

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION
COMMISSION**

IN THE MATTER OF THE PETITION OF DIECA COMMUNICATIONS, INC., D/B/A COVAD COMMUNICATIONS COMPANY, FOR ARBITRATION TO RESOLVE ISSUES RELATING TO AN INTERCONNECTION AGREEMENT WITH QWEST CORPORATION))))))))	Docket No. UT- 043045
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QWEST CORPORATION

DIRECT TESTIMONY OF WILLIAM R. EASTON

PAYMENT ISSUES

(Disputed Issue Nos. 8-1, 8-2, 8-3 and 8-4)

JULY 15, 2004

REDACTED VERSION

Confidential Per Protective Order in
WUTC Docket No. UT-043045

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1 **I. IDENTIFICATION OF WITNESS**

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

3 A. My name is William R. Easton. My business address is 1600 7th Avenue, Seattle
4 Washington. I am employed as Director – Wholesale Advocacy. I am testifying on behalf
5 of Qwest Corporation (“Qwest”).

6
7 **Q. PLEASE GIVE A BRIEF BACKGROUND OF YOUR EDUCATIONAL
8 BACKGROUND AND TELEPHONE COMPANY EXPERIENCE.**

9 A. I graduated from Stanford University in 1975, earning a Bachelor of Arts degree. In 1980,
10 I received a Masters of Business Administration from the University of Washington. In
11 addition, I am a Certified Management Accountant and member of the Institute of
12 Management Accountants.

13
14 I began working for Pacific Northwest Bell in 1980, and have held a series of jobs in
15 financial management with U S WEST, and now with Qwest, including staff positions in
16 the Treasury and Network organizations. From 1996 through 1998, I was Director –
17 Capital Recovery. In this role I negotiated depreciation rates with state commission and
18 FCC staffs and testified in various regulatory proceedings. From 1998 until 2001 I was a
19 Director of Wholesale Finance, responsible for the management of Wholesale revenue

1 streams from a financial perspective. In this capacity I worked closely with the Product
2 Management organization on their product offerings and projections of revenue. In
3 October of 2001 I moved from Wholesale Finance to the Wholesale Advocacy group,
4 where I am currently responsible for advocacy related to Wholesale products and services.
5 In this role I work extensively with the Product Management, Network and Costing
6 organizations.

7 **Q. HAVE YOU TESTIFIED PREVIOUSLY IN WASHINGTON?**

8 A. Yes I have. I testified in Docket Numbers UT-940641, UT-950200, UT-951425, UT-
9 960347, UT-003013 (Part D), UT-033035 and UT-033044.

10
11 **II. PURPOSE OF TESTIMONY**

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

13 A. The purpose of my testimony is to explain Qwest's positions, and the policies underlying
14 those positions on Disputed Issue No. 8 - Payment Issues. There are four distinct subparts
15 to this issue in this arbitration proceeding: 8-1 (Due Dates for Amounts Payable); 8-2
16 (Timing for Discontinuing Orders); 8-3 (Timing for Disconnecting Services); and 8-4
17 (Definition of "Repeatedly Delinquent").¹ My testimony will show that the Qwest position
18 on these payment issues strikes a commercially reasonable and appropriate balance

¹ Covad does not break this disputed issue into its four separate subparts. I do so here so that the precise language and dispute related to each subpart is identified and addressed.

1 between meeting the billing and payment needs and concerns of both Covad and Qwest. It
2 will also show that Covad has failed to demonstrate why those standards generally
3 applicable industry-wide (see Qwest's SGAT) should be deviated from for Covad to the
4 detriment of Qwest.

5
6 **Q. IN ITS PETITION FOR ARBITRATION, COVAD CHARACTERIZES ISSUE NO.**
7 **8 AS BEING ABOUT "PROVISIONS RELATED TO BILLING AND BILLING**
8 **DISPUTE RESOLUTION." IS THIS AN ACCURATE DESCRIPTION OF THE**
9 **ISSUE?**

10 A. No. The language in dispute involves separate subsections of Section 5.4 of the
11 interconnection agreement entitled "Payment," which is the section where the parties
12 address four different issues concerning payment obligations. While Covad has
13 characterized Issue 8 as focusing on "billing" issues, Issue 8 (and Section 5.4 of the
14 agreement) is more appropriately described as "payment" issues: Section 5.4 relates to the
15 obligation of the billed party to make payments and to the billing party's recourse in the
16 event of non-payment.

17
18 **Q. BY WAY OF BACKGROUND, DOES THE PAYMENT LANGUAGE IN THE**
19 **AGREEMENT APPLY TO BOTH PARTIES?**

20 A. Yes. The language at issue in this interconnection agreement applies to both parties since
21 the agreement anticipates that either party may provide services to the other and be entitled
22 to payment for the services provided. One of the unique aspects of Qwest's relationship

1 with Covad, however, is that Covad does not provide any services to Qwest.
2 Consequently, Covad is likely not concerned about the terms governing payment for
3 services rendered to Qwest. This perhaps explains why Covad is so aggressively seeking
4 to put off the time for paying its bills as well as the time when Qwest can take action to
5 protect itself from further business risk by discontinuing the processing of new orders and
6 disconnecting service. Covad's proposed extended times are at odds with standard and
7 commercially-reasonable practice, and would improperly require Qwest to continue to
8 provide services (without compensation) to Covad for extended periods even though Covad
9 does not even dispute the amounts due.

10
11 **III. DISPUTED ISSUE NO. 8-1: DUE DATES FOR AMOUNTS PAYABLE**

12 **Q. PLEASE EXPLAIN DISPUTED ISSUE 8-1.**

13 A. Issue 8-1 relates to Section 5.4.1 of the interconnection agreement, which specifies the
14 number of days Covad has to pay its bills.

15
16 **Q. WHAT LANGUAGE IS QWEST PROPOSING FOR SECTION 5.4.1?**

17 A. Qwest proposes the following language:

18 5.4.1 Amounts payable under this Agreement are due and payable within
19 thirty (30) calendar Days after the date of invoice, or within twenty (20)
20 calendar Days after receipt of the invoice, whichever is later (payment due
21 date). If the payment due date is not a business day, the payment shall be
22 due the next business day.

1

2 **Q. HOW DOES COVAD’S PROPOSED LANGUAGE DIFFER FROM QWEST’S**
3 **PROPOSED LANGUAGE?**

4 A. Covad proposes that amounts payable be due and payable within 45 days, rather than the
5 30 days Qwest is proposing.

6 **Q. WHY DOES QWEST BELIEVE THAT 30 DAYS IS A MORE APPROPRIATE**
7 **TIME PERIOD?**

8 A. The 30 day time period balances Covad’s need for sufficient time to analyze monthly bills
9 and issue payment with Qwest’s right to timely compensation for services rendered. This is
10 the same 30 day time period that is in the current interconnection agreement between
11 Qwest and Covad, under which the parties have been operating since early 1998. This is
12 also the same 30 day time period in Qwest’s SGAT, in numerous interconnection
13 agreements with CLECs as well as in Qwest’s FCC access tariff (FCC No. 1) and the
14 Qwest Washington Access Service Tariff (WN U-44).

15

16 **Q. WOULD COVAD’S PROPOSAL HAVE AN IMPACT ON QWEST’S CASH**
17 **FLOW?**

18 A. Yes. Under Covad's proposal, Qwest would be receiving payment 15 days later than it
19 currently does and would be deprived, therefore, of this cash for 15 days. Covad's
20 proposal amounts to a 15-day interest free loan from Qwest to Covad.

1

2 **Q. WHAT IF THERE IS A DISPUTE OVER A CHARGE ON THE BILL? IS THE**
3 **BILLED AMOUNT STILL DUE WITHIN 30 DAYS?**

4 A. No. The agreed to language in Section 5.4.4 of the agreement discusses in detail how
5 disputed amounts are to be handled, stating that the undisputed portions of the bill shall be
6 paid. If a portion of the bill is disputed and the dispute is resolved in favor of the billed
7 party, the disputed amount and associated interest will be credited or paid to the billed
8 party. Conversely, if the dispute is resolved in favor of the billing party, the disputed
9 portion of the bill becomes due and late payment charges are applied. The language in
10 Sections 5.4.4 and 5.18.5 also allows the billed party to dispute a charge at a later date if it
11 should discover an error after the bill has been paid.

12

13 **Q. HOW DOES QWEST'S LANGUAGE FOR THE PAYMENT PERIOD COMPARE**
14 **WITH THE LANGUAGE THAT IS IN QWEST'S WASHINGTON SGAT?**

15 A, Qwest's proposed language for Section 5.4.1 of the agreement is identical to the language
16 that is contained in Qwest's Washington SGAT.

17

18 **Q. WAS THIS ISSUE ADDRESSED DURING THE 271 WORKSHOPS?**

19 A. Yes. During the 271 workshops, in which Covad actively participated, the issue of
20 allowing adequate time to analyze monthly bills was discussed at length. Many of the
21 concerns that Covad raises in this case were thoroughly discussed during these workshops.
22 Ultimately, all issues pertaining to the appropriate time frame for payment were resolved

1 and the resulting consensus language specifies that amounts payable are due within thirty
2 days after the invoice date.

3 **Q. IN ITS PETITION FOR ARBITRATION, COVAD ARGUES THAT THE**
4 **PAYMENT LANGUAGE AGREED TO IN THE 271 WORKSHOPS IS**
5 **IRRELEVANT HERE. HOW DO YOU RESPOND?**

6 A. I disagree. The 271 proceedings were structured to facilitate an in-depth discussion of the
7 “general terms and conditions” of Qwest’s SGAT. The issue of allowing sufficient time to
8 analyze bills and the issue of the appropriate payment due date were discussed at length by
9 Covad and other CLECs during the General Terms and Conditions workshop. The
10 outcome of these discussions was consensus billing and payment language, which is the
11 same language that Qwest is proposing for the parties’ interconnection agreement.

12
13 While it has been several years since the 271 workshops that resulted in this consensus
14 language, there are no intervening facts or circumstances that support any change in the
15 payment language. To the contrary, Qwest and Covad have been operating under the same
16 30 day time period for the payment of bills since early 1998. Just as Covad did not object
17 to the 30 day payment due date consensus language during the 271 proceedings, it has not
18 identified any problems with this time period during the course of the parties’ business
19 operations under their existing interconnection agreement.

1 **Q. WHAT ABOUT COVAD'S ARGUMENTS THAT IT NEEDS MORE TIME TO**
2 **ANALYZE AND PROCESS QWEST'S BILLS?**

3 A. These arguments are belied by the fact that Covad has had years of experience with
4 Qwest's bills and has had ample opportunity to raise any specific concerns about its ability
5 to efficiently analyze and process these bills within the time frame allotted for payment.
6 Through years of experience with Qwest's bills, Covad should have acquired sufficient
7 familiarity and expertise with Qwest's bills to analyze them promptly and efficiently or to
8 seek appropriate business solutions to any general or specific billing problems it might
9 identify.

10 **Q. COVAD ALSO ARGUES THAT QWEST IS LIKELY TO BE MORE**
11 **CONCERNED NOW THAN IT WAS DURING THE 271 PROCEEDINGS OVER**
12 **PAYMENT ISSUES GIVEN THE STATE OF THE INDUSTRY AND "SEVERAL**
13 **HIGH PROFILE CASES IN WHICH CLECS HAVE FAILED TO PAY QWEST**
14 **FOR SERVICES." HOW DO YOU RESPOND?**

15 A. The payment language Qwest proposes here is identical to the payment language that was
16 agreed upon with the CLEC community and approved by the Commission during the 271
17 proceeding. Moreover, it provides for the same payment due time that the parties have
18 followed since 1998. The proper focus of this arbitration dispute is whether the
19 Commission should adopt Covad's request to deviate from the industry practice. The
20 industry standard (30 days) is commercially reasonable and balances the legitimate
21 business interests and concerns of the parties. The fact that a number of CLECs have failed
22 to pay Qwest for services that Qwest has provided to them, leaving Qwest with hundreds of

1 thousands of dollars in uncollectible receivables, underscores the legitimacy of the
2 language Qwest proposes here and undermines Covad's argument for *extending* the amount
3 of time within which Covad (and CLECs opting in to this agreement) may withhold
4 payment for services they have received from Qwest and do not dispute they owe Qwest.
5 Covad's proposal would deprive Qwest of the ability to take commercially-reasonable
6 protective action and exacerbate the risk to Qwest of nonrecovery.

7
8 **Q. HAVE OTHER CLECS AGREED TO THE SAME LANGUAGE QWEST**
9 **PROPOSES HERE?**

10 A. Yes. For example, AT&T/TCG recently completed interconnection negotiations with both
11 parties agreeing to the payment language that Covad challenges here. Not surprisingly,
12 since this language was agreed upon with the CLEC community, numerous CLECs are
13 operating under this payment language here and across Qwest's service territory. In
14 Washington, 30 CLECs have opted into the Washington SGAT which contains Qwest's
15 proposed payment language.

