



May 5, 2005

Deborah Reynolds
WUTC

Re: Inland Telephone Filing UT-050606 dated April 19, 2005

Dear Deborah:

The following narrative will provide a brief overview of Suncadia's (formerly Mountainstar) relationship with Inland Telephone Company (Inland), the ILEC in Roslyn, Washington, and its affiliates. Only documents that are pertinent to this filing have been attached. References to documents not attached are for background clarification purposes, however copies may be provided upon request.

On or about November of 2003 Harold Krisie (Hal) was retained by Suncadia as a Telecommunications and IT Consultant. At that time Inland appeared to be the most likely provider for telecommunications service(s) for the resort. Inland expressed interest in being the provider. Several meetings were held to discuss such a relationship. Inland's comparatively small service subscription (approximately 1000 population) in comparison to the potential size of the resort (approximately 2800 single family dwellings and hotel, and resort commercial business for a total of about 4000 connections) and lack of experience in delivering high end fiber optic based service, raised concerns about their technical and financial ability to provide the high end products Suncadia envisioned for its clients.

During these meetings, Suncadia representatives introduced to Inland several third party vendors as well as Lowe Enterprises (Suncadia parent company) approved vendors in an effort to address Suncadia's concerns. Examples of those efforts were 1) more competitive Long Distance Rates through Steve Olsen with PSI Networks and 2) state of the art security monitoring equipment through AI Tumini with CVideo. In each case, either there was no action taken or there was no follow through by Inland.

As negotiations progressed, written responses from Inland were slow, and often included proposed changes that skewed issues previously agreed upon in our meetings. Some changes removed all responsibility and the associated consequences from Inland in the event they failed to perform. Several requests for financial statements were made to Inland, but Inland did not respond, frustrating our negotiations.

Around February of 2004, a 100 pair cable was pulled by Inland and 50 pairs of that cable were terminated at the MDF in our Discovery Center. At that time a fractional T1 (16 channels) was ordered plus a few analog trunks for security monitoring and fax machines. On or around June of 2004 Hal began to research alternative solutions for a provider (CLEC) to service the resort. Talks were initiated with several providers including but not limited to Qwest, Charter, and Sprint.

Suncadia recognized that Inland would continue to be our only provider until an alternate solution was developed, so when our Turf Care Facility and Temporary Prospector Pro Shop was to open, Hal requested service to those facilities from Inland. In response, the attached Utility Easement Agreement (Inland Easement.PDF) was presented by Inland with a request to sign it before they would pull any additional cables. The language of their Easement was a very broad perpetual, blanket easement unacceptable to Suncadia. Problems included issue with aesthetics, term, routing, and basic business terms. We were advised by legal counsel not to enter into their Utility Easement Agreement as written.



As a work around due to Inland's refusal, we approached Jeff Zukerman (VP with Vector Resources, our telecommunications infrastructure engineering firm) who recommended a VoIP solution be installed in the Discovery Center, and service extended via fiber optic cable to the two facilities we wished to occupy. This approach was successful, and represented our first telecommunications cabling on the project.

After deployment of our VoIP solution, negotiations continued with several alternative providers and ultimately met with Harold Grover with Intelligent Community Services (ICS). Our negotiations with ICS have been timely and productive. However, talks with Inland had stalemated, and at times produced un-businesslike correspondence from Inland to Resort customers. In response to a request for service by an on-site builder (StoneCreek-Inland_Temp_Easement.pdf), Inland placed the entire blame for their not providing service on Suncadia's decision not to sign the onerous Utility Easement Agreement (StoneCreek-Inland.pdf).

During a subsequent conversation between Nathan Weis and Hal, the idea of a temporary Utility Easement Agreement was discussed. As a result of that conversation and as a possible solution to the Stone Creek service issue, Hal wrote and delivered a narrower, temporary Utility Easement Agreement for Inland to consider (Inland_Utility_Easement_v3.pdf). On December 14, 2004, we received a written response from Douglas Weis, President of Inland, indicating that "It is, and always has been, Inland's position not to enter into any type of temporary utility easement" (Inland_Temp_Easement_Cover-Response.pdf).

As a good faith effort, Hal contacted John Coonan, Treasurer of Inland Telephone, and set up a meeting for February 4, 2005, to meet and determine if Inland Telephone could be a viable provider for the state of the art telecommunications system we were building. During our meeting with Mr. Coonan, we discussed the idea of included capitalization of all fiber cabling and conduits by Suncadia. This significantly reduced Inland's fiscal commitment to the project. John agreed to take the new proposal to Inland's Board. On February 15, 2005 Hal received a letter from Mr. Coonan, indicating that after presenting Suncadia's new proposal to Inland's Board, they believed that "the process to administer Suncadia's new approach will be very cumbersome if Inland were to provide the entire myriad of services Suncadia is requesting, and is therefore not inclined to submit a proposal to do so." (Inland-Pullout.PDF).

Since then, our negotiations with ICS at this time have progressed to the point that a Memorandum of Understanding is imminent. ICS has filed and obtained CLEC status in the State of Washington. However, their Network Operations Center (NOC) will not be operational in time for the opening of our new Prospector Inn and Club House in July of this year. We also currently have one owner occupying their recently completed home, and approximately four more that will do so this year. To serve these users we are ordering several Voice and Data circuits from Inland to be terminated at the MDF in the Discovery Center.

After the VoIP Switch was installed in September of 2004, it was discovered that E911 functionality was not working. Hal contacted Inland to resolve the problem and had several conversations with several Inland employees. Hal's conversations also included Bob Johnson with KITTCOM (Kittitas County E911 Coordinator) and the Kittitas County Fire Marshal. Mr. Coonan's letter dated February 14, 2005, indicates in the first paragraph that he is aware of and presumes action is being taken to resolve this issue. To this date the E911 issue has not been resolved with Inland, but our VoIP switch configuration, and that our equipment was transmitting the appropriate signals, has been verified by technicians several times.



Suncadia's primary concern at this time is to continue to receive voice and data service through Inland, for Resort, Commercial, and Residential use. We will extend this service from the MDF in the Discovery Center as needed. All that is required of Inland is activation and termination of the circuits when requested.

Our concern with Inlands recent WUTC filing, is that it would place them in a position of being able to choose whether or not to process any new orders for Suncadia. Furthermore, it is our understanding that Inlands presence is likely to be retained by ICS as part of their Disaster Recovery Plan. We are equally concerned that our critically important E911 issue remains. I have included documentation of billings as evidence that Inland currently serves the Resort, and which should negate their filing cover letter statement that it is "... for land that is unserved by any telephone company at the present time".

Your intervention in these matters is appreciated.

Sincerely,

Paul Eisenberg
Senior Vice President, Development