHANGE SERVICE

Exchange Service furnished under tariff provisions by means of a circuit connecting a customer's premises with a central office of an exchange other than that which regularly serves the exchange area in which the customer is located.

SECTION 1 - DEFINITIONS - (Continued)

GENERAL EXCHANGE SERVICES

Services furnished by the Company connected to or associated with primary Local Exchange Service.

HARM

Electrical hazards to Company personnel, damage to Company equipment, malfunctions of Company billing equipment, and degradation of service to persons other than the user as well as the calling or called party.

HOUSEHOLD

A Household comprises all persons who occupy a dwelling unit, that is, a house, an apartment or other group of rooms or a room that constitutes separate living quarters. A Household includes the related persons (the head of the household and others in the dwelling unit who are related to the head of household) and also the lodgers and employees, if any, who regularly live in the house. A person living alone or a group of unrelated persons sharing the same dwelling unit as partners is counted as a Household.

ILEC

Incumbent Local Exchange Carrier.

INDIVIDUAL LINE SERVICE

A classification of exchange service furnished under tariff provisions which provides that only one exchange access line shall be served by the circuit connected.

INITIAL NONRECURRING CHARGE

A nonrecurring charge made for the furnishing of telephone services, which may apply in addition to service connection charges.

INITIAL SERVICE PERIOD

The minimum period of time for which service is provided.

SECTION 1 - DEFINITIONS - (Continued)

INSTALLATION CHARGE

A nonrecurring charge associated with optional service features and may sometimes be called an "initial" charge, and may apply in addition to Service Connection Charges.

INTERCEPT SERVICE

A service arrangement provided by the Company whereby calls placed to a disconnected or discontinued telephone number are intercepted and the calling party is informed by an operator or by a recording that the called telephone number has been disconnected, discontinued, changed to another number, or that calls are received by another telephone.

INTERFACE

- (a) The junction or point of interconnection between two systems or equipment having different characteristics which may differ with respect to voltage, frequency, speed of operation, type of signal and/or type of information coding including the connection of other Company-provided facilities to exchange facilities provided by the Company.
- (b) The point of interconnection between Company equipment and communications facilities on the premises of the Customer. Also referred to as Demarcation Point.

INTERFACE EQUIPMENT

Equipment provided by the Company at the interface location to accomplish the direct connection of facilities provided by the Company with facilities provided by other than the Company.

INTRALATA

Long Distance Message Telecommunications Service where service point locations are within the same Local Access and Transport Area (LATA).

SECTION 1 - DEFINITIONS - (Continued)

LOCAL ACCESS AND TRANSPORT AREA (LATA)

Denotes a geographic area established for the administration of telecommunications service. It encompasses designated local operating telephone company exchanges which are grouped to serve common, social, economic and miscellaneous purposes.

LOCAL CALLING AREA

See Local Service Area.

LOCAL CHANNEL

Applies to that portion of a channel which connects a station to the interexchange channel or to a channel connecting two or more exchange access lines within an exchange area.

LOCAL EXCHANGE SERVICE

Provides for telephone communication within the local service area in accordance with the provisions of this Tariff, including the use of exchange facilities required to establish connection between exchange access lines.

LOCAL MESSAGE

A communication between two access lines within the local service area of the calling telephone.

LOCAL MESSAGE CHARGE

The charge that applies for a completed message that is made when the calling access line and the called access line are both within the same local calling area where a local message charge is applicable.

LOCAL SERVICE

The intercommunication (by means of facilities connected with an applicable central office or offices and under the provisions of the Company and its tariff) between access lines located in the same exchange or in different exchanges between which no long distance (toll) rates or charges apply.

SECTION 1 - DEFINITIONS - (Continued)

LOCAL SERVICE AREA (LOCAL CALLING AREA)

The area within which telephone service is furnished to customers under a specific schedule of exchange rates (flat or measured) and without toll charges. A local service area may include one or more exchange areas under extended area service arrangement.

LOCAL SERVICE CHARGE

The charge for furnishing facilities to enable a customer to send or receive telecommunications within the local service area. This local service calling area may include one or more exchange areas.

MAINTENANCE SERVICE CHARGE

A charge made by the Company when a service difficulty or trouble report results from customer-provided equipment or facilities.

MESSAGE

A communication between two exchange access lines. Messages may be classified as local or toll.

MILEAGE

The measurement (airline, route, etc.,) upon which a charge for the use of part or all of a circuit furnished by the Company is based.

MINIMUM CONTRACT PERIOD

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

SECTION 1 - DEFINITIONS - (Continued)

NETWORK CONTROL SIGNALING

The transmission of signals used in telecommunications systems which perform functions such as supervision (control, status, and charging signals), address signaling (e.g., dialing), calling and called number identification and audible tone signals (call progress signals indicating reorder or busy conditions, alerting coin denominations, coin collect and coin return tones) to control the operation of switching machines in a telecommunications system.

NETWORK CONTROL SIGNALING UNIT

The terminal equipment furnished, installed and maintained by the Company for the provisions of network control signaling.

NETWORK INTERFACE

See Interface.

NON-LISTED TELEPHONE NUMBER

A telephone number associated with an exchange line which, at the request of the customer, is not listed in a telephone directory but may be obtained from the Directory Assistance Operator.

NON-PUBLISHED TELEPHONE NUMBER

A telephone number associated with an exchange access line which, at the request of the customer, is not listed in a telephone directory and is not made available to the general public by the Company.

NONRECURRING CHARGE

A one-time charge associated with certain installations, changes or transfers of services, either in lieu of or in addition to recurring monthly charges.

SECTION 1 - DEFINITIONS - (Continued)

ONE-PARTY SERVICE

Any exchange access line designed for the provision of exchange service to one premises.

OTHER COMMON CARRIER (OCC)

Denotes Specialized Common Carriers, Domestic and International Record Carriers and Domestic Satellite Carriers engaged in providing services authorized by the Federal Communications Commission.

OTHER COMMON CARRIER TERMINAL LOCATION

A discrete operational and equipment location of the OCC from which the OCC furnishes and administers common carrier communications services to its patrons.

PERMANENT DISCONNECT

A discontinuance of service in which the facilities used in the service are immediately made available for use of another service.

PERSON

Includes individuals, partnerships, corporations, governmental bodies, associations and any other such entity.

PREMISES

Building or buildings on contiguous property (except railroad rights-of-way, etc.) not separated by a public highway.

SECTION 1 - DEFINITIONS - (Continued)

PREMISES WIRING

All wire within a customer's premises, including connectors, jacks and miscellaneous materials associated with the wire's installation. Premises inside wire is located on the customer's side of the Company's premises protector. By definition, Customer Premises Inside Wire excludes riser, buried and aerial cable.

PREASSIGNED NUMBER

A telephone number preassigned before service is actually established.

PRESCRIPTION

Presubscription is the process by which end user customers may select and designate to the Company an Interexchange Carrier (IXC) to access, without an access code, for interLATA/interstate or interLATA/intrastate calls. This IXC is referred to as the end user's predesignated IXC.

PREWIRING

Any inside wiring done at the location of a residence or business prior to the initial installation of telephone service.

PRIMARY TERMINATION

Applied to channels which extend beyond the continuous property of a customer or the confines of a single building housing the premises of more than one customer. Also, denotes the first termination of such a channel at a station or PBX on the continuous property of a customer. When more than one customer's premises is located within the same building, the first termination of such a channel at that building constitutes a "Primary Termination." For purpose of this definition, the location of a "Primary Termination" for channel services associated with "Switching System Services" is considered to be at the "Switching System Services" serving central office. When the "Switching System Services" serving central office is not in the same exchange as the main location, the "Mileage Service Area" center for the main location will be used in lieu of the "Switching System Services" serving central office.

SECTION 1 - DEFINITIONS - (Continued)

PUBLISHED TELEPHONE NUMBER

A number which appears in a current telephone directory, or is scheduled to appear in a forthcoming telephone directory, and which also appears in the information records for general public information.

RATE CENTER

A specified geographical location within an exchange area from which mileage measurements are determined for the application of rates between exchange areas.

REFERENCE LISTING

The listing of a generally accepted name of a firm or corporation followed by a reference to another listing.

RESIDENCE EXCHANGE ACCESS LINE

An exchange access line used to provide exchange telephone service to a residence customer.

RESIDENTIAL SERVICE

Telecommunications service furnished to customers when the actual or obvious use is for domestic purposes.

SECTION 1 - DEFINITIONS - (Continued)

ROTARY LINE SERVICE

A central office service arrangement whereby a called busy line in a specified line group will automatically advance until an idle line or trunk is found.

SERVICE CALL

A visit to a customer's premises in connection with a service difficulty. See also Maintenance Service Charge.

SERVICE CHARGES

A nonrecurring charge applying to the provisions of telephone service.

SUBSCRIBER

Any person, firm, partnership, corporation, municipality, cooperative organization or governmental agency furnished communication service by the Company under the provisions and regulations of this tariff and responsible for the payment of charges and compliance with the rules and regulations of the Company.

SUPPLEMENTAL CONTRACT

A contract for service, equipment or facilities in addition to that provided for under the original contract.

SUSPENSION OF SERVICE

An arrangement made at the request of the customer or initiated by the Company, for temporarily interrupting service.

SECTION 1 - DEFINITIONS - (Continued)

TARIFF

The schedule of the Company containing all rates, and charges stated separately by type or kind of service and the customer class, and the rules and regulations of the Company stated separately by type or kind of service and the customer class as filed with the Commission.

TELECOMMUNICATIONS SERVICES

The various services offered by the Company as specified in this tariff.

TELEPHONE NUMBER

A numerical designation assigned to a customer for convenience in operation and identification. The telephone numbers include the number prefix of a central office, which is termed "Central Office Designation".

TELEPHONE OR TELECOMMUNICATIONS NETWORK

The local telephone exchange and long distance message telecommunications facilities, or network; both interstate and intrastate.

TEMPORARY DISCONNECTION

See Suspension of Service.

TEMPORARY SERVICE

The provision of service definitely known to be required for a short period of time (generally less than twelve consecutive months) such as service furnished to building contractors, service to a convention, and service for seasonal business including resorts.

SECTION 1 - DEFINITIONS - (Continued)

TERMINATION AGREEMENT

An agreement between the Company and the customer to provide or furnish certain lines or equipment representing a comparatively high investment or in lieu of a contribution to construction for temporary service whereby the customer agrees to compensate the Company in case the service is discontinued prior to the date specified in the agreement.

TERMINATION CHARGE

A charge made to liquidate a customer's obligation for termination of service prior to the expiration of the initial contract period.

TERMINATION OF SERVICE

The discontinuance of service or facilities provided by the Company, either at the request of the customer or by the Company, under its regulations concerning cancellation for cause.

TONE DIALING SERVICE

A classification of exchange service whereby calls are originated through the use of tone dial instruments in lieu of a rotary dial instrument.

TRUNK

A telephone communication path connecting a central office and customer premises equipment, used in the establishment of end-to-end service.

UNBUNDLED NETWORK ELEMENT

Physical and functional elements of the network that can be combined into a complete set in order to provide end-to-end circuits.

SECTION 2 - RULES AND REGULATIONS

2.1 APPLICATION OF TARIFF

The rules and regulations contained in this Section apply to the services and facilities provided by the Company in the State of Arizona. When services and facilities are provided in part by the Company and in part by other connecting companies, the regulations of the Company apply to the portion of the services or facilities furnished by the Company. Failure on the part of the customer to observe these rules and regulations after due notice of such failure, automatically gives the Company the right to discontinue service to that customer.

- a. In the event of a conflict between any rate, rule, regulation or provision contained in this tariff and any rate, rule, regulation or provision contained in the tariffs of Companies in which the Company concurs, the rate, rule, regulation or provision contained in this tariff shall prevail.
- b. Should there be any conflict between this tariff and the Rules and Regulations of the Commission, the Commission's rules shall apply unless otherwise established by the courts.

2.2 AVAILABILITY OF FACILITIES

2.2.1 General

The Company's obligation to furnish, or continue to furnish, telecommunications service is dependent upon its ability to obtain, retain, and maintain, without unreasonable expense, suitable rights-of-way and facilities, and to provide for the installation of those facilities required to furnish and maintain that service.

Local Exchange Service is provided in the Local Service Areas as specified below:

2.2.2 Local Calling Scopes and Availability

The Company concurs with the Qwest's; the Incumbent Local Exchange Carrier, tariff for the provision of local exchange service in the State of Arizona. Exchange Areas for all Customers whose premises are located in the Qwest territory will be the same as the Qwest service areas except where noted by service or rate element.

SECTION 2 -RULES AND REGULATIONS - (Continued)

2.2 AVAILABILITY OF FACILITIES (Continued)

2.2.3 Maps

The Company concurs with Qwest's local exchange maps reflecting base rate areas, exchange area, and zone area boundaries which are part of their local exchange tariff(s).

2.3 CUSTOMER SERVICE AND PROTECTION

This part of the Rules and Regulations Section of the tariff provides information to telephone consumers about: resolving disputes with the Company, applying for service, the classification of business and residential rates, deposits, billing, refusal of service, disconnection of service and cancellation of service. The Company relies on principles established by the Commission..

2.3.1 Resolution of Disputes

Any customer or applicant for service who wishes to dispute any action or determination of the Company under the Company's customer service rules shall be given an opportunity for a supervisory review by the Company.

2.3.2 Application for Service

Application for service, or requests from customers for additional service or changes in the grade or class of service, become contracts when received by the Company and are subject to the minimum contract term of one month unless specified otherwise. The Company reserves the right to require application for service to be made in writing on forms supplied by it.

Any general change in rates, rules or regulations modifies the terms of the contract to the extent of such change without further notice. However, if rates are increased, the customer may cancel his contract upon reasonable written notice and upon payment for all service and any contractual liability.

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.3 CUSTOMER SERVICE AND PROTECTION - (Continued)

2.3.3 Refusal of Service

The Company may refuse service to a customer or applicant whose service has been discontinued for non-payment of bills for any telecommunications service. The customer or applicant will be required to pay all bills due the Company for telecommunications service or make other arrangements satisfactory to the Company to re-establish credit before service is restored or service started.

If service is established and it is subsequently determined that the customer or applicant is indebted to the Company for service previously furnished, the Company may suspend or terminate such service until satisfactory arrangements have been made for the payment of prior indebtedness.

2.3.4 Application Of Business Or Residence Rates

2.3.4.1. Business rates apply at the following locations:

- a. in offices, stores, factories, and all other places of a strictly business nature;
- b. in boarding houses (except as noted below), offices of hotels, halls and offices of apartment buildings, quarters occupied by clubs, or lodges, public, private or parochial schools, colleges, hospitals, libraries, churches, and other similar institutions, except in churches and lodges as specified below;
- c. at residence locations when the customer has no regular business telephone, and the use of the service either by himself, members of his household or his guests, or parties calling him can be considered as more of a business than a residential nature. This fact might be indicated by some form of Customer advertising, or when such business use is not typically characteristic of residential telephone usage;
- d. at residential locations where the service is located in a shop, office or other place of business;

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.3 CUSTOMER SERVICE AND PROTECTION - (Continued)

2.3.4 Application Of Business Or Residence Rates (Continued)

2.3.4.1. Business rates apply at the following locations: (Continued)

- e. in college fraternity houses where the members lodge within the house;
and/or
- f. at any location where the location and expected usage of telephone
service at that location are indicative of a business, trade or profession.

SECTION 2 -RULES AND REGULATIONS - (Continued)

2.3 CUSTOMER SERVICE AND PROTECTION - (Continued)

2.3.4 Application of Business or Residence Rates - (Continued)

2.3.4.2 Residence rates apply at the following locations:

- a. in a private residence where business listings are not provided;
- b. in private apartments of hotels, rooming houses or boarding houses where service is confined to the customer's use and which are not advertised as a place of business;
- c. in the place of residence of a clergyman, physician, nurse or other medical practitioner, provided the office is located in their residence and is not a part of an office building. In any such cases, the listing may indicate the customer's profession, but only in connection with an individual name. If listings of firms or partnerships, etc., or additional listings of persons not residing in the same household are desired, business rates apply;
- d. in a private stable or garage when strictly a part of a domestic establishment;
- e. in churches where the service is not accessible for public use as in a clergyman's study; and/or
- f. in fire department dormitories or sleeping quarters where the telephone number is not published, and the telephone is not available for use by the general public.