1 **Q. IN ITS PETITION FOR ARBITRATION, COVAD NOTES THAT "WHILE SOME**
2 **BILLS ARE SENT IN ELECTRONIC FORMAT, OTHERS ARE SENT IN PAPER**
3 **FORMAT ONLY." PLEASE COMMENT.**

4 A. Although the statement is technically correct, Covad omits that the vast majority of
5 Qwest's billing is done electronically. In the case of UNE/Resale, a paper bill is still the
6 official bill of record. However, Covad receives electronic files for the UNE/Resale bills
7 which provide it with the information that it needs to analyze and review the bills. The
8 only other paper bill Covad is currently receiving is out of the BART system for one-
9 time/non-recurring charges related to collocation. This one-time/non-recurring charge for
10 collocation represents only about █% of Covad's total monthly billed amounts

11

12 **Q. APPROXIMATELY HOW MANY PAGES OF BART BILLING DOES COVAD**
13 **RECEIVE EACH MONTH FROM QWEST?**

14 A. █
15 █.

16

17

18 **Q. DOES QWEST HAVE PERSONNEL WHO ARE AVAILABLE TO EXPLAIN ITS**
19 **BILLS TO COVAD AND TO ASSIST WITH ANY BILLING INQUIRIES FROM**
20 **COVAD?**

REDACTED

1 A. Yes. Qwest has a staff of Service Delivery Coordinators whose responsibilities include
2 explaining CLEC bills and answering any questions a CLEC might have about the bills.
3 Qwest has three Service Delivery Coordinators who have been designated to work with
4 Covad.

5

6 **Q. DOES QWEST HAVE INCENTIVES TO ENSURE THAT ITS BILLS ARE**
7 **ACCURATE?**

8 A. Yes, it does. There are performance measures related to billing completeness and accuracy
9 that are a part of Qwest's Performance Assurance Plan. To the extent billing is inaccurate,
10 there are penalty payments assessed to Qwest. It is in the best interest of both Qwest and
11 Covad that Qwest's bills are complete and accurate.

12

13 **Q. HAS COVAD HAD DIFFICULTY MEETING THE 30 DAY DUE DATE IN THE**
14 **PAST?**

15 A. No. Qwest's experience has been that Covad pays its bills within the 30 day payment due
16 date.

17 **Q. IN THE RECENT COLORADO ARBITRATION, COVAD ARGUED THAT SINCE**
18 **COVAD HAD A GOOD BILLING RELATIONSHIP WITH QWEST, QWEST**
19 **SHOULD NOT BE CONCERNED ABOUT EXTENDING PAYMENT TIME**
20 **FRAMES. DO YOU AGREE?**

21

1 A. No. Given the rights of other CLECs to opt into this new Qwest-Covad interconnection
2 agreement, any CLEC could choose to receive the extended time frames advocated by
3 Covad here. As a result, Covad's prior payment performance is not the relevant factor in
4 determining whether it is appropriate to require Qwest to continue to provide services for
5 extended periods even though the bill is undisputed. Further, Covad's prior payment
6 performance may not be predictive of Covad's future payment performance. While Covad
7 cites its prior payment performance as a reason why Qwest need have no concerns about
8 Covad, it simultaneously argues for significant extensions of time frames within which
9 Qwest would have no remedy for Covad's nonpayment.

10
11 **Q. IS THE FACT THAT COVAD PLANS TO PARTNER WITH OTHER CLECS TO**
12 **PROVIDE LINE SPLITTING AND LOOP SPLITTING SERVICES A REASON**
13 **WHY COVAD SHOULD NOW HAVE EXTENDED TIME TO PAY FOR**
14 **SERVICES IT ORDERS FROM QWEST?**

15 A. No. Covad has apparently chosen to change its business strategy and to partner with other
16 CLECs to provide line splitting or loop splitting services. This is, however, no justification
17 for requiring *Qwest* to assume additional risk and deferred payment as a result of a change
18 in Covad's business strategy that does not involve Qwest. That Covad's plans to partner
19 with other CLECs may require significant billing coordination between Covad and its new
20 business partners is an issue that must be addressed by Covad and those new business
21 partners. Covad and its new business partners have no incentive to adopt efficient billing
22 arrangements or to sort out billing issues between themselves if payment to *Qwest* for the

1 services ordered from Qwest can be deferred and the business costs and risk of nonpayment
2 shifted to Qwest.

3
4 **Q. DO OTHER QWEST CUSTOMERS OPERATE UNDER PARTNERSHIP**
5 **ARRANGEMENTS SIMILAR TO WHAT COVAD MAY BE CONTEMPLATING?**

6 A. Yes. Qwest currently has a number of customers purchasing Line Splitting, a product
7 which allows one company to provide voice service and another company to provide data
8 service over the same line. These customers are operating under the same 30 day payment
9 terms that Covad is disputing here.

10
11 **Q. WHAT IS COVAD'S PAYMENT POLICY FOR ITS END-USER CUSTOMERS?**

12 A. When billing its customers, Covad uses the same 30 day period that Qwest is proposing to
13 use. Attached as Exhibit WRE-2 is a page from Covad's website:
14 <http://www.covad.com/onlinesupportcenter/resources/explainer/invoice.shtml>. This page
15 contains a sample Covad bill which indicates that the payment due date is 30 days after the
16 invoice date.

17 Covad serves its customers through services it purchases from Qwest. Hence, even as
18 Covad receives payment from its own customers in 30 days for services that include
19 services provided by Qwest, Covad seeks to extend by 50% the amount of time when
20 Covad itself must pay Qwest for these services.

1 **IV. DISPUTED ISSUE NO. 8-2: TIMING FOR DISCONTINUING ORDERS**

2 **Q. PLEASE EXPLAIN DISPUTED ISSUE 8-2.**

3 A. Issue 2, which relates to Section 5.4.2 of the interconnection agreement, has to do with the
4 period of time the billing party must wait before discontinuing processing orders in cases of
5 non payment.

6 **Q, WHAT LANGUAGE IS QWEST PROPOSING FOR SECTION 5.4.2?**

7 A. Qwest is proposing the following language:

8 5.4.2 One Party may discontinue processing orders for the failure of the
9 other Party to make full payment for the relevant services, less any
10 disputed amount as provided for in Section 5.4.4 of this Agreement, for
11 the relevant services provided under this Agreement within thirty (30)
12 calendar Days following the payment due date. The Billing Party will
13 notify the other Party in writing at least ten (10) business days prior to
14 discontinuing the processing of orders for the relevant services. If the
15 Billing Party does not refuse to accept additional orders for the relevant
16 services on the date specified in the ten (10) business days notice, and the
17 other Party's non-compliance continues, nothing contained herein shall
18 preclude the Billing Party's right to refuse to accept additional orders for
19 the relevant services from the non-complying Party without further notice.
20 For order processing to resume, the billed Party will be required to make
21 full payment of all charges for the relevant services not disputed in good
22 faith under this Agreement. Additionally, the Billing Party may require a
23 deposit (or additional deposit) from the billed Party, pursuant to this
24 section. In addition to other remedies that may be available at law or
25 equity, the billed Party reserves the right to seek equitable relief including
26 injunctive relief and specific performance.

27
28 **Q. HOW DOES QWEST'S LANGUAGE DIFFER FROM COVAD'S PROPOSED**
29 **LANGUAGE?**

1 A. Under the Covad proposal, the billing party (Qwest) would have to wait 90 days, not 30,
2 following the payment due date before it could discontinue processing orders.

3

4 **Q. WHY DOES QWEST OPPOSE COVAD'S PROPOSED 90 DAY PERIOD?**

5 A. Qwest is entitled to timely payment for services rendered and to take remedial action if risk
6 of non-payment is apparent. Under Qwest's proposal, an invoice is not due and payable
7 until 30 days after the invoice date and Qwest cannot take action until another 30 days after
8 that. Since Qwest renders some of its services in the month *before* the invoice date, under
9 the Qwest proposal, Qwest will wait to take action until nearly three months after it has
10 provided the service. Under the Covad proposal, Qwest would be required to wait 135
11 days after the invoice date (45 days to payment due date plus and additional 90 days)
12 before Qwest could take action in cases of non-payment. Taking into account the fact that
13 the service may have been rendered in the month prior to the invoice date, Covad proposes
14 that Qwest wait almost six months after the service was provided before it may discontinue
15 processing new orders. Qwest should not have to wait nearly six months to take action in
16 cases of failure to make payment *for undisputed charges*. Every day of delay may result in
17 additional bad debt, and imposes additional cash flow costs upon Qwest. Because the
18 discontinuance applies only to *undisputed charges*, there is no basis for requiring Qwest to
19 continue to provision services to Covad long after Covad has ceased paying Qwest for
20 services that Qwest has already provided and that Covad doesn't dispute have been
21 properly billed.

22

1 **Q. WAS THIS ISSUE ADDRESSED IN THE 271 PROCEEDINGS?**

2 A. Yes. During the 271 proceedings in which Covad actively participated, this issue was
3 discussed at length. Ultimately the Commission approved the consensus SGAT language
4 providing the 30 day time period Qwest advocates in this case.

5 **Q. IS THERE ANY BASIS FOR TRIPLING THE AMOUNT OF TIME THAT QWEST**
6 **MUST WAIT BEFORE IT MAY PROTECT ITSELF BY DISCONTINUING**
7 **PROCESSING ORDERS FOR NONPAYMENT?**

8 A. No. Covad identifies no new facts or circumstances requiring Qwest to continue to process
9 new orders for this extended period of time during which it is *undisputed* that Covad owes
10 Qwest for services that Qwest provided to Covad months earlier. The CLEC community
11 agreed during the 271 process that the thirty day period strikes the proper balance between
12 CLECs' interests and Qwest's. Qwest's proposed language carries forward that balance
13 whereas Covad's proposed language, without justification, shifts to Qwest enormous,
14 additional risk of never being paid for the services it provides.

15
16 **Q. WHAT TIMING FOR DISCONTINUING ORDERS DID AT&T/TCG AND**
17 **QWEST AGREE UPON IN THEIR RECENT INTERCONNECTION**
18 **NEGOTIATIONS?**

19 A. AT&T/TCG and Qwest agreed to the same 30-day period that Qwest is proposing in this
20 proceeding. This 30-day period is in Qwest's SGATs and in numerous interconnection
21 agreements.

1 **V. DISPUTED ISSUE NO. 8-3: TIMING FOR DISCONNECTING SERVICES**

2 **Q. PLEASE EXPLAIN DISPUTED ISSUE 8-3.**

3 A. Issue 8-3, which relates to Section 5.4.3 of the interconnection agreement, has to do with
4 the period of time the billing party must wait before disconnecting service in cases of non-
5 payment.

6 **Q. WHAT LANGUAGE IS QWEST PROPOSING FOR SECTION 5.4.3?**

7 A. Qwest proposes the following language:

8 5.4.3 With the Commission's permission, the Billing Party may
9 disconnect any and all relevant services for failure by the billed Party to
10 make full payment, less any disputed amount as provided for in Section
11 5.4.4 of this Agreement, for the relevant services provided under this
12 Agreement within sixty (60) calendar Days following the payment due
13 date. The billed Party will pay the applicable reconnect charge set forth in
14 Exhibit A required to reconnect each resold End User Customer line
15 disconnected pursuant to this paragraph. The Billing Party will notify the
16 billed Party at least ten (10) business days prior to disconnection of the
17 unpaid service(s). In case of such disconnection, all applicable undisputed
18 charges, including termination charges, shall become due. If the Billing
19 Party does not disconnect the billed Party's service(s) on the date specified
20 in the ten (10) business days notice, and the billed Party's noncompliance
21 continues, nothing contained herein shall preclude the Billing Party's right
22 to disconnect any or all relevant services of the non-complying Party
23 without further notice. For reconnection of the non-paid service to occur,
24 the billed Party will be required to make full payment of all past and
25 current undisputed charges under this Agreement for the relevant services.
26 Additionally, the Billing Party will request a deposit (or recalculate the
27 deposit) as specified in Section 5.4.5 and 5.4.7 from the billed Party,
28 pursuant to this Section. Both Parties agree, however, that the application
29 of this provision will be suspended for the initial three (3) Billing cycles of
30 this Agreement and will not apply to amounts billed during those three (3)
31 cycles. In addition to other remedies that may be available at law or

1 equity, each Party reserves the right to seek equitable relief, including
2 injunctive relief and specific performance.

3 **Q. HOW DOES THIS DIFFER FROM COVAD'S PROPOSED LANGUAGE?**

4 A. Under Covad's proposal, Qwest would have to wait 120 days, not 60, after the due date
5 before it could begin disconnecting service in cases of non-payment.

6 **Q. WHY DOES QWEST OPPOSE THE 120 DAY PERIOD?**

7 A. As I have discussed above, Qwest is entitled to timely payment for services rendered and to
8 take remedial action if the risk of non-payment is apparent. Under the Qwest proposal,
9 Qwest could not begin disconnection until 90 days after the invoice date (30 days to
10 payment due date plus 60 days before disconnection). The additional two months
11 requested by Covad significantly increases Qwest's financial exposure. Under the Covad
12 proposal, it would be 165 days after the invoice date (45 days to payment due date plus and
13 additional 120 days) before Qwest could disconnect services in cases of non-payment.
14 Taking into account the fact that the service itself may have been rendered in the month
15 prior to the invoice date, this is almost seven months after the service was provided. This
16 is an unreasonable amount of time. Again, the disconnection timing at issue here applies
17 only to undisputed amounts. Disputed amounts are handled pursuant to the language in
18 Section 5.4.4, as I described earlier.

