

Good Morning.

Thank you for your invitation to speak on this very important topic.

First a little bit of background.

I became CEO of TelePacific in 2002.

Previous to that I was the CEO of the New York and New England Telephone companies, now known as Verizon. I had a payroll of 125,000 employees and a top line of \$15B in revenues. Prior to that responsibility, I had been Chief Operating Officer of both those companies dealing with storm related issues on a regular basis in the Northeast.

TelePacific is a 12 year old company serving the small and medium business segment in California and Nevada.

Former Governor Pete Wilson has served on our Board of Directors for over ten years.

During that period of time we have grown from a \$10M company with 200 employees to a \$500M company employing over 1200.

We run and operate our own network except for the last mile connection from the street/cable to the building we service. We lease that connection from AT&T and Verizon in California.

We have invested in our own switches, fiber optics, real estate and customer premise equipment.

We are privately owned and our investors and lenders have put over \$600M into the company.

Today in California we are the third largest telecom provider after AT&T and Verizon.

I am here today on behalf of my business customers who received an unparalleled level of poor service during the rainy period from mid December to Early January.

As I explained we lease the "last mile" connection from AT&T and Verizon to the customers' premise. This last mile connection, and in some cases, it's connectivity to AT&T and Verizon cables was the primary source of customer outages.

A few details of explanation –

TelePacific has several choices available to it to lease these facilities. Some cost more, some less. Over 95% of our leased circuits are from the so called special access tariff regulated under the auspices of the FCC with a service level agreement providing for a mean time to repair on average of four hours for each individual customer outage.

When a customer notifies us of a problem we test the customer's service and, if isolated to AT&T or Verizon connections, we send them the information for dispatch and repair. We track their progress and keep our customer informed until they make the repair.

For these products and several others we paid AT&T \$100M in 2010. We are probably their largest California customer.

I said I was here on behalf of my customers.

The historical engine of growth in California has been the small and medium business customer. They live on the modern communications enabled by voice, data and internet connections. These services are their source of incoming orders, inquiries and customer demand. When their service is down they are virtually off the map.

During the rain period over 3075 of our customers were out of service.

The larger customers who are served by our T1 products, at least 24 lines per connection, were out of service as long as 14 or more days. In fact for the six day period prior to Christmas our average AT&T served customer was out of service eight days. Our normal repair volumes spiked 600%.

Our smaller customers who rely on individual lines for service were out of service much longer. For the same six day period our average AT&T served small business customer was out of service 15 days. Disturbingly, as late as the second week in January these customers were still waiting eight days on average for AT&T to fix their last mile connection.

Not only were they out of service, but AT&T would not even give us information to give them about estimated restoral times. Our customers called us repeatedly in desperation for information we could not give them. In many instances we dispatched our own technicians to their place of business as a show of good faith even though we could not repair the AT&T or Verizon facilities.

At the end of the storm period in mid January, long after the sun had come out, AT&T was offering smaller customers commitment intervals of over 3 weeks.

During this period time we received up to 3200 calls a day, a 500% increase over a normal period. Many of these calls were from frustrated customers looking for information.

Our customers lost business at this very important end of the year holiday period.

In short, we were at the mercy of AT&T's and Verizon's network to perform. They did not, especially AT&T's. It was far worse than Verizon.

We were at the mercy of AT&T and Verizon to dispatch their work force to repair the problems quickly. AT&T did not. Nor did they have a business continuity plan to add trucks and technicians despite the fact it rains every year during the same time.

Although Verizon served customers had a much higher volume vs. normal, their network held up much better than AT&T's in Southern California. Proportionally, they had half of the customers out of service and restored them significantly faster. Their network was in better shape and their recovery plan worked much better.

Sure it rained, a lot in a short period of time, the same way it regularly does on the East Coast, Southeast and Midwest all the time.

In fact, since I have been here for 8 years, December was not even the rainiest period on record. That happened in 2005 when the area got 11 inches of rain in one month and a total rainfall of 29 inches from December to February and people died. Recall the La Conchita mudslide in Ventura County. During that period we had nowhere near the problems we just had.

What is the point of my testimony today?

- There was a lack of planning.
- There was a lack of response.
- The quality of the infrastructure should never have been allowed to deteriorate to allow rain to do this damage.
- We have to make sure it does not happen again.
- Our business customers depend on it.

My business customers are a fraction of the AT&T and Verizon business customers in California. We serve between 10-15% of the market. Think of us as the tip of the iceberg. I can't even begin to measure the magnitude of the outages on the 85% that make up the rest of the iceberg, the AT&T and Verizon base of customers..

If my customers were out of service up to 3 weeks, we are a metaphor of the same experience their customers received.

The performance of the network and the lack of response hurt our economy badly in a state already battling a 12.3% unemployment rate.

We all need some explanations about why this happened and how it will be prevented from ever happening again.

Toward that end I have reached out to AT&T on behalf of my customers. I sent a letter to Randall Stephenson, President and CEO of ATT 1/13/11 and have spoken with very senior officers about our concerns. We will continue to work with ATT.

I am here to stand up for my customers.

Who in California is going to stand up for the AT&T and Verizon business customers served by them?

Thank you for this opportunity to speak today.