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.3 CUSTOMER SERVICE AND PROTECTION - (Continued)

2.3.5 Deposits

2.3.5.1 Requirements for Permanent Residential Applicants

- a. The Company may require a residential applicant for service to establish satisfactory credit, but establishment of credit shall not relieve the customer from complying with rules for prompt payment of bills. Credit history shall be applied equally for a reasonable period of time to a spouse or former spouse who shared the service. Credit history maintained by one must be applied equally to the other without modification and without additional qualifications not required of the other.
- b. Subject to the following condition, a residential applicant may not be required to pay a deposit:
 - (i) if the residential applicant has been a customer of any telephone company within the last two years and is not delinquent in payment of any such telephone service account and during the last twelve (12) consecutive months of service did not have more than one occasion in which a bill for such service was paid after becoming delinquent and never had service disconnected for nonpayment;
- c. The Company may require an initial deposit from residential customers if:
 - (i) the customer has on more than one occasion during the last twelve (12) consecutive months of service been delinquent in paying a bill for telephone service; or
 - (ii) the customer's service was disconnected for nonpayment.

SECTION 2 -RULES AND REGULATIONS - (Continued)

2.3 CUSTOMER SERVICE AND PROTECTION - (Continued)

2.3.5 Deposits - (Continued)

2.3.5.2 Requirements for Business Service Customers

If the credit of a business applicant for service has not been satisfactorily established to the Company, the applicant may be required to make a deposit.

2.3.5.3 Establishment and Reestablishment of Credit

An applicant who had previously been a customer of the Company and whose service had been discontinued for nonpayment of bills shall be required, before service is rendered, to pay all amounts due the Company, or execute a deferred payment agreement, if offered, to reestablish credit.

The Company may conduct a credit investigation of each customer or applicant prior to accepting a service order, or customer deposit. A customer whose service has been discontinued by the Company for non-payment of bills for any telecommunications service will be required to pay all bills due the Company for telecommunications services or make other arrangements satisfactory to the Company and to re-establish credit before service is restored or any service started.

2.3.5.4. Amount of Deposit for Permanent Residential and Business Service

- a. Initial Deposit - The initial deposit is an amount equivalent to one-sixth (1/6) of the estimated annual billings including the charges of interexchange carriers where the Company provides billing for the interexchange carrier.
- b. Additional Deposit Requirements - The Company reserves the right to request additional deposit if needed.
- c. In determining the amount of any deposit permitted in this tariff, no revenue from estimated telephone directory advertising will be used.

SECTION 2 -RULES AND REGULATIONS - (Continued)

2.3 CUSTOMER SERVICE AND PROTECTION - (Continued)

2.3.5 Deposits - (Continued)

2.3.5.5 Refund of Deposit

- a. If service is not connected or after disconnection of service, the Company shall promptly and automatically refund the customer's deposit on the balance, if any, in excess of the unpaid bills for service furnished. A transfer of service from one premises to another within the service area of the Company shall not be deemed a disconnection within the meaning of these rules, and no additional deposit may be demanded unless in accordance with these rules.
- b. When the customer has paid bills for service for twelve (12) consecutive residential billings or for twenty-four (24) consecutive business billings without having service disconnected for nonpayment and without having more than two occasions on which a bill was delinquent, and when the customer is not delinquent in the payment of current bills, the Company may refund the deposit, including 3 percent(3%) interest, to the customer in the form of cash or credit to a customer's bill or void the guarantee.. If the customer does not meet these refund criteria, the deposit may be retained.

2.3.5.6 Deposit Not to Affect Regular Collection Practices

The fact that a deposit has been made shall in no way relieve the applicant or subscriber from complying with the Company's regulations as to advance payments and the prompt payment of bills on presentation, nor constitute a waiver or modification of the regular practices of the Company providing for the discontinuance of service for nonpayment of any sum due the Company for services rendered. The Company may discontinue service to any subscriber failing to pay current bills without regard to the fact that such subscriber has made a deposit with the Company (to secure the payment of such bills).

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.3 CUSTOMER SERVICE AND PROTECTION - (Continued)

2.3.6 Billing and Payment For Service

2.3.6.1 General

The customer is responsible for payment of all charges for services furnished, including charges for service originated or accepted at the customer's access line.

2.3.6.2 Disputed Bills

In the event of a dispute between a customer and the Company over any bill for utility service, the Company shall make an appropriate investigation and report the results to the customer.

- a. The customer shall pay all charges for monthly service in advance. Payment is due on or before the due date which is not less than fifteen (15) days after issuance of the bill. The postmark, if any, on the envelope of the bill, or the issuance date on the bill, if there is no postmark on the envelope, shall constitute proof of the date of issuance. If the bill is not paid by the due date, the Company will notify the customer in writing that the account is delinquent. The Company may discontinue service not less than ten (10) days after written notice has been sent to the customer.
- b. A one-time penalty not to exceed 1.5% may be made on delinquent commercial or industrial bills; however, no such penalty shall apply to residential bills under this section. Residential customers are assessed a late payment charge as set forth in Section 2.3.10.
- c. Any applicant or one for whom an application is made, owing the Company for service furnished under a former contract, shall pay or make satisfactory arrangements for paying any bill outstanding and unpaid before any additional service will be furnished.

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.3 CUSTOMER SERVICE AND PROTECTION - (Continued)

2.3.6.3 Adjustments of Charges for Service Interruptions

In the event a customer's service is interrupted other than by the negligence or willful act of the customer and remains out of order for twenty-four (24) hours or longer after access to the premises is made available and after the customer reports to the Company that the service is out of order, the Company may make an appropriate adjustment to the customer's bill.

2.3.7 Discontinuance of Service

2.3.7.1 Discontinuance with notice.

Proper notice consists of a separate mailing or hand delivery at least ten (10) days prior to the stated date of disconnection. Telephone service may be disconnected after proper notice for any of the following reasons:

- a. failure to pay a delinquent account for telephone service;
- b. violations of the Company's rules pertaining to the use of service in a manner which interferes with the service of others or relating to the operation of nonstandard provided equipment, if a reasonable attempt has been made to notify the customer, and the customer has been afforded a reasonable opportunity to remedy the situation;
- c. failure to comply with the Company's deposit arrangements in accordance with Section 2.3.5., preceding; and/or
- d. a returned check from the customer.

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.3 CUSTOMER SERVICE AND PROTECTION - (Continued)

2.3.7 Discontinuance of Service - (Continued)

2.3.7.2 Discontinuance without notice.

Telephone service may be disconnected without notice under either of the following conditions:

- a. a known dangerous condition exists; and/or
- b. service is connected without authority by a person who has not applied for service or who has reconnected service without authority.

2.3.7.3 Collection costs.

The customer is responsible for all collection costs, including attorney's fees, incurred by the Company as a result of any breach of contract by the customer.

2.3.7.4 Disputes.

In the event of a dispute between a customer and the Company, the Company shall not disconnect service pending completion of a supervisory review of the dispute as provided in Section 2.3.1., above.

2.3.8 Cancellation of Application For Basic Service

When the customer cancels an application for service prior to the start of installation of service, or prior to the start of special construction, no charge applies.

When installation of service has been started prior to the cancellation, a cancellation charge equal to the minimum service charge shall apply.

Where special construction has been started prior to the cancellation, a charge equal to the cost incurred in the special construction, less net salvage, applies. Installation or special construction for a customer is considered to have started when the Company incurs any expense in connection with the installation which would not otherwise have been incurred.

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.3 CUSTOMER SERVICE AND PROTECTION - (Continued)

2.3.9 Returned Check Charge

In addition to any late payment charges specified in this tariff, the customer will be assessed a charge of \$15.00 for each check, bank draft, or electronic funds transfer submitted by the customer to the Company which a financial institution refuses to honor.

2.3.10 Late Payment Charge

If any portion of a residential Customer's payment is received by the Company after the payment due date, or if any portion of the payment is received by the Company in funds which are not immediately available upon presentment, a late payment charge shall be due to the Company, provided billing capability exists. The late payment charge shall be the portion of the payment not received by the date due, multiplied by a factor. The late payment factor shall be 1.5% per month.

Late payment charges do not apply to the disputed portion of unpaid balances, if resolved in favor of the Customer. The disputed portion of unpaid balances, if resolved in favor of the Company, may be subject to the late payment charge as of the original due date noted on the Customer's bill. Undisputed amounts of the same bill may be subject to the late payment charge if they remain unpaid by the due date noted on the Customer's bill. Collection procedures and security deposit requirements are unaffected by the application of the late payment charge.

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.3 CUSTOMER SERVICE AND PROTECTION - (Continued)

2.3.11 Restoration of Service

If a Customer's service is restored after having been suspended and/or disconnected in accordance with this tariff but a Company service order to terminate such service has not been completed when such service is restored, the Customer may be required to pay a restoration of service charge.

When a Customer's service has been disconnected in accordance with this tariff and the service has been terminated through the completion of a Company service order, service will be re-established only upon the basis of an application for new service.

Service initiated after the discontinuance for non-payment will be subject to the standard non-recurring charges for new service as defined in Sections 3 and 4 of this tariff. Service that has been re-established may require the assignment of a new telephone number.

If any Company service has been suspended, restricted, or discontinued for nonpayment, service will be re-established upon receipt of all charges due, which includes charges for services and facilities during the period of restriction or suspension and which may include a service restoration fee. If the Customer has a history of payments returned for insufficient funds, the Company may require payment by cash, money order or certified check. If such payments are made by personal check, restoration of service will be effected upon bank clearance of the check.

If service is established and it is subsequently determined that the Customer is indebted to the Company for service previously furnished, the Company may restrict, suspend or terminate such service until satisfactory arrangements have been made for the payment of the prior indebtedness.

As Customer who has service restricted, suspended, or disconnected may be subject to all standard non-recurring charges defined in Sections 3 and 4 of this tariff during the restoration of service.

SECTION 2 -RULES AND REGULATIONS - (Continued)

2.4 USE OF SERVICE AND FACILITIES

2.4.1 Use of Service

2.4.1.1 **General** - The customer is responsible for payment of all charges incurred, regardless of whether such charges are associated with his usage, or that of any of his authorized users.

2.4.1.2 **Transmitting Messages** - The Company does not transmit messages but offers the use of its facilities for communications between its customers.

2.4.1.3 **Use of Lines of Other Companies** - When suitable arrangements can be made, lines of other telephone companies may be used in establishing connections to points not reached by the Company's lines. In establishing connections with the lines of other companies, the Company is not responsible or liable for any action of the connecting company.

2.4.1.4 **Unauthorized Attachments or Connections** - No unauthorized equipment, accessory, apparatus, circuit or device shall be attached to or connected with Company facilities. In case any such unauthorized attachment or connection is made, the Company shall have the right to remove or disconnect the same, to suspend service during the continuance of said attachment or connection or to disconnect service. The customer shall be held responsible for the cost of correcting any impairment of service caused by the use of such attachments or connections and shall be billed for each service call made to his premises because of the use of such attachments or connections.

Except as otherwise provided in this Tariff, nothing herein shall be construed to permit the use of a device to interconnect any Company-owned line or channel with any other communications line or channel of the Company or of any other person.

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.4 USE OF SERVICE AND FACILITIES - (Continued)

2.4.2 Obligations of Customers

2.4.2.1 **Alterations** - The customer agrees to notify the Company promptly in writing whenever alterations or new construction on premises owned or leased by him will necessitate changes in the Company's facilities, and the customer agrees to pay the Company's current costs for such changes.

2.4.2.2 **Use of Commercial Power** - Unless specifically provided otherwise in this tariff, when commercial power is used for the operation of customer provided premises equipment, the customer provides the necessary power wiring, power outlets and commercial power and assumes all responsibility for the safe condition of the power wiring, power outlets and commercial power.

2.4.2.3 **Reimbursement to the Company for damages** - The customer shall reimburse the Company for damages to Company facilities utilized to provide services under this tariff caused by the negligence or willful act of the customer, or resulting from the customer's improper use of the Company facilities or equipment provided by other than the Company. Such damages will be the actual cost of the materials and the actual hours required for repair of the damage multiplied by the appropriate labor rate.

Nothing in the foregoing provision shall be interpreted to hold one customer liable for another customer's actions. The Company will, upon reimbursement for damages, cooperate with the customer in prosecuting a claim against the person causing such damage and the customer shall be subrogated to the right of recovery by the Company for the damages to the extent of such payment.

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.4 USE OF SERVICE AND FACILITIES - (Continued)

2.4.3 Rights of the Company

2.4.3.1 **Work Performed on an Overtime Basis** - The charges specified in this Tariff do not contemplate work being performed by Company employees at a time when overtime wages apply due to the request of the customer. If the customer requests that overtime labor be performed, an additional charge, based on the additional costs involved, applies.

2.4.3.2 **Work Interruption** - The charges specified in this Tariff do not contemplate work once begun being interrupted by the customer. If the customer interrupts work once begun, an additional charge, based on the additional costs involved, applies.

2.4.3.3 **Ownership** - Any facilities on the customer's premises furnished by the Company shall be and remain the property of the Company, whose agents and employees have the right to enter said premises at any reasonable hour for the purpose of installing, terminating, inspecting, maintaining or repairing service.

2.4.3.4 **Impairment of Telephone Service** - When the general telephone service to the public is impaired by a customer's use of telephone service, or service directly incident thereto, the Company shall have the right to require the customer to contract with the Company for such additional facilities as may be necessary in the Company's judgment to remove the cause of said impairment, or if the customer refuses this requirement or will not remedy the situation, to discontinue service completely.

2.4.3.5 **Abandonment of Telephone Service** - The Company may discontinue service which has been abandoned.

2.4.3.6 **Abuse of Telephone Service** - After giving the customer a reasonable opportunity to remedy the situation and after giving proper notice, the Company may discontinue service which is used:

- a. in such a way that interferes with the service of other telephone users;
- b. for any purpose other than as a means of communication;

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.4 USE OF SERVICE AND FACILITIES - (Continued)

2.4.3 Rights of the Company- (Continued)

2.4.3.6 Abuse of Telephone Service- (Continued)

- c. to communicate profane or obscene language;
- d. for a call or calls, anonymous or otherwise, if made in a manner which reasonably could be expected to frighten, abuse, torment or harass another;
- e. in any fraudulent or unlawful manner;
- f. in manner which violates any of the Company's lawful regulations; or
- g. to obtain a customer's listed name, address or telephone number from Directory Assistance for any purpose other than to facilitate the making of a telephone call.

2.4.3.7 **Telephone Numbers** - The Company reserves the right to change the telephone number or numbers assigned to a customer or the central office designation associated with such telephone number or numbers, or both, as reasonably appropriate in the conduct of its business. The customer has no property right in any number or central office designation assigned by the Company.

2.4.4 Liability of the Company

2.4.4.1 Given the customer's exclusive control of his communications over Company-provided facilities, and of the other uses for which Company facilities may be furnished, and because errors incident to the service and the use of facilities are unavoidable, the services and facilities furnished by the Company are subject to the terms, conditions and limitations specified herein.

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.4 USE OF SERVICE AND FACILITIES - (Continued)

2.4.4 Liability of the Company (Continued)

2.4.4.2 The Company's failure to provide or maintain facilities under this tariff shall be excused by labor difficulties, governmental orders, civil commotions, acts of God and other circumstances beyond the Company's control, subject to the interruption allowance provisions by this tariff.

2.4.4.3 The Company shall not be liable for any act or omission of any other carrier or customer providing a portion of a service, nor shall the Company for its own act or omission hold liable any other carrier or customer providing a portion of a service.

2.4.4.4 **Defacement of Premises** - No liability shall attach to the Company by reason of any defacement or damage to the customer's premises resulting from the existence of the Company's facilities on such premises, or by the installation or removal thereof, when such defacement or damage is not the result of the sole negligence of the Company or its employees.

2.4.4.5 **Interruptions of Service** - In the event a customer's service is interrupted by other than the negligence or willful act of the customer, and it remains out of order for twenty-four (24) hours or longer after access to the premises is made available and after being reported to be out of order, appropriate adjustments or refunds may be made to the customer. The amount of adjustment or refund may be determined on the basis of the known period of interruption, generally beginning from the time the service interruption is first reported. Any refund to the customer shall be the pro rata part of the month's flat rate charges for the period of days and that portion of the service facilities rendered useless or inoperative. The refund may be accomplished by a credit on a subsequent bill for telephone service. No allowance for interruption of service will be made for any period in which such service interruption is caused by malfunction or failure of customer-owned equipment.

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.4 USE OF SERVICE AND FACILITIES - (Continued)

2.4.4 Liability of the Company - (Continued)

2.4.4.6 **Indemnification** - The Company's liability, if any, for its gross negligence or willful misconduct is not limited by this Tariff. With respect to any other claim or suit, by a customer or by any others, the customer indemnifies and holds harmless the Company against claims, losses or suits for injury to or death of any person, or damage to any property which arises from:

- a. the use, placement or presence of the Company's facilities on the customer's premises; or
- b. the use of customer-provided premises equipment, voltages or currents transmitted over the Company's facilities caused by customer-provided premises equipment.