1 **Q. IN ITS PETITION COVAD ARGUES THAT EXTENDING THE TIME IS**
2 **CRITICAL GIVEN THE SEVERE CONSEQUENCES. HAS QWEST EVER**
3 **DISCONTINUED TAKING COVAD ORDERS OR DISCONNECTED SERVICE?**

4 A. No.

5
6 **Q. WAS THIS ISSUE ALSO ADDRESSED IN THE 271 WORKSHOPS?**

7 A. Yes. During the 271 workshops, this issue was also discussed at length. Ultimately, the
8 issue was resolved with Covad and other CLECs agreeing upon the 60 day proposal that
9 Qwest is making in this case.

10
11 **Q. WHAT SERVICE DISCONTINUANCE LANGUAGE DID AT&T/TCG AND**
12 **QWEST AGREE TO IN THE RECENT INTERCONNECTION NEGOTIATIONS?**

13 A. AT&T/TCG and Qwest agreed to the same language that Qwest proposes in this
14 proceeding. Again, the 60 days that Qwest proposes is consistent with Qwest's SGATs and
15 numerous interconnection agreements.

16 **Q. WHAT IS COVAD'S DISCONNECTION POLICY FOR ITS END USER**
17 **CUSTOMERS?**

18 A. Attached as Exhibit WRE-3 is a copy of the Covad Customer Service Policies, which are
19 posted on Covad's website:

20 <http://www.covad.com/onlinesupportcenter/resources/legal/docs/Customer>
21 [Policies_Direct_030104.pdf](http://www.covad.com/onlinesupportcenter/resources/legal/docs/Customer)

1 Page 16 of Covad’s policy states that: “If Customer fails to pay any bill when due, Covad
2 shall have the right to terminate the services and charge any disconnection and/or early
3 termination fee that would apply if Customer had elected to terminate the Services.”

4 Unlike the language Covad proposes here, this language does not require Covad to wait for
5 any period past the due date before it disconnects services.

6
7 **VI. DISPUTED ISSUE NO. 8-4: DEFINITION OF “REPEATEDLY DELINQUENT”**

8 **Q. PLEASE EXPLAIN THE NATURE OF THE DISPUTE AROUND THIS ISSUE.**

9 A. Under Section 5.4.5 of the agreement, a party that is "repeatedly delinquent" in making
10 payments may be required to submit a deposit before orders will be provisioned and
11 completed, or reconnected. The parties disagree as to what constitutes “repeatedly
12 delinquent.”

13
14 **Q. UNDER QWEST’S PROPOSED LANGUAGE, WHAT IS THE DEFINITION OF**
15 **“REPEATEDLY DELINQUENT?”**

16 A. Under the Qwest definition, “Repeatedly Delinquent” means any payment received 30
17 calendar days or more after the payment due date, three or more times during a 12 month
18 period.

19

1 **Q. HOW DOES THE COVAD'S PROPOSED DEFINITION DIFFER FROM THIS?**

2 A. Under the Covad definition, a party would be “repeatedly delinquent” only if the payment
3 was received 60 or more days after the payment date, three or more times during a 12
4 month period. Hence, Covad would double the number of days payments may be late
5 before qualifying for the "repeatedly delinquent" definition.

6

7 **Q. WHAT IS THE BASIS FOR QWEST’S DEFINITION?**

8 A. Qwest's definition is based upon the 30 day payment period proposed in Section 5.4.1
9 discussed previously. This is also the definition in the Washington SGAT that was
10 developed by consensus during the 271 process and approved by the Commission.

11

12 **Q. WHAT IS THE BASIS FOR COVAD’S DEFINITION?**

13 A. The basis for Covad’s proposed 60 day period is unclear. Given that one would expect that
14 the definition of “repeatedly delinquent” would somehow be related to the payment due
15 date, it is interesting to note that the 60 days Covad proposes is at odds with the 45 days it
16 proposes for a payment due date.

17 **Q. DID AT&T/TCG AND QWEST AGREE TO THE SAME LANGUAGE THAT**
18 **QWEST PROPOSES HERE IN THEIR RECENT INTERCONNECTION**
19 **NEGOTIATIONS?**

20 A. Yes.

1

2

VII. SUMMARY/CONCLUSION

3 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

4 A. The payment issues that Covad now disputes were addressed at length by Covad and other
5 CLECs during the 271 process. The payment deadline and the timing for taking protective
6 action that Qwest proposes for the parties' interconnection agreement are identical to the
7 times that were agreed to in the 271 process and that are in Qwest's Washington SGAT.
8 No new facts or circumstances support the deviations that Covad proposes. Covad's
9 proposals would, if accepted, place Qwest at additional risk of not being paid for the
10 services it renders. Because Qwest's payment language is commercially reasonable, is the
11 result of consensus reached during the 271 process and balances the needs of both the
12 billed and billing parties, Qwest respectfully submits it should be adopted in this arbitration
13 proceeding.

14 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

15 A. Yes, it does.

COVAD
Covad Communications

Monthly Invoice

XYZ
Account Payable Department
123 Main Street,
Anywhere, USA 12345

Invoice Date: 04/05/03
Invoice No: 491877
Account No: 30488
Billing Period: 04/05/03-05/04/03

Send To:
Covad Communications
Department 33408
P.O. Box 30080
San Francisco, CA 94138

Total Amount Due: \$769.82
Payment Due Date: 05/05/03

Please print and mail the first page of this email with your payment to the above address.

BILLING SUMMARY

Previous Unpaid Balance	\$ 300.00
Payment - Thank You	\$ (300.00)
Adjustments	\$ (3.00)
Balance	\$ (3.00)
Current Charges	\$ 717.80
Taxes on Current Charges	\$ 55.22
TOTAL AMOUNT DUE	\$ 769.82
Amount Due in Full by	05/05/03

ACCOUNT SUMMARY

Name	Account Number	Amount
John Smith	12239	\$ 74.80
James Smith	12888	\$ 143.70
Mary Smith	12200	\$ 499.00
CURRENT CHARGES (excludes tax)		\$ 717.80

ADJUSTMENT SUMMARY

Name	Account Number	Service	Charge	Amount
John Smith	12239	Adjustment	Monthly Service	\$ (1.00)
James Smith	12888	Adjustment	Monthly Service	\$ (1.00)
Mary Smith	12200	Adjustment	Monthly Service	\$ (1.00)
TOTAL ADJUSTMENTS				\$ (3.00)

TAX SUMMARY

Tax	Amount
State	\$ 50.89
County	\$ -
City	\$ 4.33
Local	\$ -
TOTAL TAXES	\$ 55.22

COVAD NEWS

Try Covad's new Hosting Services - risk-free!! All hosting plans are backed by a 30-day satisfaction guarantee and we'll waive the set-up fee (value \$50) for a limited time! Covad email and Web hosting services allow you to quickly and easily establish your presence on the Internet.

CONTACT US

To view your account details online or to update your account information and payment method, log onto www.covad.net. For questions about this bill, or to make a one time credit card payment, please contact Covad Customer Care at 1-888-642-6823. Thank you.

PLEASE DO NOT REPLY THIS IS AN AUTOMATED EMAIL

INVOICE DETAILS

From Date	To Date	Service	Charge	Event Type	Quantity	Price	Total Price
04/05/03	04/04/03	Telephone Plan	Monthly Service		1	\$ 49.99	\$ 49.99
04/05/03	04/04/03	Basic Hosting	Monthly Service		1	\$ 24.99	\$ 24.99
04/05/03	04/04/03	Adjustment	Monthly Service		1	\$ (1.00)	\$ (1.00)
		State Tax - Taxes				\$ 1.48	\$ 1.48
		City Tax - Taxes				\$ 89.00	\$ 89.00
Total Current Charge							\$ 164.47

Account Number: 12239
Circuit ID: 10-225-102
Additional Info 1
Additional Info 2

From Date	To Date	Service	Charge	Event Type	Quantity	Price	Total Price
04/05/03	04/04/03	Additional email storage	Monthly Service	Upgrade	1	\$ 49.99	\$ 49.99
04/05/03	04/04/03	Adjustment	Monthly Service		1	\$ 3.71	\$ 3.71
		State Tax - Taxes				\$ 1.00	\$ 1.00
		City Tax - Taxes				\$ 8.92	\$ 8.92
		City Tax - Taxes				\$ 2.89	\$ 2.89
Total Current Charge							\$ 66.51

Account Number: 12888
Circuit ID: 10-225-102
Additional Info 1
Additional Info 2

From Date	To Date	Service	Charge	Event Type	Quantity	Price	Total Price
04/05/03	04/04/03	Telephone 384	Monthly Service		1	\$ 499.00	\$ 499.00
04/05/03	04/04/03	Adjustment	Monthly Service		1	\$ (1.00)	\$ (1.00)
		State Tax - Taxes				\$ 37.38	\$ 37.38
Total Current Charge							\$ 535.38

Account Number: 12200
Circuit ID: 10-225-102
Additional Info 1
Additional Info 2

To make it easy for you to pay your invoice or make a query, we've put information that identifies your bill and account all in one place — right in this corner!

Find out at a glance how much you owe in total and when to pay it.

Ready to mail your check? Here's where to send your payment and what information you should include on your check.

Get a quick overview of your bill, including your balance from the last bill, payments processed, adjustments, current charges and taxes on current charges.

This is a summary of your current charges before taxes, including monthly recurring and non-recurring charges. If you have multiple lines, you'll see the current charge for each sub-account listed in this box.

Any adjustments we make to your current charges will appear in this box.

Want to know where your taxes are going? Our bill breaks down by jurisdiction the taxes on your current charges.

Be sure to check this box each month for the latest information about our products, services and promotions.

Got a question about your bill or need to make a change to your Covad service? Refer to this box to find out where to go or whom to call for your customer service needs.

Details, details. Here's where to find a quick, easy-to-read explanation of the current charges on your bill. This section itemizes the services we're billing for, and includes monthly recurring charges, non-recurring charges, taxes and any adjustments made to your current bill. If you have multiple lines, you'll find details on each sub-account in a separate box.

For information about your account — including your service address and circuit ID — just turn your attention to this section of your invoice.

Covad Service Customer Policies

Version 030804

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*Covad, Covad.net, TeleSurfer Link, TeleSurfer, TeleSoho, TeleSpeed and TeleDefend are registered trademarks of Covad Communications.
 TeleXtend is a service mark of Covad Communications.*

TELESPEED AND TELEXEND INTERNET SERVICE DESCRIPTION

TELESPEED INTERNET SERVICE

The TeleSpeed Internet Services are Covad's business-oriented Internet Services based on Symmetric Digital Subscriber Line ("SDSL") services provisioned on separate lines from the Customer's phone service. TeleSpeed Internet Services are designed for individuals and businesses who use the Internet for conducting their work and running their businesses. All TeleSpeed orders require a Covad Professional Installation. The availability of TeleSpeed Internet Services depends upon the distance of the Customer from the Central Office of the local telephone company and the condition of the wire from the Central Office to the Customer's premises, otherwise referred to as the Customer Circuit. The TeleSpeed family of Internet Services consists of various speeds, listed in the table below:

Service Name	Maximum Throughput Downstream	Maximum Throughput Upstream	Distance Limitations
TeleSpeed 144	144 kbps	144 kbps	39,600 feet (Verizon East – 18,000 feet)
TeleSpeed 192	192 kbps	192 kbps	15,000 feet
TeleSpeed 384	384 kbps	384 kbps	15,000 feet
TeleSpeed 768	768 kbps	768 kbps	13,000 feet
TeleSpeed 1.1	1,100 kbps	1,100 kbps	12,000 feet
TeleSpeed 1.5	1,500 kbps	1,500 kbps	7,000 feet

To determine the speed a Customer may be able to receive, Covad measures the speed the Customer could get from its equipment at its location to Covad's equipment in the local telephone company's central office. While the distance from the Customer's location to the phone company's central office is a good indication of the speed the Customer may be able to get, there are specific technical limitations that also are considered. Based on certain parameters, it may be necessary for certain orders to be downgraded to the next available speed. If Covad can determine during the provisioning of the order that a

Customer's location does not qualify for the ordered speed, the order will be automatically downgraded to the next available product. While TeleSpeed 1.1 and TeleSpeed 192 are not available for new orders, it is possible that Customers will be downgraded to these products during the provisioning process.

TELEXTEND INTERNET SERVICE

TeleXtend Internet Services are Covad's premium business Internet Services. Using standard T1 technology, TeleXtend Internet Service overcomes the distance limitations inherent in SDSL and Asymmetric Digital Subscriber Line ("ADSL") services, enabling most Customers, located within the serving area of a Covad collocation facility, to receive symmetric speeds of up to 1,500 kbps. All TeleXtend orders require a Covad Professional Installation. The TeleXtend family of Internet Services is offered at full T1 and fractional T1 bandwidth.

Service Name	Maximum Throughput Downstream	Maximum Throughput Upstream
TeleXtend 384	384 kbps	384 kbps
TeleXtend 768	768 kbps	768 kbps
TeleXtend 1.5	1,500 kbps	1,500 kbps

IP ADDRESS PROVISIONING FOR TELESPEED AND TELEXTEND INTERNET SERVICES

Covad provides either one (1) static and public IP address with Network Address Translation ("NAT") or five (5) usable static and public IP addresses without NAT as basic IP configuration options for TeleSpeed and TeleXtend Internet Services. The default IP address setting is 1 static IP with NAT. Additional static and public IP addresses without NAT, in configurations of 13, 29, 61, 125, or 253 usable IP addresses, are available at the time of ordering or after installation for additional setup and recurring charges and for use in accordance with the standards applied by the American Registry Internet Numbers ("ARIN") for the use of all IP space. Customers who wish to purchase 13 or more IP addresses are required to provide information to Covad, in accordance with ARIN guidelines, justifying the usage of the IP addresses before Covad will allocate the additional IP addresses. Covad will provide such Customer-provided information to ARIN upon request from ARIN.

ISP SERVICES FOR TELESPEED AND TELEXTEND INTERNET SERVICES

As part of the TeleSpeed and TeleXtend Internet Services, the Customer will receive the following ISP services:

- Fifteen (15) POP3 email accounts at Covad.net domain
- Fifteen (15) MB web hosting space at Covad.net domain
- Free dial-up services until TeleSpeed or TeleXtend Internet Service is installed
- Ten (10) free hours of local dial-up each month. Additional hours charged at \$1.50 per hour or fraction thereof.
- 24x7x365 customer support
- Access to online SMART Account Manager at www.covad.net

PROFESSIONAL INSTALLATION FOR TELESPEED AND TELEXTEND INTERNET SERVICES

TeleSpeed and TeleXtend Internet Services require Professional Installation services by a Covad Field Service Technician. Covad will schedule an installation time with the Customer to complete the installation process after Covad has confirmed that the Customer's Local Exchange Carrier ("LEC") has provisioned the appropriate loop to the Customer's premises. Professional Installation includes the following on-site services, where required (a limit of 2 hours of included on-site time for each Professional Installation):

- Basic inspection of inside wiring. Maximum of 30 minutes including tracing or toning across phone closets; and
- Customer Premises Equipment ("CPE") hardware installation of Covad-qualified equipment.

The Professional Installation fee does not include the cost of the CPE. Professional Installation service does not include installation or repair of inside wiring. Customer is responsible for quality and repair of inside wiring.

SERVICE LEVEL AGREEMENT FOR TELESPEED AND TELEXTEAD INTERNET SERVICES

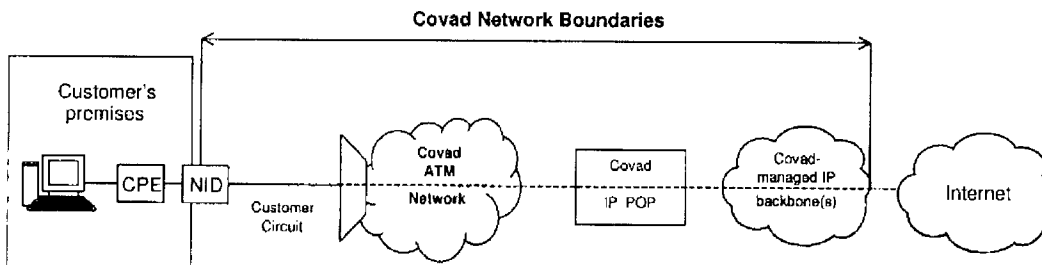
The Covad Service Level Agreement ("SLA") is applicable only to TeleSpeed and TeleXtend Internet Services, and applies only to the Covad Network and TeleSpeed or TeleXtend Customer Circuits. The SLA does not apply to any other services, including but not limited to, TeleSurfer and TeleSoho Internet Services and ISP services (including but not limited to DNS, email, and web hosting). The SLA is applicable only to TeleSpeed and TeleXtend Customers under contract with Covad.

All terms used in this section and not otherwise defined shall have the meaning attributed to such terms in the Customer Agreement (the "Agreement") between Customer and Covad.

DEFINITIONS

Covad Network: "Covad Network" means the infrastructure, facilities, and equipment owned, operated, or controlled by Covad used to provide TeleSpeed and TeleXtend Internet Services. The Covad Network excludes CPE, inside wiring at the Customer's premises, and any network infrastructure, facilities, or other components not owned, leased, operated, or controlled by Covad. See Figure 1.

Figure 1: Covad Network boundaries.



Network Interface Device: "Network Interface Device" ("NID") is defined as the LEC-installed device that connects a Customer's inside wiring to the telephone network.

Customer Circuit: "Customer Circuit" is defined as the physical wiring between Covad's network equipment and the Customer's NID.

Covad IP PoP: A "Covad IP Point of Presence" is defined as a location where Covad's network equipment connects to the public Internet and/or the LEC equipment.

IP Region: An "IP Region" is the set of Covad Service Areas that are served by a particular IP PoP. A listing of Covad IP Regions is available from Covad upon request. Covad may, at its sole discretion, change the number and configuration of IP Regions and the assignment of Service Areas to particular IP Regions. Covad may serve individual Customer Circuits from an IP PoP in a different IP Region.

Installation Interval: For completed Customer Circuits on which billing has commenced, "Installation Interval" is calculated as the number of whole calendar days between (a) the later of (i) the date Covad received the Customer Circuit order from Customer or (ii) the date that Covad has approved Customer's credit application (if applicable) and (b) the Billing Start Date for that Customer Circuit order. This calculation excludes: (a) any period that Covad waits for a response, availability, or action from Customer, (b) any period that Covad waits to install the Customer Circuit resulting from Customer failure to respond, unavailability, lack of access to Customer's facilities, change of requested installation date, or other action or inaction, or (c) any period resulting from a Force Majeure Event.

Service Available: "Service Available" is defined as the ability for a Customer to exchange Internet Protocol ("IP") packets between the Customer's NID and any IP address (of Covad's choice) on the public Internet via the Covad Network.

Service Outage: There is a "Service Outage" on a specific Customer Circuit when IP packets cannot be exchanged between the Customer's NID and any IP address (of Covad's choice) on the public Internet via the Covad Network.

A Service Outage excludes any failures to which any of the following have contributed in whole or in part:

- a) Scheduled maintenance or other planned outages on the Covad Network;
- b) Problems with, or maintenance on, Customer's applications or equipment (including, but not limited to, inside wiring, or changes to or reconfiguration of Customer's CPE not performed by Covad); or
- c) A Force Majeure Event, as defined in the Agreement.

Time to Restore Service: "Time to Restore Service ("TTR")" is defined as the duration of a Service Outage. Time to Restore Service is calculated commencing with the date and time (as set forth on the trouble ticket) on which Covad initially reports the Service Outage on a trouble ticket containing all information necessary for Covad to respond to the trouble ticket and ending upon confirmation by Covad to Customer that the service is restored. This calculation excludes any period that Covad waits for a response, availability, or action from Customer, and further excludes any period Covad spends monitoring the affected Customer Circuit after Covad has restored service to the affected Customer Circuit.

Monthly Service Availability: "Monthly Service Availability" is defined as the percentage of minutes in a calendar month a Customer Circuit did not experience a Service Outage in that month. Specifically, Monthly Service Availability is a percentage calculated as:

$$1 - \left[\frac{\text{aggregate Time to Restore Service for all Service Outages experienced by Customer Circuit in a calendar month}}{\text{total minutes in same month}} \right] * 100$$

Severe Problem: A Customer Circuit is experiencing a "Severe Problem" if the aggregate Time to Restore Service for all Service Outages for such Customer Circuit is in excess of twenty-four (24) hours in any calendar month.

Chronic Problem: A particular Customer Circuit is experiencing a "Chronic Problem" if a subsequent Severe Problem occurs (a) within one (1) calendar month following the calendar month in which a Customer experienced a Severe Problem, and (b) Covad did not recommend to disconnect the Customer Circuit at the time of the prior Severe Problem.

Network Delay: "Network Delay" is defined as the time in milliseconds ("ms") required for a round-trip ping test between the Customer's NID and a Covad IP PoP in a different IP Region, provided that the only traffic on the Customer Circuit during the ping test is the test traffic.

Average Network Delay: The "Average Network Delay" on a Customer Circuit is the hourly average of the Network Delay measurements conducted on that Customer Circuit. Average Network Delay is not measured when the Customer Circuit is experiencing a Service Outage.

Delivery: "Delivery" is defined as the percentage of IP packets successfully transmitted between the Customer's NID and a Covad IP PoP in a different IP Region in a period, provided that the only traffic on the Customer Circuit during the test is the test traffic.

Average Delivery: The "Average Delivery" on a Customer Circuit is an hourly average of the Delivery measurements conducted on that Customer Circuit. Average Delivery is not measured when the Customer Circuit is experiencing a Service Outage.

Time to Repair Service: "Time to Repair Service" is defined as the duration that the Average Network Delay or Average Delivery on a Customer Circuit exceeds the targets for Average Network Delay or Average Delivery set forth below. Measurement of Time to Repair Service commences with the date and time (as set forth on the trouble ticket) on which Covad reports the Network Delay or Delivery issue on a trouble ticket containing all information necessary for Covad to respond to the trouble ticket and ends upon confirmation by Covad to Customer that performance within the Average Network Delay or Average Delivery targets is restored. This calculation excludes any period that Covad waits for a response, availability, or action from Customer, and further excludes any period Covad spends monitoring the affected Customer Circuit after Covad has restored performance to within the targets for Average Network Delay or Average Delivery for the affected Customer Circuit.

SERVICE LEVELS AND REMEDIES

Installation Interval: Covad's target for Installation Interval for each Customer Circuit is:

Service	Installation Interval Target
TeleSpeed Customer Circuit	30 calendar days
TeleXtend Customer Circuit	30 calendar days

If Covad does not meet the Installation Interval Target for a Customer Circuit per the above definition and Customer requests a credit, Covad will provide Customer with a credit ("**Installation Interval Credit**") of fifty percent (50%) of the first whole month's monthly recurring charge for that Customer Circuit.

Monthly Service Availability: Covad's target for Monthly Service Availability for each TeleSpeed Customer Circuit and TeleXtend Customer Circuit is:

Service	Monthly Service Availability Target
TeleSpeed Customer Circuit	99.9%
TeleXtend Customer Circuit	99.99%

If Covad does not meet the Monthly Service Availability Target for a Customer Circuit per the above definition and Customer requests a credit, Covad will provide Customer a credit of three percent (3%) per hour of the monthly recurring charge for such Customer Circuit for each hour (or fraction thereof, rounded to the nearest fifteen (15) minutes) of Service Outage experienced by the Customer Circuit in excess of the Service Availability Target ("**Service Availability Credit**"); *provided* that in no case will the aggregate of all Service Availability Credits and Time to Restore Credits (defined below) exceed the total monthly recurring charge billed for such Customer Circuit during such month.

Example: For the purposes of illustrating the Service Availability Credit only, if a TeleSpeed 384 Customer Circuit (i.e., monthly recurring charge of \$179.00) experiences a single Service Outage with Time to Restore Service of 14 hours, 22 minutes in January 2003, Covad will calculate the Service Availability Credit in the following manner:

- 1) Subtract Monthly Service Availability Target (in minutes) from the Time to Restore Service for the Service Outage for the month to determine the Time to Restore Service in excess of the Monthly Service Availability Target. In this case, the calculation is 14 hours, 22 minutes Time to Restore Service - 45 minutes allowable Service Outage time (1-99.9% of 44,640 minutes in January) = 13 hours, 37 minutes outage in excess of target;
- 2) Round to the nearest 15 minutes = 13 hours, 30 minutes;
- 3) Multiply by 3% per hour = 41% of monthly recurring charge;
- 4) Multiply by monthly recurring charge (\$179.00) = **\$73.39 Service Availability Credit.**

Time to Restore Service: Covad's target for Time to Restore Service for each Service Outage experienced by a TeleSpeed Customer Circuit or TeleXtend Customer Circuit is:

Service	Time to Restore Service Target
TeleSpeed Customer Circuit	24 hours
TeleXtend Customer Circuit	4 hours

If Covad does not meet the Time to Restore Service Target for a Service Outage on a Customer Circuit per the above definition and Customer requests a credit, Covad will provide Customer a credit of ten percent (10%) of the monthly recurring charge for that Customer Circuit ("**TTR Credit**"), in addition to any other applicable credits for Service Availability, *provided* that in no case will the aggregate of all Service Availability Credits and TTR Credits for that Customer Circuit in a month exceed the total monthly recurring charge billed by Covad for such Customer Circuit for service during such month.

Severe and Chronic Problems: For any Customer Circuit that Covad verifies has experienced a Severe Problem, Covad may recommend to disconnect the affected Customer Circuit. If Covad recommends to disconnect the affected Customer Circuit, Covad will provide a credit to Customer for the amount of such disconnection fee (if any) assessed by Covad.

For any Customer Circuit that Covad verifies has experienced a Chronic Problem, Customer may give Covad approval to disconnect such Customer Circuit, and Covad will provide a credit to Customer for the amount of any disconnection fee (if any) assessed by Covad.