Further, the customer indemnifies and holds harmless the Company against claims for libel, slander, or the infringement of copyright arising directly or indirectly from the material transmitted over the Company's facilities or the use thereof by the customer; against claims for infringement of patents arising from, combining with, or using in connection with, facilities furnished by the Company and apparatus, equipment, and systems provided by the customer; and against all other claims arising out of any act or omission of the customer in connection with the services or facilities provided by the Company.

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.4 USE OF SERVICE AND FACILITIES - (Continued)

2.4.4 Liability of the Company - (Continued)

2.4.4.7 **Liability** - The Company's liability, if any, for its gross negligence or willful misconduct is not limited by this tariff. With respect to any other claim or suit, by a customer or any others, for damages arising out of mistakes, omissions, interruptions, delays or errors, or defects in transmission occurring during provision of telephone service, the Company's liability, if any, shall not exceed an amount equivalent to the proportionate charge to the customer for the period of service during which such mistake, omission, interruption, delay, error, or defect in transmission or service occurs and continues. This liability shall be in addition to any amounts that may otherwise be due to the customer under this tariff as an allowance for interruptions. However, any such mistakes, omissions, interruptions, delays, errors, or defects in transmission or service which are caused or contributed to by the negligence or willful act of the customer or authorized user, or joint user, or which arise from the use of customer-provided premises equipment shall not result in the imposition of any liability whatsoever upon the Company.

IN NO EVENT SHALL THE COMPANY BE LIABLE FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR INCIDENTAL DAMAGES, INCLUDING BUT NOT LIMITED TO LOST PROFITS AND LOST SAVINGS, ARISING OUT OF, RESULTING FROM, OR IN ANY WAY RELATED TO, THE SERVICES AND FACILITIES FURNISHED BY THE COMPANY, EVEN IF THE COMPANY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

NEITHER EXCEL NOR ITS SUBCONTRACTORS SHALL BE LIABLE FOR INDIRECT, CONSEQUENTIAL, EXEMPLARY OR PUNITIVE DAMAGES, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT OR OTHERWISE, AND EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. This limitation does not apply to any damages for bodily injury (including death) and, if work has not been performed in a workmanlike manner, damage to real property and tangible personal property.

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.5 UNDERTAKING OF THE COMPANY

2.5.1 General

The Company undertakes to provide the services offered in this tariff on the terms and conditions and at the rates and charges specified.

Local Exchange Service consists of furnishing one-way or two-way telecommunications to or from a demarcation point on the Customer's premises and another demarcation point within a Local Service Area.

Service is provided on the basis of a minimum period of at least one month, 24-hours per day. For the purpose of computing adjustments or prorating charges in this tariff, a month is considered to have 30 days.

Service will be provided where facilities, billing capability and the resale of total local service or underlying network elements are available, or a combination thereof.

The Company's obligation to furnish service, features and/or facilities is also dependent upon its ability to provide, secure and retain, without unreasonable expense to the Company (a) suitable facilities and rights for the construction and maintenance of the necessary circuits and equipment, (b) suitable space for its plant and facilities in the building where service is or is to be provided, (c) facilities for interconnection from alternate suppliers.

In the event of a dispute, the non-prevailing party may be liable for reasonable court costs and attorney's fees.

SECTION 2 -RULES AND REGULATIONS - (Continued)

2.5 UNDERTAKING OF THE COMPANY - (Continued)

2.5.2 Terms and Conditions

Customers may be required to enter into written service orders which shall contain or reference a specific description of the service ordered, the rates to be charged, the duration of the services, and the terms and conditions in this tariff. The Customer may also be required to execute any other documents as may be reasonably requested by the Company. The Company reserves the right, at its discretion, to change the terms and conditions specified in this tariff, including, but not limited to, the rates for services. Any changes to the terms and conditions will be applicable to services provided after the effective date of the change.

At the expiration of the initial term specified in each service order, or in any extension thereof, service shall continue on a month to month basis at the then current rates. Any termination shall not relieve the Customer of its obligation to pay any charges incurred under the service order and this tariff prior to termination. The rights and obligations, which by their nature extend beyond the termination of the term of the service order shall survive such termination.

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.5 UNDERTAKING OF THE COMPANY - (Continued)

2.5.3 Interconnection of Facilities

Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing Local Exchange Services and the channels, facilities or equipment of others shall be provided at the Customer's expense.

Local Exchange Services may be connected to the services or facilities of other communications carriers only when authorized by and in accordance with the terms and conditions of the tariffs of the other communications carriers which are applicable to such connections.

2.5.4 Inspections

Upon reasonable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in the section for the installation, operation and maintenance of Customer-provided facilities, equipment and wiring in the connection of Customer-provided facilities and equipment to Company-provided facilities and equipment.

If the protective requirements for Customer-provided equipment are not being complied with, the Company may take such action as it deems necessary to protect its facilities, equipment and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten days of receiving this notice, the Customer must take corrective action and notify the Company of the action taken. If the Customer fails to do this, the Company may take whatever additional action deemed necessary, including the suspension of or disconnection of service, to protect its facilities, equipment and personnel from harm.

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.5 UNDERTAKING OF THE COMPANY - (Continued)

2.5.5 Assignment or Transfer of Service

The Customer may not assign or transfer its rights or duties in connection with the services and equipment or facilities provided by the Company without the written consent of the Company. The Company may assign its rights and duties (a) to any subsidiary, parent company or affiliate of the Company, (b) pursuant to any sale or transfer of substantially all the assets of the Company, or (c) pursuant to any financing, merger or reorganization of the Company.

2.5.6 Notices and Communications

All notices or other communications required to be given pursuant to this tariff will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following placement of the notice, communication, or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.

The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing.

2.5.7 Provisions of Certain Local Taxes and Fees

Any assessments, franchise fees, privilege, license, occupation, excise, or other similar taxes, whether in a lump sum or at a flat rate, or based on receipts, or based on poles, wire or other utility property units, imposed upon the Company by any governmental authority shall be added pro rata, insofar as practical, to the rates and charges stated in the Company's standard schedules, in amounts which in the aggregate for the Company's Customers of any political entity shall be equal to the amount of any such tax upon the Company. Company shall, so long as any such tax or fee is in effect, add to the bills of the Customers in such political entity pro rata on the basis of the revenue or as otherwise required and/or allowed by law derived by Company from each such Customer, an amount sufficient to recover any such tax or fee.

SECTION 2 -RULES AND REGULATIONS - (Continued)

2.5 UNDERTAKING OF THE COMPANY - (Continued)

2.5.8 Special Arrangements

2.5.8.1 **Contract Service Arrangements** - When economically practicable, Customer specific contract service arrangements may be furnished in lieu of existing tariff offerings.

- a. Rates, Charges, Terms and additional regulations, if applicable, for the contract service arrangements will be developed on an individual case basis, and will include all relevant costs, plus an appropriate level of contribution.
- b. Unless otherwise specified, the regulations for contract service arrangements are in addition to the applicable regulations and rates specified in other sections of this Tariff.

2.5.8.2 **Promotional Offerings** - The Company may offer special promotions of new or existing services or products. These promotions will be offered on a non-discriminatory basis with each subscriber in the classification of service and area for which the promotion is offered having an equal opportunity for participation, subject to availability of products, services and facilities. Promotions may include, but are not limited to, reductions in recurring rates and/or waiver of non-recurring charges.

SECTION 2 - RULES AND REGULATIONS - (Continued)

2.5 UNDERTAKING OF THE COMPANY - (Continued)

2.5.8 Special Arrangements - (Continued)

2.5.8.3 **Special Construction** - If the provision of service to a Customer would require the construction of additional facilities, replacement facilities or special facilities designed to meet the Customer's particular needs, the Company, at its option, may seek to obtain the facilities from another carrier, or may construct the facilities. The Customer may be required to pay all of the Company's actual expenses incurred in obtaining or constructing the facilities, including but not limited to, any unusual maintenance costs or removal costs. Construction charges may be payable, at the Company's option, prior to acceptance of the Customer's application for service or when billing is rendered. The Customer may be required to enter into a written agreement to pay the construction charges if they are not paid prior to initiation of service.

Any facilities constructed by the Company by the use of construction charges, however financed, shall be and remain the property of the Company, unless otherwise agreed to by the Company pursuant to a written agreement. The Customer does not obtain any rights of ownership in facilities provided by the Company.

The charges and regulations applicable to special construction apply in connection with all classes of service, facilities or equipment furnished by the Company and are in addition to the installation charges, service connection and move charges and monthly service charges otherwise applicable to the provision of service to the Customer pursuant to other sections of this tariff.

2.6 EMERGENCY SERVICES (ENHANCED 911)

This service allows Customers to reach the appropriate emergency services including police, fire and medical services. Enhanced 911 has the ability to selectively route an emergency call to the primary E911 provider so that it reaches the correct emergency service located closest to the caller. In addition, the Customer's address and telephone information will be provided to the primary E911 provider for display at the Public Service Answering Point (PSAP). These services will be provided free of charge to all Customers.

SECTION 3 - CONSUMER LOCAL SERVICE DESCRIPTIONS

Excel Telecommunications, Inc. (the Company and/or Excel) is a telecommunications provider incorporated under the laws of the State of Texas. Excel Telecommunications, Inc. provides telecommunications services in the areas certified to it within the State of Arizona.

Excel Telecommunications, Inc.'s authority to serve this area is granted in its Certificate of Convenience and Necessity as determined by the Commission.

All rules, regulations and rates of the Company apply to its certified area unless otherwise specifically noted in this tariff.

Excel Local Exchange Services may be offered in conjunction with an associated long distance service offering provided by Excel.

3.1 NONRECURRING CHARGES

3.1.1 Service Connection Charges

These charges are nonrecurring and apply to various Customer requests for connecting, moving or changing service. They are in addition to any other scheduled rates and charges that would normally apply under this tariff. The charges in this section for the connection, move, or change of service contemplate work being performed by Company employees involved at a time when overtime wages do not apply. No distinction is made between a "New Installation and Connection" and an "Outside Move". All changes in location of Customer's equipment or service from one premises to another, are treated as new service connections with service charges applying.

SECTION 3 - CONSUMER LOCAL SERVICE DESCRIPTIONS - (Continued)

3.1 NONRECURRING CHARGES - (Continued)

3.1.1 Service Connection Charges - (Continued)

a. Local Service Charge

This charge is for receiving, recording and processing information necessary to execute a Customer's request for service. One Local Service Charge, per line, is applicable for all changes and/or additions ordered and provided at the same time for the same Customer. Charges are applicable to, but not limited to, the following:

- Transfer a Customer from one carrier to another for local exchange service.

b. Long Distance PIC Charge

To transfer a Customer from one carrier to another for long distance service, a Long Distance PIC Charge applies as specified in this tariff. This charge will not be applied when the customer initiates local service with the Company.

c. IntraLATA PIC Charge

To transfer a Customer from one carrier to another for IntraLATA service, a IntraLATA PIC Charge applies as specified in this tariff. This charge will not be applied when the customer initiates local service with the Company.

d. Add New Line

To add a new primary line to customer's residence if facilities construction is required.

e. Additional New Line/Same Trip

To add an additional new line to customer's residence if another telephone line is provided by the Company at the same residence and initiated at the same time.

SECTION 3 - CONSUMER LOCAL SERVICE DESCRIPTIONS - (Continued)

3.1 NONRECURRING CHARGES - (Continued)

3.1.1 Service Connection Charges - (Continued)

f. Service Activation Charge

To initiate service if no facilities construction is required.

g. Special Construction

To perform any customer required special construction or change of existing telephone equipment at the customer premises.

3.1.2 Miscellaneous Charges

a. Feature Service Charge

When a Customer adds, deletes, or changes a feature or changes features within a local package, the Company cannot apply more than one Feature Service Charge per order per line.

b. Record Order Charge

One Record Order Charge, per line, is applicable for all changes and/or additions ordered and provided at the same time for the same Customer. When multiple Record Orders are required for Company reasons, only one Record Order Charge applies. Charges are applicable to, but not limited to, the following:

- Change of a directory listing name or address
- Change of a telephone number except in the case of harassing calls
- Changes of billing address

SECTION 3 - CONSUMER LOCAL SERVICE DESCRIPTIONS - (Continued)

3.2 EXCHANGE SERVICES

3.2.1 Local Service Offers

Customers subscribing to the Company's Local Service must purchase a local package consisting of an access line (dial tone), Touch Tone and a pre-determined number of Custom Features. Customers who order an additional line(s), are exceptions to the local package purchase requirement. EXCEL Local Service offers are furnished as follows:

- a. **Excel Complete Communications Package:** Single line service with Touch Tone, with the following automatic features included: Call Waiting, Call Return, Caller ID, Auto Redial, Call Blocking, Three-Way Calling, Distinctive Ring, Speed Dialing, Anonymous Call Rejection (ACR) or Call Forwarding.

3.2.2 Touch Tone Calling Service

- a. Touch Tone calling service provides for the origination of calls by means of instruments equipped for tone-type address signaling and special central office facilities. The service is furnished subject to the availability of central office facilities.
- b. All dial-type lines that terminate in an instrument equipped for tone-type address signaling shall be equipped for Touch Tone calling service except for dial-type lines served from a central office where the special facilities for Touch Tone calling service are not available.
- c. Other facilities, miscellaneous and supplemental equipment, requested by Customers and not detrimental to this service or other services of the Company will be furnished under the regulations and at the rates specified in the applicable sections of this tariff.

SECTION 3 - CONSUMER LOCAL SERVICE DESCRIPTIONS - (Continued)

3.3 CUSTOM FEATURES

The features in this section are made available on an individual basis or as a part of feature packages. Custom features are offered on a monthly basis where facilities are available.

- a. **Anonymous Call Rejection (ACR)** - Allows customers to automatically reject all calls that have been marked anonymous, unavailable, or private by the calling party. When ACR is active, the called party receives no alerting (ringing) for a call that has been rejected. The call is routed to a denial announcement and subsequently terminated.

- b. **Auto Redial (Repeat Dialing)** - This feature automatically redials the last outgoing number dialed by the Customer. Activation and deactivation of this feature is completed by the Customer. Repeat Dialing will attempt to call the number for a maximum of thirty (30) minutes after the feature is activated. Once the call is established, the Customer will hear a special ring when the call can be completed. NOTE: Some telephones are only capable of providing a standard ring. Customers must contact the manufacturer or distributor of their telephone set if they have any questions.

Repeat Dialing (usage sensitive) is available on a pay-per-use basis. And the functionality is the same as Repeat Dialing. Repeat Dialing (usage sensitive) will be provisioned with local service unless customer requests the feature to be blocked or it is included in a package.

- c. **Call Blocking - Full Restriction** - Call Blocking - Full Restriction is a central office service that restricts long distance calling. Restricted calls are directed to a central office announcement. Call Blocking - Full Restriction is activated when a one or a zero precedes a dialed number. However, calls to 800 type services are not restricted, and where facilities permit, one plus calls to Company business offices and repair service are not restricted. All calls to operator services are disallowed for residence Customers.

SECTION 3 - CONSUMER LOCAL SERVICE DESCRIPTIONS - (Continued)

3.3 CUSTOM FEATURES - (Continued)

- d. **Call Forwarding** - Permits a customer to transfer all incoming calls to another dialable telephone number. The customer pre-selects a second telephone number to which all incoming calls are to be transferred automatically. Calls may be transferred to a long distance message telecommunications point subject to the availability of the necessary facilities in the central office from which the calls are to be transferred.

Call Forwarding shall not be used to extend calls on a planned and continuing basis to intentionally avoid the payment in whole or in part, of message toll charges that would regularly be applicable between the access line originating the call and the access line to which the call is transferred. Customers utilizing Call Forwarding service are responsible for the payment of charges for each toll call between his access line and the distant access line to which the call was transferred.

- e. **Call Return** - This feature allows the Customer to automatically return the most recent incoming call, even if it is not answered. If the telephone number is busy, Call Return will attempt to call the number for a maximum of thirty (30) minutes after the feature is activated. Once the call is established, the Customer will hear a special ring when the call can be completed. This is accomplished by the Customer activating a code. NOTE: Some telephones are only capable of providing a standard ring. Customers must contact the manufacturer or distributor of their telephone set if they have any questions.

Call Return (usage sensitive) is available on a pay per use basis and the functionality is the same as Call Return. Call Return (usage sensitive) will be provisioned with local service unless customer requests the feature to be blocked or it is included in a package.

SECTION 3 - CONSUMER LOCAL SERVICE DESCRIPTIONS - (Continued)

3.3 CUSTOM FEATURES - (Continued)

- f. **Call Waiting** - This feature provides a tone signal that alerts the Customer talking on the line when a second call is incoming. A maximum of two calls may be in process at one time. A Customer who subscribes to Call Waiting can also inhibit the reception of the Call Waiting tone for the duration of a single call, preventing interruption of the call by activating the code (*70) to cancel Call Waiting. This functionality is automatically included with the Call Waiting feature at no additional cost to the Customer.

- g. **Speed Dialing 8** - This feature allows the Customer to reach a list of frequently called numbers by dialing an abbreviated code. The Customer may call up to eight pre-selected numbers by dialing one-digit codes. Programming of these numbers is completed by the Customer.

- h. **Three-Way Calling** - Enables a customer to add a third party on an existing call without operator assistance, thereby establishing a three-way conversation. The transmission quality may vary depending on the distance and routing necessary and may not necessarily meet normal standards.

Three-Way Calling (usage sensitive) is available on a pay per use basis and the functionality is the same as Three-Way Calling. Three-Way Calling (usage sensitive) will be provisioned with local service unless customer requests the feature to be blocked or it is included in a package.

SECTION 3 - CONSUMER LOCAL SERVICE DESCRIPTIONS - (Continued)

3.3 CUSTOM FEATURES - (Continued)

- i. **Caller ID with Name and Number** - Allows the Customer to identify most callers by letting him/her see the names and phone numbers on special display equipment. The customer must purchase the equipment separately and it is not available under this tariff

- j. **Distinctive Ring Service** - This feature permits the Customer to preselect telephone numbers that can be given a distinctive alerting signal, ring or Call Waiting tone (if the Customer also subscribes to Call Waiting). The Customer can create or change a list of telephone numbers by dialing an activation code. NOTE: Some telephones are only capable of providing a standard ring. Customers must contact the manufacturer or distributor of their telephone set if they have any questions.

SECTION 3 - CONSUMER LOCAL SERVICE DESCRIPTIONS - (Continued)

3.4 LISTINGS

3.4.1. **General** - Customers shall provide the Company with information for all listings. The Company will include the Standard listing in the White Pages (Alphabetical Section) of the telephone directory and will offer one additional listing to the Customer. The Customer must identify its non-published and non-listed telephone numbers for directory purposes.

BNA (bill name and address) information associated with listed/published telephone numbers will be provided for calling card calls and collect and third party billed calls. The Company's BNA service is not available with respect to accounts of non-published/unlisted end users who, by request to the Company (which may be submitted at any time), have specified that such information may not be released, except when the requesting carrier's BNA request for non-published/unlisted end users are as a result of dial-around usage on the requesting carrier's network. If a non-published/unlisted end user requests that the information not be released, all collect and billed to third party calls will be blocked.

3.4.2. **Directory Listing - Standard** - The Customer will receive one Standard listing per telephone number, in the alphabetical section of the directory, at no additional charge.

3.4.3. **Directory Listing - Additional** - The term Additional listing denotes any White Page listing, regardless of form, in addition to the Standard listing. A monthly rate applies for one Additional listing. An additional listing may be any of the following:

- a. Names of members of the Customer's family or of persons residing in the Customer's household.
- b. When the Customer's name or names of other persons residing in the household is spelled in more than one way, additional listings of the alternative spelling are permitted.
- c. The owner of a duly licensed amateur radio station may obtain a listing of the station with this residence telephone number.

SECTION 3 - CONSUMER LOCAL SERVICE DESCRIPTIONS - (Continued)

3.4 LISTINGS - (Continued)

3.4.4 Directory Listing - Non Published

a. General

Non-published telephone numbers are not listed in either the Company's directories or directory assistance records available to the general public. When a call is placed from a telephone number associated with a non-published listing, the number and name may be disclosed if the called party has equipment to display Calling Number Delivery and/or Calling Name Delivery. Customers may prevent the display of the calling number and name by activating Caller ID blocking. Caller ID blocking is available, at no charge, in areas where Caller ID disclosure is possible.

b. Regulations

Incoming calls will be completed by the Company only when the calling party places the call by dialing the telephone number. The Company will adhere to this practice notwithstanding any claim of emergency the calling party may present. The acceptance by the Company of the Customer's request to refrain from publishing his/her telephone number in the directory does not create any relationship or obligation, direct or indirect, to any other person than the Customer.

The Company's liability, if any, for its gross negligence or willful misconduct or the right of the Customer to seek any legal remedy available for the same is not limited by this tariff. In the absence of gross negligence or willful misconduct with respect to any claim or suit brought by, or other legal remedies available to, the Customer for damages associated with publishing the telephone number of non published service in the directory or disclosing said number to any person, the Company's liability, if any, shall not exceed the monthly charges which the Customer may have made for such unpublished service for the period during which the service was affected.

Except as provided above, the Customer indemnifies and saves the Company harmless against any and all claims for damages caused or claims to have been caused, directly or indirectly, by the publication/non-publication of the non published listed number or the disclosing/non-disclosing of said number to any person.

SECTION 3 - CONSUMER LOCAL SERVICE DESCRIPTIONS - (Continued)

3.4 LISTINGS - (Continued)

3.4.5 Directory Listing - Non Listed

a. General

Non listed numbers are not listed in the Company's directories but are included in directory assistance records available to the general public.

b. Regulations

The Customer indemnifies and saves the Company harmless against any and all claims for damages caused or claimed to have been caused, directly or indirectly by the publication of the listing, which the Customer has requested, be omitted from the telephone directory. Where such a listing is published in the telephone directory, the Company's liability shall be limited to a refund of any monthly charges assessed by the Company for the particular non-listed service.

SECTION 3 - CONSUMER LOCAL SERVICE DESCRIPTIONS - (Continued)

3.5 OPERATOR SERVICES

3.5.1 Directory Assistance

Allows Customers to obtain help determining listed telephone numbers. A maximum of two (2) requested telephone numbers will be provided for each Directory Assistance call.

3.5.2 Busy Line Verification

Provides operator assistance in determining if there is a conversation in progress at the called station. The charge only applies if 1) a conversation is detected, or 2) the line is detected to be off-hook but no conversation.

3.5.3 Busy Line Verification/Interrupt

Provides for operator interruption of a conversation in progress on a called station. A charge applies for each attempt to interrupt regardless of whether or not the called station releases the call. A Busy Line Verification must be made prior to a Busy Line Interrupt and both service charges will apply.

SECTION 3 - CONSUMER LOCAL SERVICE DESCRIPTIONS - (Continued)

3.5 OPERATOR SERVICES - (Continued)

3.5.4 Customer Dialed Calling Card Station

Customer Dialed Calling Card Station rates apply when calls are originated and billed as specified below. Customer Dialed Calling Card Station rates do not apply when (1) the Customer dials the appropriate Company access code and does not enter the called number prior to the call timing out and being transferred to a live Company operator or the automated operator system; or, (2) the Customer dials a Company-designated number for completion of Customer Dialed Calling Card calls, but fails to respond to system prompts and must be transferred to a Company operator.

a. Customer Dialed Automated

The Customer dials the appropriate Company access code (e.g. 0 or 10-10-XXX+0, a Company-designated number for completion of Customer Dialed Calling Card calls), plus the telephone number desired and completes the call without the assistance of a live Company operator or the automated operator system (except in the case for calls made from a rotary phone), and the call is billed to a consumer calling card.

b. Operator Must Assist

The Customer dials the appropriate Company access code (e.g. 0 or 10-10-XXX+0, a Company-designated number for completion of Customer Dialed Calling Card calls), plus the telephone number desired and (1) the local exchange operator services equipment capability precludes the Customer from completing the call without the assistance of a Company operator and the call is billed to the Customer's calling card, or (2) the Customer's calling card number, when input, is not the accepted length to be automatically validated and requires operator intervention.

SECTION 3 - CONSUMER LOCAL SERVICE DESCRIPTIONS - (Continued)

3.5 OPERATOR SERVICES - (Continued)

3.5.4 Customer Dialed Calling Card Station - (Continued)

c. Customer Dialed and Operator Assisted

The Customer dials the appropriate Company access code (e.g., 0, 10-10-XXX+0, a Company-designated number for completion of Customer Dialed Calling Card calls), plus the telephone number desired and is able to input the calling card number but uses Company operator assistance that is limited to recording the calling card number for billing purposes.

3.5.5 Operator Assisted

Operator Assisted station-to-station and person-to-person charges are determined by adding the appropriate Operator Assisted service charge and/or surcharge, specified in Section 4.5., including the applicable calling rate.

The service charge categories for station-to-station Operator Assisted Calls are as follows:

- Sent Paid
- Station Collect/Directory Assistance
- Bill to Third Number
- Bill to Third Number/Directory Assistance
- Person-to-Person
- Person-to-Person/Directory Assistance

A surcharge applies to Operator Assisted station-to-station and person-to-person calls. The surcharge applies in addition to any applicable service charges.

Incoming Collect and Billed to Third party Calls can be blocked at the customer's request.

SECTION 3 - CONSUMER LOCAL SERVICE DESCRIPTIONS - (Continued)

3.5 OPERATOR SERVICES - (Continued)

3.5.6 Application of Service Charges and Surcharges

TYPE OF CALL	<u>OPERATOR SERVICE CHARGE</u>	<u>OPERATOR DIALED SURCHARGE</u>
- Busy Line Interruption	Yes	No
- Busy Line Verification	Yes	No
- Customer Dialed Calling Card Station Automated (0+)	Yes	No
- Operator Must Assist (0+)	Yes	No
- Operator Assisted (0+)	Yes	No
- Operator Station-to-Station (Customer dialed 0+) collect, billed to third number, sent paid	Yes	No
- Operator Station-to-Station (operator dialed 0-) collect, billed to third number, sent paid	Yes	Yes
- Operator Station-to-Station (operator dialed 0-) billed to a calling card	Yes	No
- Operator Dialed Calling Card Station (operator dialed 0-) billed to a calling card	Yes	No
- Person-to-Person (Customer dialed 0+) collect, billed to third number, sent paid	Yes	No
- Person-to-Person (operator dialed 0-) collect, billed to third number, sent paid	Yes	Yes
- Person-to-Person (operator dialed 0-) billed to a calling card	Yes	No

SECTION 4 - CONSUMER LOCAL RATES AND CHARGES

4.1 NON-RECURRING CHARGES

4.1.1 Service Connection Charges		<u>Non-Recurring Charge:</u>	
		<u>Current</u>	<u>Maximum</u>
a.	Local Service Connection Charge	\$25.00	\$50.00
b.	Subscriber Line Charge (SLC)	\$5.00	\$10.00
c.	Add New Line Charge	\$25.00	\$50.00
d.	Additional New Line/ Same Trip	\$25.00	\$50.00
e.	Service Activation Charge	\$25.00	\$50.00
f.	Special Construction	Individual case basis (ICB)	

4.1.2 Service Connection Charges		<u>Non-Recurring Charge:</u>	
		<u>Current</u>	<u>Maximum</u>
a.	Feature Service Charge	\$25.00	\$50.00
b.	Record Order Charge	\$10.00	\$20.00

SECTION 4 - CONSUMER LOCAL RATES AND CHARGES - (Continued)

4.2 EXCHANGE SERVICES

4.2.1 Local Service Offers:

Price Per Month:

	<u>Current</u>	<u>Maximum</u>
a. EXCEL Complete Communications Package	\$31.95	\$63.90

4.2.2 Local Service Access Lines

Prices for Local Service Access Lines as defined in this tariff, are reflected in the Local Service Offers prices in 4.2.1, preceding, and are not rate additive.

4.2.3 Touch Tone Calling Service

Prices for Touch Tone Calling Service, as defined in this tariff, are reflected in the Local Services Offers prices in 4.2.1, preceding, and are not rate additive.

SECTION 4 - CONSUMER LOCAL RATES AND CHARGES - (Continued)

4.3 CUSTOM FEATURE RATES

The following features are furnished, as part of the Excel Complete Communications Package:

-Anonymous Call Rejection (ACR)	No Additional Charge
-Auto Redial (Repeat Dialing)	No Additional Charge
-Call Blocking Full Restriction	No Additional Charge
-Call Forwarding	No Additional Charge
-Call Return	No Additional Charge
-Call Waiting	No Additional Charge
-Speed Dialing 8	No Additional Charge
-Three Way Calling	No Additional Charge
-Caller ID With Name and Number	No Additional Charge
-Distinct Ring Service	No Additional Charge

SECTION 4 - CONSUMER LOCAL RATES AND CHARGES - (Continued)

4.4 LISTINGS

	Monthly Charge	
	<u>Current</u>	<u>Maximum</u>
4.4.1 Directory Listing - Standard	\$0.00	\$2.00
4.4.2 Directory Listing - Additional (a maximum of three)	\$2.00	\$4.00
4.4.3 Directory Listing - Non Published	\$2.40	\$4.80
4.4.4 Directory Listing - Non Listed	\$2.40	\$4.80

SECTION 4 - CONSUMER LOCAL RATES AND CHARGES - (Continued)

4.5 OPERATOR SERVICES

	<u>Current</u>	<u>Maximum</u>
4.5.1 Local Directory Assistance Service Charge, up to 2 listings	\$0.35	\$0.70
4.5.2 Local Directory Assistance Call Completion Service Charge	\$0.35	\$0.70
4.5.3 Busy Line Verification/Interrupt Service Charges		
Per Verification	\$2.00	\$4.00
Per Interrupt	\$3.00	\$6.00
4.5.4 Calling Card Service Charges		
- Customer Dialed, Automated	\$0.45	\$0.90
- Customer Dialed, Operator Must Assist	\$1.65	\$3.30
- Customer Dialed and Operator Assisted	\$1.65	\$3.30
- Calling Card / Directory Assistance	\$0.80	\$1.60
4.5.5 Operator Assisted Calling Service Charges		
- Sent Paid	\$1.65	\$3.30
- Station Collect	\$1.65	\$3.30
- Bill to Third Number	\$1.65	\$3.30
- Person-to-Person	\$3.00	\$6.00
4.5.6 Operator Service, Per Minute Rate:		
	\$0.40	\$0.80

SECTION 5 - COMMERCIAL LOCAL SERVICE DESCRIPTIONS

Reserved For Future Use

SECTION 6 - COMMERCIAL RATES AND CHARGES

Reserved For Future Use

Issued: April 8, 2002

Effective:

Jerry G. Kirby, Sr. Tariff Manager
Excel Telecommunications, Inc.
8750 North Central Expressway, Suite 2000

SECTION 7 - CHARGES APPLICABLE UNDER SPECIAL CONDITIONS

7.1 SPECIAL CHARGES

7.1.1 Applications

Special charges may be applied in addition to the usual service connection charges and monthly rates. Special charges apply primarily when unusual investment or expense will be incurred by the Company. Special charges will apply when:

- a. conditions require or the Customer request the provision of special equipment or unusual or nonstandard methods of plant construction, installation or maintenance or a move of equipment or necessary facilities;
- b. the Customer's location requires the use of costly private right-of-way; and
- c. the proposed service is of a temporary nature, and the plant to be placed would not be useful to the Company in the general conduct of its business after that service was discontinued.

7.1.2 Customer Requirements

- a. Temporary Construction - The Customer shall be charged the estimated cost of construction and removal of the plant which would not be of value to the Company, less the estimated net recovery value of the material used. The Company may require the Customer to pay the cost of construction plus the cost of removal, less salvage, for temporary construction performed in advance of permanent construction or to provide temporary service.
- b. The Company shall retain title (if applicable) to all plant constructed, as specified within this tariff, provided wholly or partially at a Customer's expense.
- c. When attachments are made to poles of other companies, instead of providing construction for which the Customer would be charged under the provisions of this section, the Customer shall pay the other company's cost for such attachments.
- d. The Customer is required to pay the construction charges made by another telephone company providing facilities to connect with the facilities of the Company.

SECTION 7 - CHARGES APPLICABLE UNDER SPECIAL CONDITIONS - (Continued)

7.2 LINE EXTENSIONS

7.2.1 Conditions for Line Extension Charges

Construction Charges for line extensions are applied to Customer's with abnormally long extension requirements to prevent unreasonable burdening of the general body of existing Customers or service subscribers.