Average Network Delay: Covad's Average Network Delay target for all TeleSpeed & TeleXtend Customer Circuits is:

Service	Average Network Delay Target
TeleSpeed Customer Circuit	110 milliseconds ("ms")
TeleXtend Customer Circuit	110 ms

If Covad does not meet the Average Network Delay Target for a Customer Circuit in a month per the above definition and Customer requests a credit, Covad will credit the Customer ("Network Delay Credit") according to the following table:

If Average Network Delay Time to Repair Service exceeds:	Network Delay Credit is:
One (1) hour in a calendar month	Five percent (5%) of the monthly recurring charge for that Customer Circuit
Two (2) hours in a calendar month	Ten percent (10%) of the monthly recurring charge for that Customer Circuit

Average Delivery: Covad's targets for Average Delivery for all TeleSpeed and TeleXtend Customer Circuits are:

Network	Average Delivery Target
TeleSpeed Customer Circuit	99.9%
TeleXtend Customer Circuit	99.9%

If Covad does not meet the Average Delivery Target for a Customer Circuit per the above definition and Customer requests a credit, Covad will credit the Customer ("Delivery Credit") according to the following table:

If Average Delivery Time to Repair Service exceeds:	Delivery Credit is:
One (1) hour in a calendar month	Five (5%) of the monthly recurring charge for that Customer Circuit
Two (2) or more hours in a calendar month	Ten (10%) of the monthly recurring charge for that Customer Circuit

CLAIMS AND CREDIT AVAILABILITY

It is the Customer's responsibility to identify, request and document all bona fide SLA claims and corresponding credits. The easiest way for Customers to notify Covad of an SLA claim is to submit the email form located in the Customer Support section of SMART Account Manager. To be eligible for service credits, Customer must first report service availability, delay, or delivery events to Covad Customer Care. Covad will notify Customer of its resolution of the reported event. Customer must claim any applicable service credits by the 15th day of the month following the month in which (a) the reported incident was resolved (in the case of credits for Service Availability, Time to Restore Service, Network Delay, or Delivery credits) or (b) the Billing Start Date of the affected Customer Circuit (in the case of Installation Interval credits). Covad will verify the Customer's claim within thirty (30) days of a complete and properly submitted credit request, and will apply any applicable credits, as determined at Covad's sole discretion, to the Customer's invoice issued on the next billing anniversary date following Covad's thirty (30) day review. **NOTE: Total credits in a given month on a TeleSpeed or TeleXtend Customer Circuit may not exceed the monthly recurring fees charged by Covad for such Customer Circuit during such month. Any excess credits will not carry over into later invoices.**

For the purposes of illustrating the timelines for Credit Availability only, if Covad resolves an incident in January 2003 – regardless of when Covad opened the trouble ticket for the incident – and Customer wishes to receive a credit for the incident, Customer must claim the applicable credits by February 15, 2003. If the claim is complete and is properly submitted, Covad will verify the claim by March 15, 2003, and will apply any applicable credit to Customer's next invoice. *Customer may not, under any circumstances, submit credit requests after the date to submit service credit requests set forth above has passed; Covad will not accept late credit requests.*

Requests for SLA credits must be submitted to Covad Customer Care in writing or by email to support@covad.net. A separate credit request must be submitted for each Customer Circuit for which a claim is made. In addition, a separate credit request must be submitted for each type of credit (e.g., Service Availability Credit, Installation Interval Credit, etc.) requested if multiple types of claims are made on a single Customer Circuit; *provided, however*, that requests for Service Availability Credits and Time to Restore Credits for a single Customer Circuit may be made via the same credit request.

Covad will reject any credit requests that do not provide sufficient supporting information to allow Covad to verify the claim. Such information must include:

- The contact name for the TeleSpeed or TeleXtend Internet Service on which the incident occurred;
- The Covad circuit number for the TeleSpeed or TeleXtend Customer Circuit on which the incident occurred;
- The specific type of credit being requested;
- The date(s) of the resolution of the trouble ticket(s) (for credits for Service Availability, Time to Restore Service, Network Delay, or Delivery) or the Billing Start date (for credits for Installation Interval) for the incident; and
- Any other information that Covad may reasonably request to assist Covad in verifying Customer's credit request.

Covad does not guarantee that provision of the above information will be sufficient to allow Covad to verify the request. Covad will inform Customer of credit requests rejected for insufficient information, and Customer will be allowed to resubmit such requests with additional supporting information within five (5) business days of Covad's notification of its rejection of the credit request. After Customer resubmits the credit request with the additional supporting information, the standard verification and crediting timelines (outlined above) will apply. Covad will notify of results within 5 business days of receipt of such requested additional information.

Covad reserves the right to modify the format for submission of, and information required for, SLA credit requests.

Covad may, at its reasonable discretion and without notice, limit or eliminate Customer's eligibility and ability to submit SLA credit requests if (a) Customer has an undisputed past-due amount owed to Covad or (b) in Covad's sole determination, Covad determines that Customer has:

- Failed on one or more occasions to comply with the credit request policies and requirements described herein;
- Submitted an excessive number of rejected SLA credit requests; or
- Used, or attempted to use, the SLA credit process in a frivolous, abusive, or fraudulent manner.

Covad will restore Customer's ability to submit SLA credit requests once Customer (i) has paid all amounts owed Covad (in case of failure to pay outstanding invoices), or (ii) in all other cases, provides to Covad assurances sufficient for Covad to determine Customer has cured the conduct that initiated Customer's ineligibility to participate in the SLA.

TELESPEED EXTENDED COVERAGE AREAS SERVICES

Covad offers Customers service in Covad's extended coverage areas, which are beyond the areas covered by Covad's network (the "ECA Services"). However, the ECA Services differ from Covad's standard Services in various ways that are described below. If Customer purchases ECA Services, the following will apply:

Service Branding. The names of the SDSL ECA Services will be tied to the corresponding Covad Service Name set forth below. For all other purposes except as set forth herein, the ECA Service will be treated as the corresponding Covad Service. T1 and ADSL Services are not available as ECA Services.

Covad Service Name	ECA Service Name
TeleSpeed 144	TeleSpeed 144 ECA
TeleSpeed 192	TeleSpeed 192 ECA
TeleSpeed 384	TeleSpeed 384 ECA
TeleSpeed 768	TeleSpeed 768 ECA
TeleSpeed 1.1	TeleSpeed 1.1 ECA
TeleSpeed 1.5	TeleSpeed 1.5 ECA

Professional Installation and Field Service. All ECA Services will be provisioned and all field service dispatches will be serviced by a Field Service Technician from one of Covad's partners rather than a Covad Field Service Technician. As a result, Covad waives all liability for installation or field service related issues, including but not limited to, personal injury, death or tangible or intangible property damage.

SLAs. All SLAs remain as set forth for standard Covad Services, with the exception that there will be no SLAs for Time to Restore Service (TTR), for Monthly Service Availability, or for Average Network Delay.

CPE. Customer-provided and Customer-managed CPE may not be used with ECA Services without prior written consent of Covad. The CPE available will be limited to: SDSL CPE: Efficient 5851 and IDSL CPE: Efficient 5871. Covad will provide a one-year limited warranty on this CPE as follows: If, during the warranty period, Covad deems the equipment to be faulty and believes that a replacement is needed, a replacement CPE will be shipped to the Customer within three (3) business days. If a technician visit is also required, Covad's standard fees for a technician dispatch will apply.

Move Orders and Changes. Disconnection and a new order will be required for moves and CPE may not be transferred to a new location. Moves within a Customer location also require a new installation and Customer will be billed for such new installation. Upgrade and downgrades during an order will not be permitted; however, Customers can upgrade or downgrade after the order has been installed by calling Covad (standard upgrade and downgrade terms and conditions apply).

SMART Account Manager. Certain SMART account manager functionality will not be available to manage the ECA Service accounts online and certain information may not be available for viewing in real-time.

Loop Conditioning. In the event that loop conditioning is required on a Customer Circuit, Covad may charge a fee of \$199.00 per Customer Circuit

TELESURFER AND TELESOHO INTERNET SERVICE DESCRIPTION

TeleSurfer and TeleSoho services are Internet Services based on Asymmetric Digital Subscriber Line ("ADSL") services provisioned on a shared-line basis (meaning that the Customer will receive ADSL services over the same line on which he or she currently receives his or her voice service). The availability and performance of TeleSurfer and TeleSoho Internet Services depends the distance of the Customer from the Central Office of the local telephone company and the condition of the wire from the Central Office to the Customer's premises. To subscribe to Covad ADSL services, Customers must have local telephone service through one of the following companies: SBC, Verizon, Qwest, or BellSouth. If Customer has local phone service with one of the listed companies at the time of the Covad order, and subsequently changes their voice service while subscribing to Covad ADSL service, Customer will lose their Covad service and will be charged any applicable early termination/disconnection fees if the termination occurs during the Minimum Term. This is the nature of line-sharing services, and cannot be altered for individual customers.

Service Name	Installation Service	Maximum Throughput Downstream	Maximum Throughput Upstream	Distance Limitations
TeleSurfer Link*	Self Installation or Professional Installation	Up to 384 kbps	Up to 128 kbps	18,000 feet
TeleSurfer*	Self Installation or Professional Installation	Up to 608 kbps	Up to 128 kbps	18,000 feet
TeleSurfer Plus	Self Installation or Professional Installation	Up to 1,500 kbps	Up to 128 kbps	18,000 feet
TeleSoho	Self Installation or Professional Installation	Up to 1,500 kbps	Up to 384 kbps	18,000 feet
TeleSoho 3.0/768	Self Installation or Professional Installation	Up to 3,000 kbps	Up to 768 kbps	10,000 feet

* These services have been discontinued for new orders.

TeleSurfer and TeleSoho Internet Services are "commercially reasonable efforts" services. This means that Covad does not guarantee any upstream or downstream speeds. Service speeds are dependent on the distance of the Customer from the Central Office and the condition of the Customer Circuit, among other factors. TeleSurfer and TeleSoho Internet Services that pass at least 128 kbps of bandwidth downstream and 64 kbps of bandwidth upstream is considered to meet the service's performance standard ("Performance Standard"). The exception is TeleSoho 3.0/384 which has a performance standard of 1500 kbps downstream and 128 kbps upstream. Customers that order TeleSoho 3.0/768 service and cannot realize the Performance Standard, can disconnect their Service (within 30 days of the billing start date) or downgrade TeleSoho 1.5/384. TeleSurfer and TeleSoho Internet Services are *rate adaptive* ADSL services. This means that Customers may experience downstream speeds between 1,500 kbps and 3,000 kbps for TeleSoho 3.0/768, 128 kbps and 1,500 kbps for TeleSurfer Plus and TeleSoho 1.5/384, between 128 kbps and 608 kbps for TeleSurfer, and between 128 kbps and 384 kbps for TeleSurfer Link. For the purposes of determining this speed, Covad measures the speed the Customer can get from its equipment at its location to Covad's equipment in the local telephone company's central office.

IP ADDRESS PROVISIONING FOR TELESURFER AND TELESOHO INTERNET SERVICES

TeleSurfer Internet Services will be provisioned with one (1) dynamic IP address via PPPoE (Point to Point Protocol over Ethernet). Covad will provide the PPPoE software to the Customer in the Covad Self Installation Kit. Static IP addresses are not available with any TeleSurfer services.

TeleSoho Internet Services will be provisioned with one (1) fixed and public IP address with Network Address Translation. When NAT is chosen as the IP configuration, the static IP address is terminated on the Customer Premises Equipment and cannot be assigned to individual computers or devices. TeleSoho Customers may also choose five (5) static and public IP addresses without NAT for an additional fee.

ISP SERVICES FOR TELESURFER AND TELESOHO INTERNET SERVICES

As part of TeleSurfer and TeleSoho Internet Services (excluding TeleSurfer Link), the Customer will receive the following ISP services:

- Fifteen (15) email accounts at Covad.net domain
- Ten (10) MB web space at Covad.net domain
- Free dial-up services until TeleSurfer or TeleSoho Internet Service is installed
- Ten (10) free hours of local dial-up each month. Additional hours charged at \$1.50 per hour or fraction thereof.
- 24x7x365 customer support
- Access to online SMART Account Manager

ISP SERVICES FOR TELESURFER LINK INTERNET SERVICE

As part of the TeleSurfer Link Internet Service, the Customer will receive the following ISP services:

- One (1) email account at Covad.net domain
- Free dial-up service until TeleSurfer Link Internet Service is installed
- Dial service charged at \$1.50 per hour or fraction thereof
- 24x7x365 customer support
- Access to online SMART Account Manager

SELF INSTALLATION FOR TELESURFER AND TELESOHO INTERNET SERVICES

For all Self Installation Services, the Customer is responsible for performing all installation activities at the Customer's premises. Covad will ship the DSL equipment in a Self Installation Kit directly to the Customer after verification that Customer's LEC will provide the DSL capable loop. Covad offers technical telephone assistance to assist the Customer with any installation issues. If the Customer is unable to complete the installation, the Customer can request a Professional Installation by calling Covad Customer Care at 1-888-64-COVAD. Please note that Covad charges a fee for Professional Installation services. Covad will close the order and begin billing after the Customer's LEC confirms that the DSL capable loop has been delivered, or when Covad detects traffic on the Customer Circuit, whichever occurs first. The Self Installation Kit for TeleSurfer and TeleSoho Internet Services includes the following components:

- Ethernet Bridge (TeleSurfer Internet Services) or ADSL router (TeleSoho Internet Services)
- Ethernet cable

- Phone cord/cable
- Five (5) analog DSL filters – 4 in-line filters and one wall mount filter
- User Guide and Troubleshooting CD
- Tango DSL Connection Software (TeleSurfer Internet Services)

PROFESSIONAL INSTALLATION FOR TELESURFER AND TELESOHO INTERNET SERVICES

If the Customer has selected a Professional Installation at the time of order entry, Covad will schedule an installation time with the Customer to install the DSL Installation Kit. Prior to the Professional Installation, Covad will ship the DSL equipment, including the bridge or router, to the Customer. The Customer can complete the installation of the DSL equipment, and request that the Professional Installation be cancelled by calling Covad Customer Care at least one (1) business day prior to the scheduled installation date to avoid a cancellation charge. In addition, if Customer is unable to install the Self Installation Kit, Customer may request a Professional Installation by calling Covad Customer Care at 1-888-64-COVAD. Please note that Covad charges a fee for Professional Installation services.