7.2.2 Rules for Line Extension Charges

- a. All costs will be computed on a current basis, and material cost will be computed on the basis of the extension of the minimum sized cable used by the Company or its designated facilities provider to the Customer.
- b. The Company will determine the type of cable plant extension required on the basis of current and projected conditions and estimate the cost accordingly.
- c. The construction charge for line extensions is apportioned equally among all Customers of a group.
- d. Customers may be required to make advance payments to cover all or a portion of the excess construction charges for exchange service or special service arrangements when in the Company's judgement there is evidence of credit risk. A cash deposit may also be required as specified in Rules and Regulations, Section 2.3.5., on Deposits.
- e. Payments for line construction are not refundable, and no credit will be allowed for future installations on line extensions constructed under the above regulations.

SECTION 7 - CHARGES APPLICABLE UNDER SPECIAL CONDITIONS - (Continued)

7.2 LINE EXTENSIONS - (Continued)

7.2.3 Poles on Private Property

The Company or its designated facilities provider will provide the poles on private property which are used in serving an individual Customer at no cost to the Customer except in cases where the Customer is required to pay for constructing the line extension. Poles requested by the Customer, in excess of those deemed necessary by the Company, will be charged to the Customer at the installed cost.

7.2.4 Provisions of Private Rights-of-Way

The Company's obligation to provide service through line extension depends entirely on its ability to secure, retain and maintain suitable rights-of-ways without incurring unreasonable expense. When conditions require, Customers shall provide, without expense to the Company, private rights-of-way as needed. Any and all private rights-of-way permit requirements and any and all associated costs will be the responsibility of the Customer and must be furnished before a plant extension project begins.

SECTION 7 - CHARGES APPLICABLE UNDER SPECIAL CONDITIONS - (Continued)

7.3 SPECIAL CONSTRUCTION

7.3.1 Construction on Private Property

- a. The Company or its designated facilities provider will furnish an average amount of entrance and distribution facilities, provided the facilities are of the standard type normally furnished for the particular location or kind of service.
- b. If additional entrance or distribution facilities are required, or if conditions require special equipment, maintenance or methods of construction, if the installation is for a temporary purpose, or if for any other reason, the construction costs are excessive as compared with the revenue to be derived from the project, the Customer may be required to pay for costs over and above the costs applicable for a normal installation.
- c. The Customer will provide the Company upon request and without charge written permission for the placement of Company facilities (or the facilities of a Company-designated service provider) on their property.
- d. The Customer is responsible for providing satisfactory entrance to the building and space for mounting any necessary network protection equipment.

7.3.2 Temporary Service

Where plant construction is required to provide any temporary service or facility, or where it is necessary to place temporary construction in advance of permanent construction in order to meet the Customer's requirements, the Company may require the Customer to pay the nonrecoverable costs of the temporary construction or to contract for service beyond the initial period, or both.

SECTION 7 - CHARGES APPLICABLE UNDER SPECIAL CONDITIONS - (Continued)

7.3 SPECIAL CONSTRUCTION - (Continued)

7.3.3 Service Provided to Movable Premises

- a. When telephone service is provided to movable premises by means of aerial plant, the Customer shall provide a clearance pole if the Company considers it necessary. The clearance pole must comply with the Company's specifications. The Customer shall place, own and maintain the pole. However, if the Customer elects and the Company agrees, the Company or its designated service provider will place, own and maintain the pole and bill the Customer the cost of placing the pole.

- b. Where plant construction is required to provide any service or facility to a movable premises, and it is necessary to place temporary construction in advance of permanent construction in order to meet the Customer's requirements, the Company may require the Customer to pay the nonrecoverable costs of the temporary construction or to contract for service beyond the initial period, or both.

SECTION 7 - CHARGES APPLICABLE UNDER SPECIAL CONDITIONS - (Continued)

7.3 SPECIAL CONSTRUCTION - (Continued)

7.3.4 Service to Residential and Commercial Developments

The construction charges, allowances and provisions previously specified in this Section contemplate the extension of facilities into areas of normal growth and development. Where facilities are to be extended into new areas of residential or commercial real estate development which, in the Company's opinion, are of a promotional or speculative nature, the Company may require an advance deposit equal to all or a portion of the costs of such construction, depending on the circumstances in each case. This advance deposit will be payable prior to the start of construction.

- a. The Company and the developer may enter into a contractual agreement that provides for the periodic refund of portions of the deposit as Customers in the development receive telephone service, and other terms of the contract are met. The contract will specify the estimated number of telephone customers expected to receive service within the area and the time required to complete the project (not to exceed five years). The contract will provide that the construction charge be recomputed to reflect regular tariff allowances, design changes made by the developer, damage to telephone facilities by persons other than Company employees or agents or unusual construction requirements. Periodic refunds to the developer will be adjusted accordingly.
- b. The Customer for telephone service to a development is required to provide the Company, at his own expense, the necessary easements for installation and maintenance of telephone facilities, clear the ground where facilities are to be installed according to Company specifications and request installation of telephone facilities at an appropriate time during construction of the project to avoid unnecessary costs to the Company.

SECTION 7 - CHARGES APPLICABLE UNDER SPECIAL CONDITIONS - (Continued)

7.3 SPECIAL CONSTRUCTION - (Continued)

7.3.5 Underground Service Connections

When a Customer requests that underground service connections be installed instead of aerial facilities which would ordinarily be used, or when aerial facilities are used to provide service, and the Customer subsequently requests that facilities be placed underground, the following regulations apply:

- a. the Customer shall pay the cost on constructing and maintaining underground conduits which will be built according to Company specifications or according to the specifications of the Company's designated service provider;
- b. any ducts required in the underground conduit by the Company to furnish service shall be reserved for its exclusive use;
- c. if a Customer requests that cable be installed in a trench, the trench shall be constructed and back filled under the Company's supervision at the Customer's expense;
- d. the Company or its designated service provider will maintain and replace cable installed in conduit where the Company has inspected and approved the conduit. The Company or its designated service provider will repair or replace cable in conduit or trench necessitated by damage caused by the Customer or his representatives, only at the Customer's expense; and
- e. the Company or its designated service provider may replace existing aerial facilities with underground facilities in connection with planned projects or during its normal operations. If a Customer requests the removal and replacement of existing aerial facilities with underground facilities prior to the time of normal replacement, the Customer will be responsible for the expense incurred by the Company in making the replacement.

SECTION 7 - CHARGES APPLICABLE UNDER SPECIAL CONDITIONS - (Continued)

7.4 SPECIAL SERVICE ARRANGEMENTS

7.4.1 General

- a. If a Customer's requirements cannot be met by regular service arrangements, the Company will provide, where practical, special service arrangements at charges equal to the estimated cost of furnishing such facilities. These special service arrangements will be provided if the provision of such arrangements is not detrimental to any other services furnished under the Company's tariffs.
- b. If any type of qualifying special assembly device is subscribed to by more than three (3) customers, the Company may file the offering as a general service offering in the appropriate tariff section.

7.4.2 Rates and Charges

7.4.2.1 Rates for special service arrangements are equivalent to the estimated costs of furnishing the special service arrangements.

7.4.2.2 Estimated costs, which consist of an estimate of the total cost to the Company of providing the special service arrangement, may include the following:

- a. cost of maintenance;
- b. cost of operation;
- c. depreciation on the estimated installed cost of any facilities used to provide the special service arrangement based on anticipated useful service life less estimated net salvage value;
- d. general administration expenses, including taxes on the basis of average charges for these items;
- e. any other item of expense associated with the particular special service arrangement; and
- f. an amount, computed on the estimated installed cost of the facilities used to provide the special service arrangement, for return on investment.

SECTION 7 - CHARGES APPLICABLE UNDER SPECIAL CONDITIONS - (Continued)

7.4 SPECIAL SERVICE ARRANGEMENTS - (Continued)

7.4.2 Rates and Charges - (Continued)

7.4.2.3 The estimated installed cost described above will include the costs of equipment and materials provided or used, plus estimated labor costs, including the cost of installation, engineering, supervision, transportation, rights-of-way, in addition to other items chargeable to the capital accounts.

7.4.2.4 Special service arrangement rates are subject to revision depending on changing costs.

7.4.2.5 If and when a special service arrangement becomes a tariffed offering, the tariffed rate or rates will apply from the date of tariff approval.

7.4.2.6 The following rate treatments may be used in connection with charges for special service arrangements:

- a. monthly rental or termination agreement with or without an installation charge; and
- b. installation charge only.

7.5 OTHER REGULATIONS

Line extensions and special service arrangements are further subject to the regulations specified in the tariffs of this Company, or in the tariffs of the Company's designated service provider, as they now exist, and any revisions, additions or supplements which may be made in the future.

SECTION 8 - LOCAL MARKET TRIALS

8. LOCAL MARKET TRIALS

- 8.1 **Purpose** - A market trial is intended to enable the Company to test its ability to provide services that may eventually be made available to the general public. As a part of a market trial, the Company may need to test the capabilities of the systems required by a proposed service, including, but not limited to, systems needed to establish, provision, operate, bill and/or collect for a service, whether such systems are provided solely by the company or in combination with systems provided by other carriers or vendors. A market trial is not an offer to provide service to the general public.
- 8.2 **Eligibility** - The Company may limit customers who are eligible to receive a service that is offered as part of a market trial, including but not limited to, limitations on the number of customers or the classes of customers who may subscribe to the service during the market trial. Additionally, the Company may limit the market trial to customers who are employees of the Company.
- 8.3 **Availability** - The Company, at its option, may choose to offer a market trial service on a statewide basis or may limit the availability of a market trial service to a smaller geographic area. The area in which a market trial service is available may include all or part of an exchange and need not conform to existing exchange area boundaries.
- 8.4 **Duration** - A market trial may be conducted for any period of time defined by the Company, not to exceed 12 months.
- 8.5 **Notice** - The Company will notify the Commission in writing of any local market trial services being offered in Arizona.
- 8.6 **Applicability of Other Tariff Provisions** - If the terms and conditions of the market trial conflict with other provisions of this tariff, the market trial terms and conditions shall govern the market trial service offering. In all other instances, a market trial shall be subject to the other terms and conditions for service as contained in this tariff.

Issued: April 8, 2002

Effective:

Jerry G. Kirby, Tariff Manager
Excel Telecommunications, Inc.
8750 North Central Expressway, Suite 2000
Dallas, Texas 75231

ATTACHMENT C

AFFIDAVIT OF PUBLICATION

TO BE LATE FILED

ATTACHMENT D
FINANCIAL STATEMENTS



Total Excel Income Statement

	For the Twelve Months Ended December 31, 1999 <i>(unaudited)</i>	For the Twelve Months Ended December 31, 2000 <i>(unaudited)</i>	For the Twelve Months Ended December 31, 2001 <i>(unaudited)</i>
(\$ in thousands)			
Communication Services	\$ 1,366,600	\$ 863,395	\$ 750,473
Intercompany Services	57,592	86,936	34,544
Marketing Services	60,758	40,106	29,567
Total Revenues	1,484,950	990,437	814,584
Communication Services COS	652,772	468,546	347,480
Intercompany COS	57,592	92,436	34,095
Marketing Services COS	17,613	20,896	21,266
Total Cost of Sales	727,977	581,878	402,841
Communication Margin	713,828	394,849	402,993
Intercompany Margin	-	(5,500)	449
Marketing Margin	43,145	19,210	8,301
Total Margin	756,973	408,559	411,743
Selling	189,295	122,834	101,993
Other Marketing	43,669	13,439	7,823
Customer Support	212,586	160,469	139,518
Department G&A	184,128	166,869	135,822
EBITDA	127,295	(55,052)	26,587
Depreciation/Amortization	67,795	98,115	85,096
Operating Income	59,500	(153,167)	(58,509)

NOTE: This financial statement may not include subsequent accounting entries and adjustments which have been made, pursuant to auditing reviews, in order to more accurately reflect attribution of income and expenses among the years shown, as well as certain other post-audit adjustments which appropriately fall below the operating income line.



Total Excel Cash Flow

(\$ in thousands)

OPERATING ACTIVITIES:

Net income

Non Cash Adjustments:

Depreciation and amortization

Unrealized gain/loss on foreign currency translation

Loss on disposal of assets

Write-off of goodwill/intangibles

Deferred income taxes

Long term asset amortization

Income taxes payable/receivable

Non Cash Interest Payable on Intercompany Debt (YTD interest)

Other non-cash adjustments to net income

Net Income + Non Cash Adjustments

Changes in Assets and Liabilities-

Accounts receivable, net

Accounts payable & Accrued liabilities

Commissions payable

Deferred revenue & other

Inventories and other

• Change in Working Capital

Net Cash Generated (Used) in Operating Activities

INVESTING ACTIVITIES:

Proceeds from sale of assets

Purchase of property and equipment

Purchase of franchise agreement

Change in other long term assets

Net Cash Generated (Used) in Investing Activities

FREE CASH FLOW

FINANCING ACTIVITIES:

Payments of capital lease obligations

Proceeds from equity contributions - Teleglobe

Proceeds/(Payments) of intercompany debt

Interest payable on intercompany debt (prior year)

Net cash provided by (used in) financing activities

Net Increase/(Decrease) in Cash

CASH, beginning of period

CASH, end of period

	For the Twelve Months Ended December 31, 1999 <i>(unaudited)</i>	For the Twelve Months Ended December 31, 2000 <i>(unaudited)</i>	For the Twelve Months Ended December 31, 2001 <i>(unaudited)</i>
Net income	\$ 6,386	\$ (197,369)	\$ (972,629)
Non Cash Adjustments:			
Depreciation and amortization	67,795	98,115	85,099
Unrealized gain/loss on foreign currency translation	220	164	(670)
Loss on disposal of assets	194	37,971	29,410
Write-off of goodwill/intangibles	-	347	845,154
Deferred income taxes	45,839	(103,725)	(39,609)
Long term asset amortization	-	130	818
Income taxes payable/receivable	(22,248)	42,299	(3,935)
Non Cash Interest Payable on Intercompany Debt (YTD interest)	(36)	68,698	36,498
Other non-cash adjustments to net income	-	(1,628)	(896)
Net Income + Non Cash Adjustments	98,150	(54,998)	(20,760)
Changes in Assets and Liabilities-			
Accounts receivable, net	17,440	115,580	10,996
Accounts payable & Accrued liabilities	(49,676)	(18,307)	(39,278)
Commissions payable	(3,846)	1,967	(7,562)
Deferred revenue & other	(3,465)	(4,787)	(572)
Inventories and other	(6,937)	(1,188)	4,505
• Change in Working Capital	(46,484)	93,265	(31,911)
Net Cash Generated (Used) in Operating Activities	51,666	38,267	(52,671)
INVESTING ACTIVITIES:			
Proceeds from sale of assets	-	3,757	880
Purchase of property and equipment	(167,704)	(121,665)	(43,672)
Purchase of franchise agreement	-	(3,360)	(850)
Change in other long term assets	(2,850)	(4,677)	(1,919)
Net Cash Generated (Used) in Investing Activities	(170,554)	(125,945)	(45,561)
FREE CASH FLOW	(118,888)	(87,678)	(98,232)
FINANCING ACTIVITIES:			
Payments of capital lease obligations	(641)	(2,417)	(4,817)
Proceeds from equity contributions - Teleglobe	-	25,476	66,214
Proceeds/(Payments) of intercompany debt	87,353	91,086	85,682
Interest payable on intercompany debt (prior year)	-	-	(53,058)
Net cash provided by (used in) financing activities	86,712	114,145	94,021
Net Increase/(Decrease) in Cash	(32,176)	26,467	(4,211)
CASH, beginning of period	9,905	(24,216)	2,251
CASH, end of period	\$ (22,271)	\$ 2,251	\$ (1,960)



Total Excel Balance Sheet

(\$ in thousands)

ASSETS

Current Assets:

	December 31, 1999 <i>(unaudited)</i>	December 31, 2000 <i>(unaudited)</i>	December 31, 2001 <i>(unaudited)</i>
Cash and cash equivalents	\$ (22,271)	\$ 2,251	\$ (1,960)
Accounts receivable, net	226,767	126,325	111,388
Income taxes receivable	49,395	7,106	11,041
Inventories	1,538	4,367	1,613
Deferred income tax asset	41,680	43,497	38,474
Other current assets	13,810	11,836	6,584
Total Current Assets	310,919	195,382	167,140
Property and equipment, net	502,335	515,424	459,372
Goodwill, net	851,281	850,813	-
Other assets	37,075	47,404	61,753
Total Assets	\$ 1,701,610	\$ 1,609,023	\$ 688,265

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable	\$ 51,528	\$ 58,437	\$ 35,543
Commissions payable	11,030	12,997	5,435
Intercompany Payable	57,670	85,858	12,266
Intercompany interest payable	737	68,817	-
Accrued liabilities	115,910	87,470	63,023
Deferred revenue and other	5,300	375	2,450
Current portion of long-term debt	793	3,642	3,670
Total Current Liabilities	\$ 242,968	\$ 317,596	\$ 122,387
Intercompany long-term debt	620,000	620,000	-
Other Long Term Liabilities	-	-	-
Capital lease obligations	787	8,419	7,399
Long-term notes payable	-	-	15,935
Deferred income taxes payable	42,226	(37,529)	(80,746)
STOCKHOLDERS' EQUITY:			
Paid-in capital	555,607	581,093	1,477,579
Unrealized gain (loss) on translation	263	427	(677)
Retained earnings	239,759	119,017	(853,612)
Total Stockholders' Equity	795,629	700,537	623,290
	\$ 1,701,610	\$ 1,609,023	\$ 688,265

ATTACHMENT E

PROCEEDINGS

Excel has a strong commitment to observing the highest standards of customer service as well as to bringing competitive choice to the residential marketplace.

As in any business, customer issues of various types arise in the normal course of operations. An important measure of customer satisfaction in such situations is the Company's responsiveness in promptly resolving such issues. Each of the approximately 400 customer service associates staffing the Company's two state-of-the-art call centers receives approximately 100 hours of training annually in customer care and provisioning standards. This training is designed to promote long term relationships with Excel customers as well as timely resolution of customer problems. Excel has a "First Call Resolution" standard to ensure that consumers have their questions answered and/or problems resolved with one call. Moreover, since its inception, Excel has given new long distance customers a 90-day guarantee, during which Excel will pay for a customer's switch-back to his/her previous company with no questions asked.

Other steps that Excel has taken to guarantee consumer satisfaction include the development of a specialized group within the customer service department whose sole function is to deal with reported problems of service-not-requested, claims of slamming, and other issues quickly and efficiently. This group ensures that the consumer is satisfied and that any appropriate credits/adjustments are made. Finally, and perhaps most importantly, serving as the "first line" of consumer satisfaction are Excel's Independent Representatives ("IRs"). The IRs are encouraged to build ongoing relationships with their customers to ensure satisfaction with Excel's services and products on a continuing basis. Further, Excel has undertaken to provide training to its IRs with respect to Excel's strict Zero Tolerance Policy and business ethics. Excel will terminate its relationship with any IR who is found to have engaged in illegal or improper conduct, specifically with regards to slamming.

Beyond the Company's proactive steps to ensure that its customers are satisfied with its services and products, Excel has been praised for its forthrightness in keeping regulatory agencies

informed when consumer issues do arise. It deserves mention that regulatory commissions have noted the steps Excel has taken to advance the accuracy of the customer provisioning process and, in one case, took the extraordinary step of recognizing that Excel's consumer care safeguards effectively set an industry standard.

The Company periodically reviews the FCC and state approved means to effect consumer carrier changes and has been utilizing a nationwide independent third party verification ("TPV") system over the last couple of years. This TPV system allows for verification of all residential primary interexchange carrier ("PIC") changes. Excel will continue to innovate its systems to provide consumers with efficiency, convenience, and accuracy in carrying out the consumer's choice in carrier.

Notwithstanding its best efforts in customer service and satisfaction, and, as is the case for many carriers of Excel's size and comparably long history of operations, Excel has from time to time been the subject of informal commission inquiries or even formal proceedings. In response to the Commission's request a summary of proceedings is provided. Because each state commission applies its own rules and standards to treat, handle and classify consumer complaints, we have looked to a factor for categorizing these issues that would be common across all states—regulatory complaints that have been resolved by issuing an order dismissing an action or approving a settlement. Accordingly, the attached summary of regulatory actions also serves as a summary of the Applicant's complaint history in other states.

The following list identifies and summarizes regulatory proceedings, except for informal consumer complaints or referrals, of which Excel Telecommunications, Inc. has been the subject in recent years. We discuss proceedings in which Excel Telecommunications, Inc. has been the subject that are currently pending.

6. Florida Attorney General, Subpoena issued December 9, 1999. The Florida Attorney General issued a subpoena requesting certain information from the Company. Excel met with members of the Attorney General's office on the matter and delivered information covered by the subpoena. This matter has been inactive since May 2000.
11. Louisiana Public Service Commission, P.O. Box 91154, Baton Rouge, Louisiana, 70821-9154; Docket No. U-24873. (Opened May 1, 2000) This action arises out of one consumer slamming complaint. Excel has reached a settlement with Commission staff; dismissal of the action is pending.
28. Wisconsin Department of Agriculture, Trade and Consumer Protection, 2811 Agriculture Drive, Madison, WI 53718. This matter arose out of a single consumer complaint. The Consumer objected to paying Excel's tariffed long distance charges for adult entertainment calls the Customer claims he did not make. Excel does not bill for adult entertainment calls. The Department issued a civil investigative request for information to Excel on August 2, 2001, supplemented on September 4, 2001. Having responded to requests, Excel continues to cooperate to resolve this matter.
32. North Carolina Utilities Commission, 430 North Salisbury Street, Dobbs Building, Raleigh, NC 27603-5918. (Opened November 29, 2001). This complaint is currently pending at the North Carolina Public Utilities Commission. It was brought by a consumer for non-release of an 800 number based upon a billing issue. In its response, the Company agreed to release the number and crediting the customer's account. No formal proceeding schedule has been set as of the date of this filing.
33. Tennessee Attorney General, P. O. Box 20207, Nashville, TN 37202-0207. (Opened November 30, 2001). The Tennessee Attorney General opened an investigation into Excel Communications, Inc. d/b/a Excel Wireless concerning the collection of "911" surcharges. This investigation is ongoing and Excel is cooperating with the requests of the Attorney General.

ATTACHMENT F

PENDING LITIGATION

PENDING LITIGATION

As is expected in the normal course of business, claims and lawsuits arise from time to time. These matters may range from small claims matters to complex litigation involving higher amounts in controversy.

The information supplied below concerns pending litigation or overtly threatened litigation where the amount in controversy exceeds \$250,000. Excluded are matters, which, over the past three years, have remained largely inactive.

1. Paul A. Dumas v. Excel Communications, Inc., 134th Judicial District, Dallas, Texas. Breach of alleged contract. The Company's Answer and Counterclaim was filed May 22, 2001. Discovery is ongoing. Plaintiff has estimated his damages to be approximately \$230,000.00. Attorneys' fees are also sought.
2. Thomas W. Frenz, Trustee v. Excel Telecommunications, Inc., Excel Communications, Inc. and BCE Inc., U.S. District Court, Western District of Kentucky, filed on June 15, 2001. Matter concerns alleged for breach of contract with Michael and Kimberly Rednour. The Bankruptcy Trustee for the Rednours sued for unpaid commissions in amounts in excess of \$300,000.00. The Company filed a Motion to Dismiss or Stay and to Compel Arbitration.
3. John Gergen, Alice Gergen, John Gergen, Inc., and Dial One, Inc., v. Excel Telecommunications, Inc. et al., filed on January 30, 2001 in the 116th Judicial District Court, Dallas County, Texas. Alleged Breach of Contract, Intentional Interference with Contract, Intentional Interference with Prospective Economic Opportunity, Defamation, Misrepresentation and Conspiracy.

Two related lawsuits have also been filed by Gergen's attorney. Eileen McGinn v. Excel Telecommunications, Inc., Excel Telecommunications (Canada) Inc., et al., was filed in the 116th Judicial District Court, Dallas County, Texas on March 28, 2001, and the Company accepted service on April 26, 2001. Martin Askew and Stephen Lawn v. Excel Telecommunications, Inc., Excel Telecommunications (Canada) Inc., et al. was filed in the 101st Judicial District Court, Dallas County, Texas on June 5, 2001.

Punitive/exemplary damages sought in all three suits total U.S. \$110,000,000.00.

4. State of Kentucky Taxation Matter: The State of Kentucky has asserted that the Company owes state property taxes for years 1994 through 2000 which the Company is protesting. For the tax years 1994 and 1995 the Company has been assessed taxes totaling \$ 90,688.50. The Company is engaged in protest proceedings against the Revenue Cabinet, Commonwealth of Kentucky at the Board of Tax Appeals for the 1994 and 1995 valuations. The Kentucky Board of Tax Appeals ruled in favor of the Revenue Cabinet on May 10, 2001 and established valuations, and confirmed the taxes assessed, for 1994 and 1995. The Company has filed an appeal with the Kentucky Circuit Court. If the ruling of the Board is ultimately upheld, the Company's liability would also include taxes through 2000.

5. MCI WorldCom Network Services, Inc. v. Excel Telecommunications, Inc. Filed in United States District Court, Northern District of Oklahoma on October 19, 2001. This action arises out of WorldCom's provision of network services to the Company under two separate agreements. During the period 1996 through 2000, WorldCom provided the services and billed Excel under the two agreements. Disputes arose between the companies as the Company was completing its migration off of WorldCom's network. WorldCom's action for breach of contract seeks damages in the aggregate amount of \$1.8 million. The Company has answered and filed a counterclaim alleging that the Company was overcharged in an unspecified amount, and has requested that a portion of the action be stayed in favor of arbitration.

6. Phillip Wells v. Excel Communications, Inc. This Demand for Arbitration was filed with the AAA in Dallas, Texas, on June 18, 2001. In his Demand, Wells alleges breach of contract, fraud, and interference with contract, and seeks money damages and lost profits in excess of \$5 Million. The Company filed an Answer and Counterclaim on August 6, 2001. The Wells Group, Inc. v. Excel Telecommunications, Inc. and Excel Communications Marketing, Inc., was filed in the Circuit Court of Pulaski County, Arkansas. In this complaint, Plaintiff alleges damages in excess of \$1 Million. Phillip Wells is allegedly the owner and president of the Wells Group, Inc. The Company's Motion to Stay and Original Answer was filed February 1, 2002.

ATTACHMENT G

CURRENT AUTHORITY

Excel Telecommunications, Inc.
Current Authority

(as of December 27, 2001)

Federal

Section 214 authority: File No. ITC-93-145

Interexchange

All fifty states

Local Exchange

Connecticut (Resale only)
Florida (ALEC)
Illinois (Resale only)
Indiana (Resale only)
Kansas (Resale only)
Kentucky (Resale only)
Louisiana
Maryland (Resale only)
Massachusetts
Michigan
Minnesota (Resale only)
Mississippi (Resale only)
Missouri
Montana (Resale only)
Nebraska (Resale only)
Nevada (Basic)

North Carolina (CLP)
North Dakota (Resale only)
Ohio (Resale only)
Oklahoma
Oregon (Resale only)
Rhode Island (CSR)
South Dakota (Resale only)
Tennessee (Resale only)
Texas
Utah (Resale only)
Vermont
Virginia (Resale only)
Washington (Resale only)
West Virginia (Resale only)
Wisconsin (Resale only)
Wyoming (Resale only)

Unless otherwise indicated (ie., Resale only), Excel has full local exchange authority.

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PROCEEDINGS

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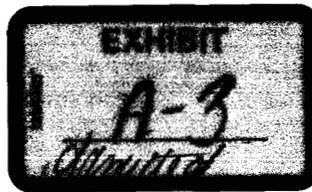
1. Paul A. Dumas v. Excel Communications, Inc., 134th Judicial District, Dallas, Texas. Breach of alleged contract. The Company's Answer and Counterclaim was filed May 22, 2001. Discovery is ongoing. Plaintiff has estimated his damages to be approximately \$230,000.00. Attorneys' fees are also sought.
2. Thomas W. Frentz, Trustee v. Excel Telecommunications, Inc., Excel Communications, Inc. and BCE Inc., U.S. District Court, Western District of Kentucky, filed on June 15, 2001. Matter concerns alleged for breach of contract with Michael and Kimberly Rednour. The Bankruptcy Trustee for the Rednours sued for unpaid commissions in amounts in excess of \$300,000.00. The Company filed a Motion to Dismiss or Stay and to Compel Arbitration.
3. John Gergen, Alice Gergen, John Gergen, Inc., and Dial One, Inc., v. Excel Telecommunications, Inc. et al., filed on January 30, 2001 in the 116th Judicial District Court, Dallas County, Texas. Alleged Breach of Contract, Intentional Interference with Contract, Intentional Interference with Prospective Economic Opportunity, Defamation, Misrepresentation and Conspiracy.

Two related lawsuits have also been filed by Gergen's attorney. Eileen McGinn v. Excel Telecommunications, Inc., Excel Telecommunications (Canada) Inc., et al., was filed in the 116th Judicial District Court, Dallas County, Texas on March 28, 2001, and the Company accepted service on April 26, 2001. Martin Askew and Stephen Lawn v. Excel Telecommunications, Inc., Excel Telecommunications (Canada) Inc., et al. was filed in the 101st Judicial District Court, Dallas County, Texas on June 5, 2001.

Punitive/exemplary damages sought in all three suits total U.S. \$110,000,000.00.

4. State of Kentucky Taxation Matter: The State of Kentucky has asserted that the Company owes state property taxes for years 1994 through 2000 which the Company is protesting. For the tax years 1994 and 1995 the Company has been assessed taxes totaling \$ 90,688.50. The Company is engaged in protest proceedings against the Revenue Cabinet, Commonwealth of Kentucky at the Board of Tax Appeals for the 1994 and 1995 valuations. The Kentucky Board of Tax Appeals ruled in favor of the Revenue Cabinet on May 10, 2001 and established valuations, and confirmed the taxes assessed, for 1994 and 1995. The Company has filed an appeal with the Kentucky Circuit Court. If the ruling of the Board is ultimately upheld, the Company's liability would also include taxes through 2000.
5. MCI WorldCom Network Services, Inc. v. Excel Telecommunications, Inc. Filed in United States District Court, Northern District of Oklahoma on October 19, 2001. This action arises out of WorldCom's provision of network services to the Company under two separate agreements. During the period 1996 through 2000, WorldCom provided the services and billed Excel under the two agreements. Disputes arose between the companies as the Company was completing its migration off of WorldCom's network. WorldCom's action for breach of contract seeks damages in the aggregate amount of \$1.8 million. The Company has answered and filed a counterclaim alleging that the Company was overcharged in an unspecified amount, and has requested that a portion of the action be stayed in favor of arbitration.
6. Phillip Wells v. Excel Communications, Inc. This Demand for Arbitration was filed with the AAA in Dallas, Texas, on June 18, 2001. In his Demand, Wells alleges breach of contract, fraud, and interference with contract, and seeks money damages and lost profits in excess of \$5 Million. The Company filed an Answer and Counterclaim on August 6, 2001. The Wells Group, Inc. v. Excel Telecommunications, Inc. and Excel Communications Marketing, Inc., was filed in the Circuit Court of Pulaski County, Arkansas. In this complaint, Plaintiff alleges damages in excess of \$1 Million. Phillip Wells is allegedly the owner and president of the Wells Group, Inc. The Company's Motion to Stay and Original Answer was filed February 1, 2002.

ATTACHMENT G
CURRENT AUTHORITY



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2002 JUL 26 A 10: 10

AZ CORP COMMISSION
DOCUMENT CONTROL

July 25, 2002

VIA OVERNIGHT DELIVERY

Arizona Corporation Commission
DOCKETED

JUL 26 2002

Docket Control
Arizona Corporation Commission
Utilities Division
1200 West Washington
Phoenix, AZ 85007-2996

DOCKETED BY *CAV*

Re: Amendment to Application filed in Docket No. T-02584A-02-0268

Dear Sir or Madam:

Please find enclosed an original and ten (10) copies of an amended page one to the above referenced Application For a Certificate of Convenience and Necessity to Provide Facilities-Based Local Exchange Services in the State of Arizona filed on behalf of Excel Telecommunications, Inc. ("Excel"). Excel previously submitted its application requesting authority to provide Facilities Based Local Exchange Telecommunications Services. With this filing, Excel amends that application to include a request for authority to provide Resold Local Exchange Telecommunications Services.

Please date stamp and return the enclosed extra copy of this cover letter in the self-addressed, stamped envelope provided. Should you or anyone at the Arizona Corporation Commission have any questions regarding these materials, please do not hesitate to contact me at (214) 424-1512 or Dana Hoyle at (214) 424-6679.

Sincerely,

Robbin M. Johnson
Robbin M. Johnson
Regulatory Counsel

Enclosure

ARIZONA CORPORATION COMMISSION

Application and Petition for Certificate of Convenience and Necessity to Provide
Intrastate Telecommunications Services

Mail original plus 10 copies of completed application to:

For Docket Control Only:
(Please Stamp Here)

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

Please indicate if you have current applications pending
in Arizona as an Interexchange reseller, AOS provider,
or as the provider of other telecommunication services.