Professional Installation includes the following on-site services, where required (limit of 2 hours of on-site time for each Professional Installation):

- NID Splitter or in-line filter installation including cost of filters or splitter;
- Basic inspection of inside wiring. Maximum of 30 minutes including tracing or toning across phone closets;
- Hardware installation of Covad-provided DSL equipment;

Professional Installation fee does not include CPE fees. Professional Installation service does not include installation or repair of inside wiring, installation of software on the Customer's computer, or any work necessary on the Customer's Local Area Network (LAN). Customers are responsible for quality and repair of inside wiring, any software installation, and work necessary to connect their LAN to the Covad DSL service. Tango DSL Connection Software is compatible with the following operating systems: Windows 98/98SE, Windows NT 4.0 or higher, Windows ME, Windows 2000, Windows XP Home, Windows XP Pro, Mac OS 8.6, Mac OS 9.1 or higher, and Mac OS 10.1 or higher. TeleSurfer customers with an operating system other than one of these must provide their own PPPoE connection software. Covad Customer Care will not support any PPPoE connection software other than that provided in the Covad installation kit.

DIAL INTERNET SERVICE DESCRIPTION

As part of the Dial Internet Service, the Customer will receive the following:

- 150 hours of dial service each month; additional hours charged at \$1.50 per hour or fraction thereof.
- Five (5) email accounts at Covad.net domain
- Ten (10) MB web space at Covad.net domain
- 24x7x365 customer support
- Access to online SMART Account Manager tool

INTERNET SERVICES POLICIES

Only Covad technicians may complete delivery of a Customer Circuit (except in the case of Self Installation Services). Covad will not authorize the Customer or a Customer-designated vendor to complete Customer Circuit delivery. This applies to all TeleSpeed and TeleXtend Internet Services and TeleSurfer or TeleSoho Professional Installation Services, but does not apply to Self Installation Services until such time that any of the Services rendered under Professional Installation are needed or specifically requested by Customer (e.g., NID splitter installation is required).

If Covad cannot deliver the ordered service due to technical issues, and the Customer does not want a downgraded service speed, Covad will allow the Customer to cancel the order. The Customer will not be liable for any service setup and equipment

fees, other than fees for Missed Appointments (if applicable). For TeleSpeed orders, a service installation will be considered successful if a signal is successfully passed from Covad's IP PoP to the NID at the Customer's premises at the minimum requested bitrate in each direction.

Due to the rate adaptive nature of ADSL orders, the technician will not change a TeleSurfer or TeleSoho Internet Service order while completing the installation. The TeleSurfer or TeleSoho order is closed and billed at the rate of the service ordered. If not satisfied, the Customer has thirty (30) calendar days from completion of the TeleSurfer or TeleSoho order to submit a change order at no charge by calling Covad Customer Care at 1-888-64-COVAD to downgrade or cancel the order. On downgrades, Covad does not refund the difference in service pricing on previous service charges.

STANDARD INSIDE WIRING POLICIES FOR TELESPEED AND TELEXTEND INTERNET SERVICES

Standard Inside Wiring Services, as outlined below, for TeleSpeed and TeleXtend Internet Services are not billable. The technician will perform the following services as necessary (provided that such services can be completed within the two hour installation window):

- Positive identification of a new Covad circuit delivered to the Customer's NID;
- Toning, tracing and completing all necessary cross connects on existing inside wiring between the Covad circuit at the NID and the Customer's designated jack location;
- Wiring of the existing jack to support the DSL or T1 router, *provided that* existing wiring is available;
- Router configuration and line test; and
- Any inside wiring that the technician can complete within 15 minutes.

For any TeleSpeed and TeleXtend inside wiring beyond the Standard (non-billable) Inside Wiring Services listed above, Covad charges standard rates for billable inside wire services. Please see the Other Fees for Covad Services section of this document. Before performing any inside wiring beyond Standard Inside Wiring Services for TeleSpeed and TeleXtend Internet Service, the technician will require the Customer's signature on an Inside Wiring Authorization Form to acknowledge that additional charges may be associated with the work about to be performed.

ADDITIONAL INSIDE WIRING POLICIES

Depending on the extent of inside wiring required, Covad may not be able to complete the inside wiring. The Customer is responsible for completing the wiring or contracting a third-party for such services. Covad does not provide extensive inside wiring services as part of our order delivery process. If the technician determines that extensive inside wiring is required, the technician will confirm successful service activation at the NID. The technician will leave the configured CPE with the Customer, and Covad will close the order. If Covad agrees to do the inside wiring, Covad will schedule such extensive inside wiring as close as possible to the installation services date, and Covad will charge the Customer additional fees for such inside wiring work. Please see the Other Fees for Covad Services section of this document for further details. Covad reserves the right to refuse to do any extensive inside wiring work requested. If the order is cancelled due to extensive inside wiring, Covad will assess standard cancellation and disconnect charges as specified in the Other Fees for Covad Services section.

Extensive inside wiring includes, but is not limited to:

- Tracing and testing existing wire through multiple units, multiple stories, or multiple telephone closets in a high-rise building or business park;
- Other complex wiring situations where physical laying of cable or wiring is required;
- New wiring due to service location greater than 50 feet from the NID;
- Wiring from the NID to a desired location; or
- Moving an existing jack to another location.

CONFIGURATION OF SERVERS

Covad also utilizes certain Internet tools and software to verify the configuration of servers connected to Covad's network. Customers may not operate servers in an "open relay" configuration (a configuration whereby a mail server processes email messages where neither the sender nor the recipient is a local user), as servers configured in this manner expose both Covad's network and that particular Customer to fraudulent and abusive use by third parties. If a Customer requires assistance in determining the configuration of a server and/or instructions to secure a server, please contact buse-team@covad.com. Please refer to Covad's Acceptable Use Policy, posted at <http://covad.net/legal/>.

CUSTOMER PREMISES EQUIPMENT LIMITED WARRANTY

If Customer purchases Customer Premises Equipment directly from Covad, the equipment carries a one-year limited warranty, beginning on the Billing Start Date for the Covad Internet service. If, during the warranty period, Covad deems the equipment to be faulty and believes that a replacement is needed, Covad will:

1. For TeleSpeed and TeleXtend Internet Services, Covad will schedule a technician to go to the Customer's location. Customer will not be billed for a technician visit unless the technician determines the equipment failure was due to the Customer's negligence or abuse of the equipment, in which case Covad's standard fees for a technician dispatch will apply (in addition to Covad's then-standard fees for the replacement CPE).
2. For TeleSurfer and TeleSoho Internet Services, Covad will ship replacement equipment to the Customer and provide freight prepaid packaging for return of the faulty equipment. Instructions on the returns process are available by calling the Covad Customer Care. Covad requires that the Customer return the faulty equipment. In the event the Customer does not return the faulty equipment, Covad will charge Customer the current standard price for a replacement Self Installation Kit.

After expiration of the one-year limited warranty period, Covad will replace such out-of-warranty CPE; provided, however, that Customer will be responsible for the standard charge for the CPE and the technician visit (if applicable). In any instance where Customer pays for new CPE, the warranty period will be reset and will begin on the date the equipment is delivered to the Customer. The warranty period is not reset for warranty replacement equipment that Covad provides free of charge. Covad will only honor the original one-year warranty period that began with the purchase of the original equipment. Customers that migrate to Covad Broadband Solutions from another Covad wholesale partner are not eligible for a new warranty period. Warranty periods are only reset when the Customer pays for a new CPE.

HOSTING SERVICES DESCRIPTION

Covad Hosting Services includes Email and Web Hosting Services. These services allow Customers to outsource the storage, hardware and software requirements for their email system and Web site. In exchange for providing this online service, Covad charges a monthly fee, a set up fee for certain plans, and any other applicable fees set forth below. Covad Hosting Services are designed for individuals and businesses who want to establish an identifiable presence on the Internet. Using these services, Customers can:

- Register a new or transfer an existing domain;
- Include their domain in their email address(es);
- Use Covad-provided or non-Covad provided software to build and manage a web site; and
- Host the Web site on Covad-provided servers, enabling end-users to access the Customer's site.

Covad Hosting Services are available to all broadband access Customers and are not restricted by physical location.

COVAD EMAIL AND WEB HOSTING PLANS

	Email Only	Basic	Enhanced	Premium
Number of Email boxes	10	20	30	50
Web Site Storage (MB)	NA	50	100	250
Web Site Transfer (MB)	NA	2,500	5,000	10,000
Covad Web Builder	NA	Yes	Yes	Yes
Web Reporting	NA	Yes	Yes	Yes
Webmail	Yes	Yes	Yes	Yes
Email Storage (MBs/ mailbox)	10	10	10	10
Web site storage (MBs)	N/A	50	100	250
Web site transfer speed (MBs/mo)	N/A	2,500	5,000	10,000

*The Email Only plan entitles the Customer to register a domain and use email associated with their domain but does not include any web design and webhosting features.

**Additional email boxes, email and web site storage, and website transfer are available for the additional fees described below.

Covad Hosting Services are shared, meaning that a Customer's web site co-exists with other Customers' sites on the same Covad web server. The benefits to Customers of shared services are that they are more efficient and less expensive.

CONTRACTS

All Customers must accept the Covad Hosting Services Agreement. The contract term is month-to-month and may be canceled by either party as described below. There is no cancellation fee associated with Covad Hosting Services, except that Covad will not refund fees paid to Covad prior to cancellation of the Agreement or any fees collected for domain name registrations. Customers are required to abide by the terms outlined in the Hosting Services Agreement, these Customer Policies and the Acceptable Use Policy. Covad reserves the right to cancel a Customer's service for violation of these terms.

CANCELING SERVICE

Cancellation can occur for one of two reasons:

1. Customer-initiated cancellation:

A Customer may cancel its hosting plan at any time. In the event that a Customer cancels its hosting plan but wishes for Covad to maintain its domain name, the account will remain active and Covad will bill the Customer for the periodic (annual) domain name registration fee. If a Customer cancels its Covad access service, the hosting plan can remain in service and Covad will bill the Customer for the monthly recurring fees for the hosting plan and the periodic (annual) domain name registration fee.

2. Covad-initiated cancellation

Covad retains the right to cancel service at any time by providing Customer with thirty (30) days notice. Covad also retains the right to cancel service at any time for reasons related to:

- Non-payment or other breach of the Hosted Service Agreement
- Violation of the terms in these Policies or the Acceptable Use Policy

All Customer-initiated cancels must be done by calling Covad Customer Care at 888.64.COVAD or by faxing a notice of cancellation Covad at 866.839.2887. In some cases where a Customer has ordered a broadband access service and a hosting plan at the same time, Covad discovers after the order is submitted that it cannot provide broadband access service to the Customer's location. In this instance, Covad will notify Customer via email that Covad was not able to provision the access service that Customer had requested, and Covad will ask Customer if Customer would like to continue with its hosting plan. The Customer has five (5) days to notify Covad of its intent to keep its hosting plan. If the Customer does not notify Covad within five days that Customer would like to keep its hosting plan, Covad will cancel the hosting plan on the sixth (6th) day after email notification.

COVAD EMAIL AND WEB HOSTING SERVICE CUSTOMER CARE POLICY

Covad provides 24x7x365 support for Customers using any hosting plan and covers issues related to:

- Ordering a hosting plan
- Registering or transferring a domain
- Setting up a web site using Covad-provided software
- Helping manage any hosting service features and settings
- Troubleshooting technical problems related to Covad hosting services

As a policy, Covad will not provide support for Hosting Services other than as listed above. In particular, Covad will not:

- Contact the other registrar/provider on behalf of the Customer to transfer a domain
- Resolve domain transfer problems that are caused by the other registrar/provider
- Call the Customer when the domain has been successfully transferred. This can be monitored in SMART.
- Build a web site for the Customer
- Answer in-depth questions about non-Covad-provided web design software (i.e., FrontPage)
- Debug HTML, ASP, or Perl code
- Perform data mining analysis

ADDITIONAL EMAIL AND WEB HOSTING SERVICE FEES:

Add-on Features	Monthly Price
Additional Mailboxes	\$2 per email box
Additional Email storage	\$3.75 per 5 MBs
Additional Web site storage	\$3.75 per 5 MBs
Additional Web site transfer	\$1 per 100 MBs
Domain Name Registration	\$20 per year

CONTENT MANAGED AND DISTRIBUTED USING COVAD EQUIPMENT AND FACILITIES

By definition, the Customer is using Covad equipment and facilities to store and distribute content via email and a web site. As such, Covad's reputation is at risk if a Customer abuses acceptable use policies set forth by Covad. Please see the Covad Acceptable Use Policy ("AUP") to become familiar with these issues.