Type of Service: Interexchange Reseller

Docket No.: U-2584-91-016 Date: January 18, 1991 Date Docketed: January 18, 1991

Type of Service: _____

Docket No.: _____ Date: _____ Date Docketed: _____

A. COMPANY AND TELECOMMUNICATION SERVICE INFORMATION

(A-1) Please indicate the type of telecommunications services that you want to provide in Arizona and answer the appropriate numbered items:

- Resold Long Distance Telecommunications Services (Answer Sections A, B, C).
- Resold Local Exchange Telecommunications Services (Answer Sections A, B, C).
- Facilities-Based Long Distance Telecommunications Services (Answer Sections A, B, D).
- Facilities-Based Local Exchange Telecommunications Services (Answer Sections A, B, D, E)

(A-2) The name, address, telephone number (including area code), facsimile number (including area code), e-mail address, and World Wide Web address (if one is available for consumer access) of the Applicant:

Excel Telecommunications, Inc.
8750 North Central Expressway, Suite 2000
Dallas, TX 75231
Telephone: (214) 863-8700
Facsimile: (214) 863-8721

Agency	Identifying Number	Total Amount Paid
	<p>(Closed April 25, 2000). Excel entered into a Consent Decree with the FCC to resolve several complaints of unauthorized PIC changes. Excel proactively initiated discussions with the FCC. As a result, no Notice of Apparent Liability was ever issued. As part of this consent decree, Excel made no admission of liability, agreed to continue its then recently implemented nationwide third party verification at least through April 25, 2002, and implemented other preventative procedures. In connection with the consent decree, Excel also made a voluntary contribution of \$400,000 to the US Treasury.</p>	
Federal Communications Commission	EB-99-TC-012	\$ 400,000.00
Federal Communications Commission	ENF-95-15	\$ 80,000.00

EXHIBIT
S-1
Admitted

Agency	Identifying Number	Total Amount Paid
<p>Florida Public Service Commission</p>	<p>(Closed September 13, 2000). Excel noted an increase in complaints concerning alleged unauthorized PIC changes. Taking a proactive approach, Excel met with the Florida Commission Staff to discuss the issue. The Company stopped the use of written LOAs and instead instituted a TPV system for all consumer PIC changes other than those made to the ILEC directly, and made a voluntary contribution of \$400,000 to the General Revenue Fund of the State of Florida.</p>	<p>Docket No. 991459-TP \$ 400,000.00</p>
<p>Florida Public Service Commission</p>	<p>(Closed February 22, 1999). A show cause order was opened against twelve telecommunications carriers, including AT&T, MCI, Sprint, LCI, and UniDial, among other long distance carriers, in addition to Excel Telecommunications, Inc. The proceeding was initially opened in December of 1997 and the formal show cause order was issued on July 22, 1998. Excel made a voluntary contribution of \$68,000 to the General Revenue Fund of the State of Florida.</p>	<p>Docket No. 97-1490-TI \$ 68,000.00</p>

Agency	Identifying Number	Total Amount Paid
<p>Florida Public Service Commission</p>	<p>(Closed March 21, 1996). The proceeding was instituted on April 20, 1995 with respect to Excel Telecommunications. The petition alleged unauthorized PIC changes. Excel and the Commission entered into a settlement in which Excel voluntarily agreed to adopt certain procedures with respect to PIC changes of customers. Excel also agreed to remit a voluntary contribution of \$10,000 to the General Revenue Fund of the State of Florida.</p> <p>Docket No. 950468-T1 \$ 10,000.00</p>	
<p>Kentucky Public Service Commission</p>	<p>(Closed March 24, 2000). The Commission opened a proceeding to investigate allegations of slamming. Excel and the Commission reached a Settlement Agreement following meetings with Staff in which Excel demonstrated the extensive steps that the Company had taken enhance the existing provision of service mechanism thus reducing the occurrence of slamming complaints. In addition, Excel agreed to pay \$65,000 to the Kentucky State Treasurer's Office.</p> <p>Case No. 2000-316 \$ 65,000.00</p>	

Agency	Identifying Number	Total Amount Paid
<p>(Closed January 30, 2001). This proceeding involved a single consumer complaint of slamming. The consumer contacted the Commission, which in turn contacted Excel. The Company settled the matter, ensuring that the consumer received the credits to which he was entitled without further Commission action.</p>	<p>Case No. 100033632</p>	<p>\$ -</p>
<p>(Closed September 14, 1999). This proceeding focused upon a single consumer complaint of an unauthorized PIC change. Excel and the consumer subsequently were able to reach settlement without further Commission involvement.</p>	<p>Case No. U-11987</p>	<p>\$ -</p>
<p>(Closed February 4, 2000). A Release and Settlement Agreement was entered into by Excel and the Nevada Attorney General's office in a case brought by the Attorney General for alleged slamming. Excel and the Nevada Attorney General's Office settled with no admission of liability on Excel's part and a voluntary disbursement of \$75,000 to the Office of the Nevada Attorney General.</p>	<p>N/A</p>	<p>\$ 75,000.00</p>

Agency	Identifying Number	Total Amount Paid
Oregon Department of Justice	Case No. 00C14467	\$ 75,000.00
<p>(Closed May 23, 2000). Excel entered into an Assurance of Voluntary Compliance in this case brought by the Department of Justice based upon various complaints that were billing and PIC-change related. Without admitting liability, Excel voluntarily contributed \$75,000 to the Consumer Protection and Education Revolving Account.</p>	<p>(Closed June 27, 2000). A single consumer complaint was lodged against the Company, alleging failure to switch back the consumer to a different PIC. Excel resolved the problem to the consumer's satisfaction upon receipt of the customer's complaint.</p>	-
Pennsylvania Public Utility Commission	Case No. C-00003546	\$
Pennsylvania Attorney General's Office	N/A	\$ 15,000.00

Agency	Identifying Number	Total Amount Paid
South Dakota Public Utilities Commission	(Closed December 20, 2000). The case arose from a complaint made by a couple for 1) a billing dispute and 2) an allegation of an unauthorized PIC change on their home phone line. Excel and the consumers came to a settlement without further Commission involvement. Case No. CT00-106	\$ -
South Dakota Public Utilities Commission	(Closed July 13, 2000). This action arose in response to a complaint by a single consumer alleging unauthorized switch of carrier. Excel and the consumer came to a settlement without further Commission involvement. Case No. CT00-076	\$ -
Tennessee Regulatory Authority	(Closed May 1, 2000). The Tennessee Regulatory Authority ("TRA") brought an action in October 1999 for complaints of alleged slamming. Excel voluntarily implemented a third party verification system for all Tennessee residential service requests (other than those submitted by a customer directly to local exchange carrier) to resolve the matter. Docket 99-0794	\$ 200,000.00

Agency	Identifying Number	Total Amount Paid
Texas Public Utility Commission	<p>(Closed August 20, 1999). This case was instituted on April 22, 1999 and involved alleged unauthorized PIC changes. Excel and the Commission entered into a Stipulation and Settlement Agreement. Excel also consented to a voluntary contribution of \$35,000 to the Treasury of the State of Texas, with no admission of liability or wrongdoing.</p> <p>(Opened May 1, 2000) This action arises out of one consumer slamming complaint. Excel has reached a settlement with Commission staff; dismissal of the action is pending.</p>	<p style="text-align: right;">\$ 35,000.00</p>
Louisiana Public Service Commission	Docket No. U-24873	<p style="text-align: right;">\$ 5,000.00</p>
Total		<p style="text-align: right;">\$ 1,428,000.00</p>

Bostwick

Director

MEMORANDUM

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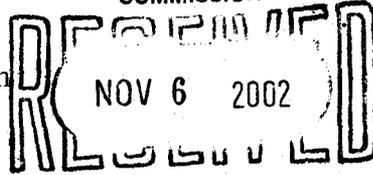
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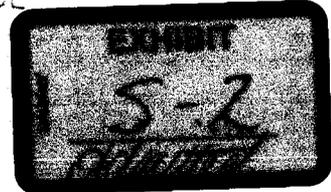
TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

ARIZONA CORPORATION
COMMISSION



AZ CORP COMMISSION
DOCUMENT CONTROL



DATE: November 5, 2002

Director of Utilities

RE: IN THE MATTER OF THE APPLICATION OF EXCEL TELECOMMUNICATIONS, INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE RESOLD LOCAL EXCHANGE, RESOLD INTEREXCHANGE, AND FACILITIES-BASED LOCAL EXCHANGE SERVICES AND PETITION FOR COMPETITIVE CLASSIFICATION OF PROPOSED SERVICES WITHIN THE STATE OF ARIZONA (DOCKET NOS. T-02584A-91-0016 AND T-02584A-02-0268)

Attached is the amended Staff Report for the above referenced application. The Staff Report was amended to reflect the Applicant's request to provide resold local exchange services. The Applicant is applying for approval to provide the following services:

- Resold local exchange services
- Resold interexchange services
- Facilities-based local exchange services

Staff is recommending approval of the application.

/jfb

Originator: John F. Bostwick

Attachment: Original and Sixteen Copies

STAFF REPORT

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

EXCEL TELECOMMUNICATIONS, INC.

DOCKET NOS. T-02584A-91-0016 AND T-02584A-02-0268

IN THE MATTER OF THE APPLICATION OF EXCEL TELECOMMUNICATIONS,
INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE
RESOLD LOCAL EXCHANGE, RESOLD INTEREXCHANGE, AND FACILITIES-
BASED LOCAL EXCHANGE SERVICES AND PETITION FOR COMPETITIVE
CLASSIFICATION OF PROPOSED SERVICES WITHIN THE STATE OF ARIZONA

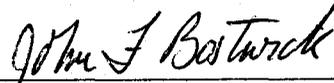
NOVEMBER 5, 2002

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STAFF ACKNOWLEDGMENT

The Staff Report for Excel Telecommunications, Inc., Docket No. T-02584A-02-0268, was the responsibility of the Staff member listed below. John F. Bostwick was responsible for the review and analysis of the Applicant's application for a Certificate of Convenience and Necessity to provide resold local exchange, resold interexchange, and facilities-based local exchange services and petition for a determination that its proposed services should be classified as competitive.



John F. Bostwick
Administrative Services Officer II

1. INTRODUCTION

On January 16, 1991, Excel Telecommunications, Inc. ("Excel" or "Applicant") filed an application for a Certificate of Convenience and Necessity ("CC&N") to provide resold interexchange services within the State of Arizona. On April 8, 2002, Excel filed an application for a CC&N to provide facilities-based local exchange services within the State of Arizona. On July 26, 2002, Excel filed an amended application to include a request for authority to provide resold local exchange telecommunications services. The Applicant petitioned the Arizona Corporation Commission ("Commission") for a determination that its proposed services should be classified as competitive.

Staff filed a motion to consolidate Excel's applications for CC&Ns on May 3, 2002. As a result, the Hearing Division issued a procedural order on June 11, 2002 consolidating Docket Nos. T-02584A-91-0016 and T-02584-02-0268.

Staff's review of this application addresses the overall fitness of the Applicant to receive a CC&N. Staff's analysis also considers whether the Applicant's services should be classified as competitive and if the Applicant's initial rates are just and reasonable.

2. THE APPLICANT'S APPLICATION FOR A CERTIFICATE OF CONVENIENCE & NECESSITY

This section of the Staff Report contains descriptions of the geographic market to be served by the Applicant, the requested services, and the Applicant's technical and financial capability to provide the requested services. In addition, this section contains the Staff evaluation of the Applicant's proposed rates and charges and Staff's recommendation thereon.

2.1 DESCRIPTION OF THE GEOGRAPHIC MARKET TO BE SERVED

Excel seeks authority to provide resold interexchange and local exchange, and facilities-based local exchange telecommunications services throughout the State of Arizona.

2.2 DESCRIPTION OF REQUESTED SERVICES

Excel proposes to provide resold local exchange, resold interexchange, and facilities-based local exchange services. These services include, but are not limited to the following: directory listings and directory assistance, E911 service, CLASS services, and telephone relay service.

2.3 THE ORGANIZATION

Excel is incorporated under the laws of the State of Texas and has authority to transact business in Arizona.

2.4 TECHNICAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES

Excel is approved to provide resold local exchange services in eight (8) states; resold interexchange services in all states, except Arizona; and facilities-based local exchange services in thirty (30) states, excluding Arizona.

2.5 FINANCIAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES

The Applicant did provide audited consolidated financial statements of its Parent Company, VarTec Telecom, Inc., for the year ending December 31, 2001. These financial statements list assets of \$649.4 million; equity of \$78.7 million; and a net loss of \$60.4 million. The Applicant did not provide notes related to the financial statements. Also, the Applicant did state in its Application that it will rely on its ultimate Parent Company, VarTec Telecom, Inc., for financial support.

The Applicant stated in its interexchange services Tariff, Sections 2.14 on page 14 that it does collect from its customers an advance, deposit, and/or prepayment. Staff believes that an advance, deposit, and/or prepayment received from the Applicant's resold interexchange customers should be protected by the procurement of a performance bond. Since the Applicant is requesting a CC&N for more than one kind of service, the amount of a performance bond for multiple services is an aggregate of the minimum bond amount for each type of telecommunications services requested by the Applicant. The amount of bond coverage needed for each service is as follows: resold interexchange \$10,000 for advances, deposits and/or prepayments collected; resold local exchange \$25,000; and facilities-based local exchange \$100,000. The bond coverage needs to increase in increments equal to 50 percent of the total minimum bond amount when the total amount of the advances, deposits, and prepayments is within 10 percent of the total minimum bond amount. Further, measures should be taken to ensure that the Applicant will not discontinue service to its local exchange customers without first complying with Arizona Administrative Code ("AAC") R14-2-1107.

To that end, Staff recommends that the Applicant procure a performance bond equal to \$135,000. The minimum bond amount of \$135,000 should be increased if at any time it would be insufficient to cover advances, deposits, and/or prepayments collected from the Applicant's customers. The bond amount should be increased in increments of \$67,500. This increase should occur when the total amount of the advances, deposits, and prepayments is within \$13,500 of the bond amount. If the Applicant desires to discontinue local exchange service, it must file an application with the Commission pursuant to AAC R14-2-1107. Additionally, the Applicant must notify each of its local exchange customers and the Commission 60 days prior to filing an application to

discontinue service. Failure to meet this requirement should result in forfeiture of the Applicant's performance bond. Staff further recommends that proof of the above mentioned performance bond be docketed within 365 days of the effective date of an Order in this matter or 30 days prior to the provision of service, whichever comes first, and must remain in effect until further order of the Commission.

However, if at some time in the future, the Applicant does not collect from its customers an advance, deposit, and/or prepayment, Staff recommends that the Applicant be allowed to file a request for cancellation of its established performance bond regarding its resold interexchange service. Such request should be filed with the Commission for Staff review. Upon receipt of such filing and after Staff review, Staff will forward its recommendation to the Commission.

If this Applicant experiences financial difficulty, there should be minimal impact to its resale and facilities-based customers because there are many other companies that provide resold telecommunications services or the customers may choose a facilities-based provider. If the long distance customer wants service from a different provider immediately, that customer is able to dial a 101XXXX access code. In the longer term, the customer may permanently switch to another company.

2.6 ESTABLISHING RATES AND CHARGES

The Applicant would initially be providing service in areas where an incumbent local exchange carrier ("ILEC"), along with various competitive local exchange carriers ("CLECs") and interexchange carriers are providing telephone service. Therefore, the Applicant would have to compete with those providers in order to obtain subscribers to its services. The Applicant would be a new entrant and would face competition from both an incumbent provider and other competitive providers in offering service to its potential customers. Therefore, the Applicant would generally not be able to exert market power. Thus, the competitive process should result in rates that are just and reasonable.

Both initial rates (the actual rate to be charged) and a maximum rate must be listed for each competitive service offered, provided that the rate for the service is not less than the Company's total service long-run incremental cost of providing the service pursuant to A.A.C. R14-2-1109.

The rates proposed by this filing are for competitive services. In general, rates for competitive services are not set according to rate of return regulation. Staff obtained information from the company and has determined that its fair value rate base is zero. Accordingly, the company's fair value rate base is too small to be useful in a fair value analysis. In addition, the rate to be ultimately charged by the company will be heavily influenced by the market. Therefore, while Staff considered the fair value rate base information submitted by the company, it did not accord that information substantial weight in its analysis.

3. LOCAL EXCHANGE CARRIER SPECIFIC ISSUES

Since the Applicant intends to provide local exchange service, the issues related to the provision of that service are discussed below.