TELEDEFEND SECURITY SERVICES DESCRIPTION

Service Name	Description
TeleDefend Firewall	Managed firewall service based on NetScreen device and using stateful packet inspection. Covad pre-configures and/or remotely configures the NetScreen device per Customer's order but Customer must self-install the NetScreen device. Once installed, Covad provides remote 24x7x365 customer support and 24x7x365 health monitoring.
TeleDefend VPN/Firewall	Site-to-site virtual private networking ("VPN") service based on NetScreen device and using IPSec Triple DES ("3DES") encrypted tunnels. Also includes a managed firewall, which uses stateful packet inspection. Covad pre-configures and/or remotely configures the NetScreen device per Customer's order but Customer must self-install the NetScreen device. Once installed, Covad provides remote 24x7x365 customer support and 24x7x365 health monitoring.

Covad may supply new or recertified equipment on new orders. Recertified equipment is equipment that (a) may have been removed from its original packaging by Covad or returned to Covad by an End User after a promotional offer, (b) is free from visible defects, and (c) is equivalent in function and appearance to new units. On new and recertified equipment purchased by Customer through Covad, Covad will provide a one (1) year replacement warranty from the Billing Start Date for manufacturer's defects. At Covad's discretion, any equipment Covad supplies as replacement equipment for existing equipment (e.g., for warranty purposes) may be new, recertified or refurbished. Refurbished equipment is previously owned equipment that has been remanufactured by the manufacturer or its agent, is free from visible defects, and is equivalent in functionality to new units. Any equipment supplied as replacement equipment will carry the remainder of the one (1) year warranty described above.

FIREWALL CONFIGURATIONS

Customers can specify up to 20 total incoming and outgoing policies for TeleDefend Firewall or TeleDefend VPN/Firewall Services. These policies can be customized to meet most Customer requirements. Customers can define an inbound policy to block all incoming connections for maximum security, or define an inbound policy that will allow access only to host servers for email, web pages, or almost any other IP based service. Outbound policy definitions can be created to limit the types of applications that can be accessed by users from within the network. For example, web surfing can be limited to only specific computers. Customers will work with a designated Covad Sales Engineer to define and implement TeleDefend Firewall and TeleDefend VPN/Firewall Services.

TELEDEFEND PROVISIONING

For each TeleDefend Service, Covad follows the following provisioning process:

- Covad configures the NetScreen device prior to shipping to Customer in the TeleDefend Self Installation Kit. The Self Installation Kit includes one (1) NetScreen device with a static and public IP address assigned, required cables, and installation instructions. For TeleDefend VPN/Firewall services, one (1) NetScreen device is needed for each site.
- Covad ships TeleDefend Self Installation Kit(s) to Customer's site(s). Covad notifies Customer of shipped TeleDefend Self Installation Kit(s) via an email, which includes shipping information. Upon receipt, Customer installs NetScreen device per installation instructions and calls Covad Customer Care to finalize configuration and activate service.
- Covad commences billing at the earlier of: (a) the time at which Customer has successfully completed the installation process and Covad has confirmed activation in an email and/or phone call, or (b) ten (10) business days after Covad has shipped the TeleDefend Self Installation Kit.

TELEDEFEND SERVICE LEVEL AGREEMENT

TeleDefend Customers receive TeleDefend-specific SLA. Additional SLAs might apply based upon the access service subscribed to by the customer. The TeleDefend SLA represents Covad's commitment to providing reliable security services for its Customers and is Customer's only remedy for service-related issues.

Time to Respond: Covad will respond to each TeleDefend configuration change request or trouble ticket within 24 hours. If Covad does not respond within such a 24 hour period, Covad will credit Customer 10% of monthly TeleDefend Service charges at the affected site per incident, up to a maximum of 30% per month. The Customer must proactively report failure to meet this SLA to receive credit for the month of the request.

Emergency Hardware Swap: In the event of a TeleDefend hardware failure, Covad will replace the security hardware within two (2) business days of when the failure is reported to and confirmed by Covad Customer Care. If Covad does not replace the security hardware within the two (2) business days, Covad will credit Customer 10% of monthly TeleDefend Service charges at the affected site per incident, up to a maximum of 30% per month. The Customer must proactively report failure to meet this SLA to receive credit.

All credit requests must be made pursuant to Covad's credit procedures outlined in the Claims and Credit Availability section of this document. In addition, TeleDefend Claims and Credit Availability are subject to the following conditions:

- Customer must contact Covad Customer Care immediately upon TeleDefend Service failure to perform;
- Covad must be at fault for the failure to meet the SLA (as determined by Covad in its sole and reasonable commercial judgment); and
- Customer must provide Covad remote access to the security hardware and other Covad-provided CPE at all necessary times.

COVAD BILLING POLICIES

Billing for access initiates the day the Customer's order is closed (the "**Billing Start Date**"). A first invoice will be generated at such time. All subsequent invoices will be generated based on Customer's monthly anniversary date. Customer's monthly

anniversary date will be the date the Customer registered with Covad and created a Covad account. . For example, if Customer created an account on July 6 and the order closed on July 20, a first invoice will be generated July 20 covering the installation, CPE and other non-recurring fees as well as monthly recurring fees pro-rated from July 20 until August 6. On August 6, an invoice will be generated to cover monthly recurring fees for the period from August 6 through September 6. Subsequent invoices will be generated on the 6th of each month, covering monthly recurring fees, which are due in advance and any pro-rated fees or non-recurring fees from the previous month.

The Billing Start Date for hosting services is dependent on whether the Customer ordered a hosting plan at the time access was ordered, if a hosting plan was purchased separately from access or if Customer does not have Covad access services. Monthly service charges, upgrades/downgrades and move orders are pro-rated for access and hosting plans. The billing policy for these scenarios is described below:

1. Customer orders access and hosting plan at the same time:

In the event that a Customer orders a hosting plan at the same time a Covad broadband service is purchased, billing initiates the day that the Customer's access order closes. If, as described earlier, Covad is not able to provision the access plan originally requested, then Covad will notify the Customer and offer alternative access plans. The Billing Start Date for the hosting plan is dependent on the alternative access choice and is outlined in the following table:

Customer Access Choice	Billing Start Date
Customer selects alternative broadband service	Billing begins on the day the alternative order is closed
Customer selects Covad Dial-Up plan	Billing begins on the day the alternative order is closed
Customer cancels Covad access service	Hosted billing continues without change

2. Customer orders a Covad hosting plan at a different time than access or does not order Covad access:

If a Customer does not have Covad access services and does not order Covad access services, the Billing Start Date will be the date Customer registered with Covad and created an account and such date will be the monthly anniversary date. If a Customer purchases an access plan at a later date, fees for both access and hosting will be billed on the monthly anniversary date set when Customer created an account with Covad. If Customer has access and later adds a hosting plan, the anniversary date for access will match the anniversary date set when Customer created its account in connection with the access services. Fees for hosting are then pro-rated to match the billing anniversary date for access.

In both cases (1 & 2), Covad will send one integrated bill that reflects charges for all Covad services.

Customer may select one of three payment options: (1) check payment; (2) credit card payment or (3) automatic electronic funds transfer, when available to them. With the exception of government entities, all payment options may not be available for all billing (notify) methods. A Customer paying by check will receive paper invoices ("invoice billing"). A Customer paying by credit card or EFT will receive email statements. If Customer selects either credit card or electronic funds transfer, Covad will automatically debit such account each month. The Customer will receive an email of the monthly statement on their "invoice date", which is based on Customer's monthly anniversary date. If Customer selects invoice billing, Customer must remit payment to Covad each month. The Customer will receive a copy of the monthly invoice in the mail. As described above, a Customer is billed one month in advance for monthly recurring charges. For example, a customer billed on August 1st is charged from July 1st to July 31st for non-recurring charges as well as from August 1st to August 30th for monthly recurring charges. Customer shall be responsible for payment of any taxes or shipping charges. If Customer fails to pay any bill when due, Covad shall have the right to terminate the services and charge any disconnection and/or early termination fees that would apply if Customer had elected to terminate the Services. Payments are considered late if received after the due date. For all late payments, Customer may be assessed interest at the lesser of (a) 1.5% per month on the outstanding balance due Covad or (b) the maximum interest charges permitted under applicable law. Covad may charge a processing fee of \$25.00 for returned checks.

An account with a multi-line end-user hierarchy ("**parent account**") may select consolidated billing (one invoice for all end-user accounts; sent to the consolidated parent) or individual billing (separate invoices for each end user account; sent to the separate end-user payers). For purposes of definition, a consolidated parent account or a sub-account within an individual parent account hierarchy are treated as a "Customer" under the above billing and payment terms and conditions.

SERVICE DISCONNECTION AND SATISFACTION GUARANTEE

For TeleSurfer, TeleSoho, TeleSpeed, TeleXtend Internet Services and TeleDefend Security Services, Customers have thirty (30) calendar days after the Billing Start Date to request a disconnection without an early termination fee. If the disconnection request is received in the first thirty (30) calendar days of service, Covad will provide a refund credit equal to all fees billed, with the exception of any fees associated with a Missed Appointment charge and/or the Self-Installation Kit or Equipment. If Customer disconnects the service within this thirty (30) calendar day 'grace period' following the Billing Start Date, Customer may return the TeleSurfer or TeleSoho Installation Kit for a full refund only if all equipment is included, if it is in its original working condition and original packaging and if it is received by Covad within thirty (30) days after Customer's disconnection request. Customer must call Covad Customer Care to disconnect the Customer Circuit. TeleSurfer and TeleSoho Customers will need to use the return label that was included in their installation kit. Customer should give the tracking number on the label to the Customer Care Agent so that Covad can track the status of the shipment. Upon verification that the shipment reached its destination intact, a credit will be issued to the Customer's account. TeleSpeed and TeleXtend customer will receive a shipping label in the mail from Customer Care upon notifying Covad that they will be taking advantage of the 30 Day Satisfaction Guarantee. Covad will track the status of the shipment and issue a credit to the Customer's account upon verification that the shipment arrived intact. Customer is responsible for any shipping charges for returned equipment.

Standard termination fees will apply after this thirty (30) calendar day period and Customers will no longer be able to return their Self Installation Kit or other Equipment for credit. Termination fees will apply for Customers that switch their service to another provider prior to fulfilling their term agreement.

For Email and Web Hosting Service, Customers who cancel within 30 days of ordering a plan will receive a full refund for the set-up fees and the monthly recurring cost, including additional features. However, if a Customer has registered a domain, this fee will not be refunded as the Customer now owns that domain and has the right to transfer it elsewhere.

Applicable termination fees shall be the lesser of (a) the fees for the remaining balance of the Customer Term or (b) the applicable Termination Fee set forth in the Other Fees for Covad Services section of this document.

To disconnect a service, the Customer can choose one of two methods: 1) Call Covad Customer Care at 888.64.COVAD or 2) Fax a notice of cancellation to Covad at 866.839.2887.

CUSTOMER INITIATED SERVICE CHANGE DUE TO CUSTOMER MOVE

All Covad Customers who are initiating a change in service due to a move require a Move Order. The process for a Move Order requires a physical move of the Customer Circuit from one location to another; therefore the existing line will need to be disconnected and a new order entered for the new location. Upon disconnecting the existing Customer Circuit, the Customer will be charged the standard Early Termination Fee (noted in the "Other Fees for Covad Internet Services" sections below). However, once the Customer establishes Covad Internet service at the new location and retains the Internet service for at least 30 days, Covad will apply a Retention Bonus equal to the Early Termination Fee plus fifty percent (50%) of the new Service's first month's monthly recurring fee in the form of a credit on the Customer's next invoice or credit card billing statement.

Move Orders can be initiated by calling Covad Customer Care at 1-888-64-COVAD, or by visiting SMART Account Manager at www.covad.net.

TeleSurfer and TeleSoho Customers may re-use their existing equipment at their new location provided that equipment is compatible with their new service. Customers need to inform the Covad Customer Care Representative that they are moving locations and are planning on reusing their existing equipment. If the Customer fails to inform the Covad Customer Care Representative of the Move Order, a new CPE will be shipped and Customer will be billed for a new CPE. If the Customer does not retain the new service for at least 30 days, the Retention Bonus will not be paid.

TeleSpeed and TeleXtend Move Orders will require Professional Installation services at the new location. Standard Professional Installation charges will apply. Customers are advised to allow 30 days for the service to be installed at the new locations. TeleSpeed and TeleXtend Customers may re-use their existing equipment at their new location. Customers need to inform the Covad Customer Care Representative that they are moving locations and are planning on reusing their existing equipment. If the Customer fails to inform the Covad Customer Care Representative of the Move Order, a new CPE will be installed by the Covad Field Service Technician and the Customer will be billed for a new CPE. Once the Customer establishes

TeleSpeed or TeleXtend Internet Service at the new location and retains the Internet service for at least 30 days, Covad will apply the aforementioned Retention Bonus in the form of a credit on the Customer's next invoice. If the Customer does not retain the new service for at least 30 days, the Retention Bonus and credit will not be paid.

In the event that Customer chooses to upgrade or downgrade to a different Internet Service requiring different CPE in connection with the move, Customer will need to order a new CPE and will be billed for the new CPE. Standard installation and equipment rebates available at the time of the move (if any) will apply. If Customer's requested Internet Service is not available at the new location or Covad does not provide any service to the Customer's new location, the disconnection will not be considered a move under this section. In such case, the standard Early Termination Fee will apply if applicable, and no Retention Bonus will be paid by Covad.

All Move Orders require the Customer to accept a new contract and new term agreement for the new service. Covad does not apply the Customer's previous contract or term agreement to the new service. Additionally, Customers will be subject to current Covad pricing for their new service. Covad does not guarantee that the Customer will be able to get the same pricing or service in their new location.

BILLING DISPUTES

If a Customer has a justified, good-faith dispute with any amounts on an invoice, Customer has (60) calendar days from the invoice date to claim a dispute by submitting in writing to support@covad.net or by calling Covad Customer Care at 1-888-64-COVAD. Customer must pay all amounts, whether or not in dispute, by the invoice due date. If Covad determines that Customer is entitled to a credit, Customer shall receive a credit on Customer's next invoice. If Customer fails to notify Covad of billing discrepancies within this (60) calendar day period, Customer will not be eligible for credit or invoice adjustments.

ACCEPTING NEW CONTRACTS

Covad may from time to time reduce pricing on existing services. Existing Customers have the opportunity to take advantage of the new pricing by accepting the terms of a new agreement. Unless otherwise stated, there will be an additional one or two year term requirements if the Customer accepts the new agreement. The Customer must visit SMART Account Manager (www.covad.net) to review any new pricing, and accept the terms of the new agreement.

OTHER FEES FOR COVAD INTERNET SERVICES

TELESURFER AND TELESOHO INTERNET SERVICES

INSTALLATION, REPAIR, AND TERMINATION FEES

Description of Service Provided	Price
TeleSurfer Internet Services Self Installation Kit	\$99.00
TeleSoho Internet Services Self Installation Kit	\$149.00
Professional Installation for TeleSurfer Internet Services	\$99.00
Professional Installation for TeleSoho Internet Services	\$175.00
Field Service Technician Dispatch Charge for TeleSurfer Internet Services	\$99.00
Field Service Technician Dispatch Charge for TeleSoho Internet Services	\$175.00
Missed Appointment Charge	\$99.00
Early Termination Fee for TeleSurfer and TeleSoho Internet Services – After completion of service installation option by Covad and prior to completion of Customer term.	Lesser of remaining contract value or \$250.00

TELESOHO IP ADDRESS FEES

IP Address Block	Usable	Set-Up Charge	Monthly Charge
256 with NAT	253 (NAT allows private IP address space behind the router)	Complimentary default	Complimentary default
8	5*	\$0	\$10

* For this configuration, Covad uses two (2) static IP addresses to provide the service and assigns one (1) static IP address to the router. A total of three (3) static IP addresses will be unavailable to the Customer.

TELESPEED AND TELEXTEND INTERNET SERVICES

CUSTOMER PREMISES EQUIPMENT FEES

Customer Premise Equipment	Applicable Service(s)	Price
Netopia R4652-T IDSL/SDSL Router	TeleSpeed 144, 384, 768, 1.5	\$359.00
Efficient Networks Speedstream 5871 IDSL Router	TeleSpeed 144	\$359.00
Efficient Networks Speedstream 5851 SDSL Router	TeleSpeed 384, 768, 1.5	\$359.00
Netopia 4622 T1 Router	TeleXtend 384, 768, 1.5	\$599.00
Efficient Networks 5940 T1 Router	TeleXtend 384, 768, 1.5	\$599.00

IP ADDRESS FEES

IP Address Block	Usable	Set-Up Charge	Monthly Charge
256 with NAT	253 private IP Addresses behind the router	Complimentary default	Complimentary default
8	5*	No Charge (Requires IP Justification Form)	Complimentary (By request only)
16**	13*		\$10.00
32**	29*		\$15.00
64**	61*		\$20.00
128**	125*		\$25.00
256**	253*		\$50.00

* For these configurations, Covad uses two (2) static IP addresses to provide the service and assigns one (1) static IP address to the router. A total of three (3) static IP addresses will be unavailable to the Customer. NAT is not available for these configurations.

** For configurations with 16, 32, 64, 128, or 256 IP addresses, the Customer must complete ARIN information forms, to justify the need for the large blocks of IP addresses. Covad does not guarantee approval of all IP address requests.

INSTALLATION, REPAIR, CANCELLATION AND TERMINATION FEES

Description of Service Provided	Price
TeleSpeed Setup and Installation Charge	\$225.00
TeleXtend Setup and Installation Charge	\$450.00
Inside Wiring Charge - First Hour minimum	\$88.00
Additional 15 minute increments after initial hour	\$20.00
Field Technician Dispatch Charge - First hour minimum charge for dispatch during normal business hours	\$88.00
Additional 15 minute increments after initial hour	\$20.00
Early Termination Charge	Lesser of remaining contract value or \$500.00
Missed Appointment Charge	\$99.00
Special Construction Fees	See Below

SPECIAL CONSTRUCTION FEES

For TeleXtend Internet Services, Special Construction Fees may apply for any additional non-standard work at the Central Office facility or Customer's premises necessary to deliver the service. Details of the special construction work along with the associated fees will be communicated to the Customer via email prior to any work beginning. If the Customer does not respond to Covad within twenty (20) days of receiving the special construction notice, the Customer's order will be cancelled. All TeleXtend orders requiring Special Construction require Customer approval in writing (including email acceptance of the Special Construction Fees) prior to processing. Any Special Construction Fees incurred by Covad will be charged to the Customer along with any other applicable one-time installation or equipment fees. If the Customer cancels a TeleXtend order after approving Special Construction Fees, the Customer will be responsible for any charges incurred by Covad as a result of that Special Construction plus any additional cancellation fees.

ADDITIONAL SERVICES FEES

DIAL-UP INTERNET SERVICE FEES

Service	Usage per Billing Cycle	Charge
Overage Usage	More than 150 hours for stand-alone Dial service More than 10 hours for TeleSurfer, TeleSoho, TeleSpeed and TeleXtend Internet Services	\$1.50/hour or any portion thereof
800 Service	Any amount of time above zero minutes	\$4.50/hour or any portion thereof

TELEDEFEND SERVICE FEES

Description of Service Provided	Charge	
NetScreen device	\$0.00	
TeleDefend Self Installation Charge	\$0.00	
Termination Charge per Site - Post Self Installation Kit has been shipped but prior to 12-month term.	\$500.00	
Returned Security Hardware charge - Failure to return NetScreen device within thirty (30) days of Termination. Charge based on age of NetScreen device from service start date.	0-3 months	\$1,100
	4-6 months	\$950
	7-9 months	\$800
	10-12 months	\$650
	13-15 months	\$500
	16-18 months	\$350
	19-21 months	\$200
	22-24 months	\$50
	25+ months	\$0

If Customer chooses not to return Security Hardware the above charges will apply. All equipment should be returned in the original working condition and original packaging within thirty (30) days after Customer's disconnection request. Failure to return the equipment in the original packaging, in working condition within the thirty-day period will result in a charge for the equipment as set forth in the above table based on the age of the NetScreen device from service start date. Customer must call Covad Customer Care to receive a Return Materials Authorization ("RMA") number and include the RMA number with the package. Customer is responsible for any shipping charges for returned equipment. Covad will not accept equipment without RMA identification and will charge the Customer for the equipment based on the above table if the equipment is returned without RMA identification.

GLOSSARY

Backbone

- A major transmission path used for high volume network to network connections.
- In Covad's network, the backbone network consolidates data traffic from the individual DSL lines into a backbone network for delivery to the Internet and/or other regions.

Bandwidth

- The amount of data that can flow through a given communications channel in a specified period time, usually seconds.

Bridge

- A device that connects two networks as a seamless single network using the same networking protocol.
- Bridges operate at the hardware layer and do not include IP routing functionality. They simply forward packets without analyzing and re-routing messages.

CO or Central Office

- A telephone company facility within which all local telephone lines terminate and which contains equipment required to switch Customer telecommunications traffic.

Commercially Reasonable Effort

- A service that does not carry a QoS (Quality of Service) or a SLA (Service Level Agreement), often times with no minimum throughput guarantees.
- Covad's ADSL Internet Services (TeleSurfer and TeleSoho Internet Services) are considered "*commercially reasonable efforts*"

CPE or Customer Premises Equipment

- Any equipment located at a Customer's premises. Modems, bridges and routers are considered CPE.
- Covad provides Netopia CPE for TeleXtend Internet Service, Netopia and Efficient Networks CPE for TeleSpeed Internet Service, and ZyXel CPE for TeleSoho Internet Service. For TeleSurfer Internet Services, Covad provides an Ethernet modem in the Self Installation Kit (no brand specified).

CSU/DSU or Channel Service Unit/Digital Service Unit

- A common type of CPE for T1 services, the CSU/DSU terminates the physical connection and provides physical protection and diagnostic and monitoring features.

Demarc or Demarcation Point

- The point at the Customer premises where the line from the telephone company meets the premises wiring.

DHCP or Dynamic Host Configuration Protocol

- A protocol that allows end user workstation information including IP addresses to be dynamically assigned by a server on an as-needed basis.
- DHCP server functionality is built into most DSL routers.

DNS or Domain Name System

- The name resolution service for IP addresses that provides the friendlier text-based addresses for Internet resources. Example: 192.168.1.1 = www.yourwebpage.com.

DSLAM or Digital Subscriber Line Access Multiplexer

- The device typically deployed at the CO that terminates all the DSL lines serviced by the CO.
- Covad places it's own DSLAMs in leased space in a LEC's CO.

Dynamic IP

- An IP address is assigned to the client for the current session or some other specified amount of time.

Encryption

- Scrambles data in flight so the data is of no use if intercepted. It is the conversion of data into a form, called a ciphertext, which cannot be easily understood by unauthorized people. In order to recover the contents of an encrypted signal, the correct decryption key is required.
- Common forms of encryption include DES and 3DES. Covad's TeleDefend Service uses 3DES.

Ethernet

- A LAN technology that uses CSMA/CD delivery that can run over different media (cabling).
- Most of today's Ethernet LANs use twisted pair 10Base-T wiring that can support both standard Ethernet at 10Mbps and Fast Ethernet at 100Mbps

Firewall

- A device or software that filters the traffic exchanged between networks, enforcing each network's access control policy.

FOC or Firm Order Commitment

- A FOC is provided by the LEC and references the date that the LEC will perform the necessary work for Covad to establish a Customer's Internet service.

ILEC or Incumbent Local Exchange Carrier

- Also known as the telephone company, telco, LEC, RBOC, etc.

Inside Wiring

- Refers to wiring on the Customer side of the demarcation point.
- Customers are responsible for maintaining and extending inside wiring as needed to deliver Covad Internet Services.

IP Address or Internet Protocol Address

- A dotted decimal notation used to represent IP addresses. Example: 192.168.1.1

IPSec or Internet Protocol Security

- A developing standard for security at the network or packet processing layer. IPSec doesn't require changes to individual computers and is extensible, so new encryption standards can be swapped in as they become available.
- Provides 2 functions: authentication and encryption; and uses 3 components: AH, ESP and IKE. (AH -- Authentication Header, verifies authenticity of each packet. ESP -- Encapsulating Security Payload, encrypts the entire packet, and places it in a larger packet. IKE -- Internet Key Exchange, is the set of procedures that IPSec devices use to transfer security keys.)

Line sharing

- Line Sharing is a method of DSL line delivery that involves using an existing telephone line into the Customer's premises by electronically multiplexing the voice and data signals on the same physical wire.
- Line sharing separates the low voice frequencies and the higher data frequencies running across the same line

Local Loop

- A generic term for the connection between the Customer's premises and the telephone company's serving wire center.

NAT or Network Address Translation

- An Internet standard that allows a Customer's local network to use private IP addresses, which are not advertised to other users on the Internet. The IP address used for the router is the only IP address visible to the public Internet.
- Covad offers NAT with certain configurations of TeleSoho, TeleSpeed and TeleXtend Internet Services.

NIC or Network Interface Card

- The hardware that forms the interface between the computer (or other network device) and not only the data communications network for the LAN but also the IP connection through the DSL bridge or router.

NID or Network Interface Device

- A phone company installed device that connects a Customer's inside wiring to the telephone network. It is typically a small box installed on the exterior premises, basement or garage.

NID Splitter

- A device that a Covad technician installs at the Customer's NID for line sharing orders. The splitter separates the voice traffic from the data traffic on the Customer's existing phone line.

PPPoE or Point-to-Point Protocol over Ethernet

- Covad uses PPPoE software to establish an Internet connection for certain Internet services.
- For TeleSurfer Link, TeleSurfer, and TeleSurfer Plus Internet Services, PPPoE software is required on the Customer's PC.

RJ-11

- A standard modular connector (jack or plug) that supports two pairs of wires (4 wires). Commonly used for most PSTN CPE such as a telephone, fax machine, modem

RJ-45

- A standard modular connector that can support up to four pairs of wires (eight wires).
- Commonly used with Category 5 ("Cat 5") cabling to create 10Base-T or 100Base-T networks.

Router

- A router is a device that connects two networks. Routers are similar to bridges, but provide additional functionality, such as the ability to filter messages and forward them to different places based on various criteria.
- The Internet uses routers extensively to forward packets from one host to another.

Static IP

- An assigned IP address used to connect to a TCP/IP network.
- The IP address stays assigned to the specific host or network device, so the same address can always be used to reach that device.