3.1 DIRECTORY LISTINGS AND DIRECTORY ASSISTANCE

Callers should be able to determine the telephone numbers belonging to customers of alternative local exchange companies, such as the Applicant. Staff recommends that the Applicant file a plan, within 365 days of the effective date of the Order in this matter or 30 days prior to the provision of service, whichever comes first, that must remain in effect until further order of the Commission, how it plans to have its customers' telephone numbers included in the incumbent's Directories and Directory Assistance databases before it begins providing local exchange service.

3.2 NUMBER PORTABILITY

Another issue associated with the Applicant's proposal to become a competitive local exchange company relates to how telephone numbers should be administered. Local exchange competition may not be vigorous if customers, especially business customers, must change their telephone numbers to take advantage of a competitive local exchange carrier's service offerings. Staff recommends that the Applicant pursue permanent number portability arrangements with other local exchange carriers ("LECs") that are consistent with federal laws, federal rules and state rules.

3.3 PROVISION OF BASIC TELEPHONE SERVICE AND UNIVERSAL SERVICE

The Commission has adopted rules to address maintenance of universal telephone service during and after the transition to a competitive telecommunications services market. The rules contain the terms and conditions for contributions to and support received from telephone service subscribers to finance the Arizona Universal Service Fund ("AUSF"). Under the rules, the Applicant will be required to participate in the financing of the AUSF and it may be eligible for AUSF support. Therefore, Staff recommends that approval of the Applicant's application for a CC&N be conditioned upon the Applicant's agreement to abide by and participate in the AUSF mechanism established by Decision No. 59623, dated April 24, 1996 (Docket No. RT-00000E-95-0498).

3.4 QUALITY OF SERVICE

Staff believes that the Applicant should be ordered to abide by the quality of service standards that were approved by the Commission for Qwest (f/k/a USWC) in Docket No. T-01051B-93-0183 (Decision No. 59421). Because the penalties that were developed in this docket were initiated only because Qwest's level of service was not satisfactory, Staff does not recommend that those penalties apply to the Applicant. In the competitive market that the Applicant wishes to enter, the Applicant generally will have no market power and will be forced to provide a satisfactory level of service or risk losing its customers. Therefore, Staff believes that it is unnecessary to subject the Applicant to those penalties at this time.

3.5 ACCESS TO ALTERNATIVE LOCAL EXCHANGE SERVICE PROVIDERS

Staff expects that there will be new entrant providers of local exchange service who will install the plant necessary to provide telephone service to, for example, a residential subdivision or an industrial park much like existing local exchange companies do today. In those areas where the Applicant installs the only local exchange service facilities, the Applicant will be a monopoly service provider. In the interest of providing competitive alternatives to the Applicant's local exchange service customers, Staff recommends that the Applicant provide customers served in these areas with access to alternative local exchange service providers. In this way, an alternative local exchange service provider may serve a customer if the customer so desires. With this requirement in place, the Applicant will not be able to exert monopoly power over customers who are located in areas where the Applicant is the only provider of facilities to serve the customer. Access to other providers should be provided pursuant to the provisions of the 1996 Telecommunications Act, the rules promulgated thereunder and Commission rules on interconnection and unbundling.

3.6 911 SERVICE

The Applicant has not indicated in its application whether it will provide all customers with 911 and E911 service, where available, or will coordinate with ILECs and emergency service providers to provide the service. Staff believes that the Applicant should be required to work cooperatively with local governments, public safety agencies, telephone companies, the National Emergency Number Association and all other concerned parties to establish a systematic process in the development of a universal emergency telephone number system. Staff recommends that the Applicant be required to certify, through the 911 service provider in the area in which it intends to provide service, that all issues associated with the provision of 911 service have been resolved with the emergency service providers before it begins to provide local exchange service, within 365 days of the effective date of the order in this matter or 30 days prior to the provision of service, whichever comes first, and must remain in effect until further order of the Commission.

3.7 CUSTOM LOCAL AREA SIGNALING SERVICES

In its decisions related to Qwest's proposal to offer Caller ID and other CLASS features in the State, the Commission addressed a number of issues regarding the appropriateness of offering these services and under what circumstances it would approve the proposals to offer them. The Commission concluded that Caller ID could be offered provided that per call and line blocking, with the capability to toggle between blocking and unblocking the transmission of the telephone number, should be provided as options to which customers could subscribe with no charge. The Commission also approved a Last Call Return service that will not return calls to telephone numbers that have the privacy indicator activated, which indicates that the number has been blocked. The Commission further required that Qwest engage in education programs when introducing or providing the service(s).

Staff recommends that the Applicant be required to abide by all the Commission decisions and policies regarding Caller ID and other CLASS services. However, Staff does not believe that it is necessary for the Applicant to engage in the educational program that was ordered for Qwest as long as customers in the areas where the Applicant intends to serve have already been provided with educational material and are aware that they can have their numbers blocked on each call or at all times with line blocking.

3.8 EQUAL ACCESS FOR INTEREXCHANGE CARRIERS

Although the Applicant did not indicate that its switch will be "fully equal access capable" (i.e. would provide equal access to interexchange companies), the Commission requires local exchange companies to provide 2-Primary Interexchange Carriers ("2-PIC") equal access. 2-PIC equal access allows customers to choose different carriers for interLATA and intraLATA toll service and would allow customers to originate intraLATA calls using the preferred carrier on a 1+ basis. Staff recommends that the Applicant be required to provide 2-PIC equal access.

4. COMPETITIVE SERVICES ANALYSIS

The Applicant has petitioned the Commission for a determination that the services it is seeking to provide should be classified as competitive. The Applicant has not published legal notice of the application in all counties in which it requests authorization to provide service. The Applicant has not certified that all notification requirements have been completed. Staff's analysis and recommendations are discussed below.

4.1 COMPETITIVE SERVICES ANALYSIS FOR INTEREXCHANGE SERVICES

4.1.1 **A description of the general economic conditions that exist, which makes the relevant market for the service one that, is competitive.**

The interexchange market that the Applicant seeks to enter is one in which numerous facilities-based and resold interexchange carriers have been authorized to provide service throughout the State. The Applicant will be a new entrant in this market and, as such, will have to compete with those companies in order to obtain customers.

4.1.2 The number of alternative providers of the service.

There are a large number of facilities-based and resold interexchange carriers providing both interLATA and intraLATA interexchange service throughout the State. In addition, various ILECs provide intraLATA interexchange service in many areas of the State.

4.1.3 The estimated market share held by each alternative provider of the service.

The large facilities-based interexchange carriers (AT&T, Sprint, MCI WorldCom, etc.) hold a majority of the interLATA interexchange market, and the ILECs provide a large portion of the intraLATA interexchange market. Numerous other interexchange carriers have a smaller part of the market.

4.1.4 The names and addresses of any alternative providers of the service that are also affiliates of the telecommunications Applicant, as defined in A.A.C. R14-2-801.

VarTec Telecom, Inc.
1600 Viceroy
Dallas, TX 75235

4.1.5 The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms and conditions.

Both facilities-based and resold interexchange carriers have the ability to offer the same services that the Applicant has requested in their respective service territories. Similarly many of the ILECs offer similar intraLATA toll services.

4.1.6 Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the service(s).

The interexchange service market is:

- a. One with numerous competitors and limited barriers to entry.
- b. One in which established interexchange carriers have had an existing relationship with their customers that the new entrants will have to

overcome if they want to compete in the market and one in which new entrants do not have a long history with any customers.

- c. One in which the Applicant will not have the capability to adversely affect prices or restrict output to the detriment of telephone service subscribers.

4.2 COMPETITIVE SERVICES ANALYSIS FOR LOCAL EXCHANGE SERVICES

4.2.1 **A description of the general economic conditions that exist, which makes the relevant market for the service one that, is competitive.**

The analysis of the market for local exchange service that the Applicant seeks to enter must take into account the fact that there are two local exchange service submarkets. The first is the local exchange service market that consists of locations where ILECs currently provide service. The second local exchange service market consists of locations within ILECs' service territories where ILECs are authorized to provide local exchange service, but where they do not actually provide service.

The local exchange market that the Applicant seeks to enter is one in which a number of new CLECs have been authorized to provide local exchange service. Nevertheless, ILECs hold a virtual monopoly in the local exchange service market. At locations where ILECs provide local exchange service, the Applicant will be entering the market as an alternative provider of local exchange service and, as such, the Applicant will have to compete with those companies in order to obtain customers. In areas where ILECs do not serve customers, the Applicant may have to convince developers to allow it to provide service to their developments. Staff recommends that, in those instances where the Applicant provides the only facilities used to provide telecommunications service, that the Applicant be required to allow other local exchange companies to use those facilities to serve customers who wish to obtain service from an alternative provider pursuant to federal laws, federal rules and state rules.

4.2.2 **The number of alternative providers of the service.**

Qwest and various independent LECs are the primary providers of local exchange service in the State. Several CLECs and local exchange resellers are also providing local exchange service.

4.2.3 **The estimated market share held by each alternative provider of the service.**

Since Qwest and the independent LECs are the primary providers of local exchange service in the State, they have a large share of the market. Since the CLECs and local exchange resellers have only recently been authorized to offer service they have limited market share.

4.2.4 The names and addresses of any alternative providers of the service that are also affiliates of the telecommunications Applicant, as defined in A.A.C. R14-2-801.

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4.2.5 The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms and conditions.

ILECs have the ability to offer the same services that the Applicant has requested in their respective service territories. Similarly many of the CLECs and local exchange resellers also offer substantially similar services.

4.2.6 Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the service(s).

The local exchange service market is:

- a. One in which ILECs own networks that reach nearly every residence and business in their service territories and which provide them with a virtual monopoly over local exchange service. New entrants are also beginning to enter this market.
- b. One in which new entrants will be dependent upon ILECs:
 1. To terminate traffic to customers.
 2. To provide essential local exchange service elements until the entrant's own network has been built.
 3. For interconnection.
- c. One in which ILECs have had an existing relationship with their customers that the new entrants will have to overcome if they want to compete in the market and one in which new entrants do not have a long history with any customers.
- d. One in which Qwest provides a quality of service that has generated a significant number of complaints. These complaints led the Commission to adopt service quality rules that contain penalties if the service quality standards are not met. A provider of alternative service, such as the Applicant, should provide Qwest--as well as other incumbents--with the incentive to produce higher quality service including service installation and repair on a timely basis.

- e. One in which most customers have few, if any choices since there is generally only one provider of local exchange service in each service territory.
- f. One in which the Applicant will not have the capability to adversely affect prices or restrict output to the detriment of telephone service subscribers.

5. RECOMMENDATIONS

The following sections contain the Staff recommendations on the Applicant's Application for a CC&N and the Applicant's Petition for a Commission Determination that its proposed services should be classified as competitive.

5.1 RECOMMENDATIONS ON THE APPLICANT'S APPLICATION FOR A CC&N

Excel is incorporated under the laws of the State of Texas and has authority to transact business in Arizona. Excel is approved to provide resold local exchange services in eight (8) states; resold interexchange services in all states, except Arizona; and facilities-based local exchange services in thirty (30) states, excluding Arizona. The Applicant has demonstrated that it has the capability to provide its proposed services, as requested, and the provision of these would merely be an extension of its current activities elsewhere. Therefore, Staff recommends that the Applicant's application for a CC&N to provide intrastate telecommunications services, as listed in Section 2.2 of this Report, be granted. In addition, Staff further recommends:

1. That, unless it provides services solely through the use of its own facilities, the Applicant procure an Interconnection Agreement, within 365 days of the effective date of the order in this matter or 30 days prior to the provision of service, whichever comes first, must remain in effect until further order of the Commission, before being allowed to offer local exchange service;
2. That the Applicant file with the Commission, within 365 days of the effective date of the order in this matter or 30 days prior to the provision of service, whichever comes first, its plan to have its customers' telephone numbers included in the incumbent's Directories and Directory Assistance databases, that must remain in effect until further order of the Commission;
3. That the Applicant pursue permanent number portability arrangements with other LECs pursuant to Commission rules, federal laws and federal rules;
4. That the Applicant agree to abide by and participate in the AUSF mechanism instituted in Decision No. 59623, dated April 24, 1996 (Docket No. RT-00000E-95-0498);

5. That the Applicant abides by the quality of service standards that were approved by the Commission for Qwest in Docket No. T-01051B-93-0183;
6. That in areas where the Applicant is the sole provider of local exchange service facilities, the Applicant will provide customers with access to alternative providers of service pursuant to the provisions of Commission rules, federal laws and federal rules;
7. That the Applicant be required to certify, through the 911 service provider in the area in which it intends to provide service, that all issues associated with the provision of 911 service have been resolved with the emergency service providers, within 365 days of the effective date of the order in this matter or 30 days prior to the provision of service, whichever comes first, and must remain in effect until further order of the Commission;
8. That the Applicant be required to abide by all the Commission decisions and policies regarding CLASS services;
9. That the Applicant be required to provide 2-PIC equal access;
10. That the Applicant be required to certify that all notification requirements have been completed prior to a final determination in this proceeding;
11. That the Applicant be required to notify the Commission immediately upon changes to the Applicant's address or telephone number;
12. That the Applicant comply with all Commission rules, orders, and other requirements relevant to the provision of intrastate telecommunications service;
13. That the Applicant maintain its accounts and records as required by the Commission;
14. That the Applicant file with the Commission all financial and other reports that the Commission may require, and in a form and at such times as the Commission may designate;
15. That the Applicant maintain on file with the Commission all current tariffs and rates, and any service standards that the Commission may require;
16. That the Applicant cooperate with Commission investigations of customer complaints;
17. That the Applicant participates in and contributes to a universal service fund, as required by the Commission;

18. The rates proposed by this filing are for competitive services. In general, rates for competitive services are not set according to rate of return regulation. Staff obtained information from the company and has determined that its fair value rate base is zero. Accordingly, the company's fair value rate base is too small to be useful in a fair value analysis. In addition, the rate to be ultimately charged by the company will be heavily influenced by the market. Therefore, while Staff considered the fair value rate base information submitted by the company, the fair value information provided should not be given substantial weight in this analysis;
19. The Applicant should be subject to the Commission's rules governing interconnection and unbundling and the 1996 Telecommunications Act and the rules promulgated thereunder. In the event that the Applicant provides essential services or facilities that potential competitors need in order to provide their services, the Applicant should be required to offer those facilities or services to these providers on non-discriminatory terms and conditions pursuant to federal laws, federal rules, and state rules; and
20. The Applicant should be ordered to file an application with the Commission pursuant to AAC R14-2-1107, if the Applicant desires to discontinue service. The Applicant should be required to notify each of its local exchange customers and the Commission 60 days prior to filing an application to discontinue service; and any failure to do so should result in forfeiture of the Applicant's performance bond.

Staff recommends that the Applicant be ordered to comply with the following. If it does not do so, the Applicant's CC&N shall be null and void without further order of the Commission and no time extensions shall be granted.

1. The Applicant shall file conforming tariffs for each of its CC&Ns within 365 days from the date of an Order in this matter or 30 days prior to providing service, whichever comes first, and in accordance with the Decision; and
2. The Applicant shall:
 - a. procure a performance bond equal to \$135,000. The minimum bond amount of \$135,000 should be increased if at any time it would be insufficient to cover advances, deposits, and/or prepayments collected from the Applicant's customers. The bond amount should be increased in increments of \$67,500. This increase should occur when the total amount of the advances, deposits, and prepayments is within \$13,500 of the bond amount; and
 - b. docket proof of the performance bond within 365 days of the effective date of an Order in this matter or 30 days prior to the provision of service, whichever comes first, and must remain in effect until further order of the Commission. However, if at some time in the future, the Applicant does not collect from its

customers an advance, deposit, and/or prepayment, Staff recommends that the Applicant be allowed to file a request for cancellation its established performance bond regarding its resold interexchange service. Such request should be filed with the Commission for Staff review. Upon receipt of such filing and after Staff review, Staff will forward its recommendation to the Commission.

5.2 RECOMMENDATION ON THE APPLICANT'S PETITION TO HAVE ITS PROPOSED SERVICES CLASSIFIED AS COMPETITIVE

Staff believes that the Applicant's proposed services should be classified as competitive. There are alternatives to the Applicant's services. The Applicant will have to convince customers to purchase its services, and the Applicant has no ability to adversely affect the local exchange service markets. Therefore, the Applicant currently has no market power in the local exchange service markets where alternative providers of telecommunications services exist. Staff therefore recommends that the Applicant's proposed services be classified as competitive.

SERVICE LIST FOR: EXCEL COMMUNICATIONS, INC.
DOCKET NO. T-02584A-91-0016 AND T-02584A-02-0268

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