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2. General Regulations (Cont'd)
2.3 Obligations of the Customer (Cont'd)
2.3.11 Determination of Intrastate Charges for Mixed Interstate and Intrastate Access Service (Cont'd)

(B) For usage sensitive (i.e., access minutes and calls) chargeable rate elements, multiply the percent interstate use times actual use (i.e., measured or Telephone Company assumed average use) times the stated tariff rate.

The interstate percentage will change as revised usage reports are submitted as set forth in 2.3.10 preceding.

2.3.12 VoIP-PSTN Traffic

(A) Scope (T)

VoIP-PSTN Traffic is defined as traffic exchanged between the Telephone Company and the customer in time division multiplexing ("TDM") format that originates from Telephone Company end users in Internet protocol ("IP") format and/or that terminates to customer end users in IP format. "Toll VoIP-PSTN Traffic" means a customer's interexchange VoIP-PSTN Traffic. Toll VoIP-PSTN Traffic does not include any intrastate traffic that is not required by the FCC Orders (defined below) to be compensated at rates equal to interstate switched access rates.

This section governs the identification of Toll VoIP-PSTN Traffic that is required to be compensated at rates equal to the Telephone Company's interstate switched access rates (unless the parties have agreed otherwise) as mandated by the Federal Communications Commission ("FCC") in its Report and Order in WC Docket Nos. 10-90, etc., FCC Release No. 11-161 on November 18, 2011, as clarified and/or modified by subsequent FCC orders (collectively, "FCC Orders"). Specifically, this section establishes the method of separating the customer's Toll VoIP-PSTN Traffic from the customer's traditional intrastate switched access traffic, so that the customer's Toll VoIP-PSTN traffic, as so separated, can be billed in accordance with the FCC Orders. (T)

2.3.12 VoIP-PSTN Traffic (Cont'd)

(B) Rating of Toll VoIP-PSTN Traffic (T)

(1) In the absence of an interconnection agreement or traffic exchange agreement between the Telephone Company and the customer specifying the treatment of Toll VoIP-PSTN Traffic, Toll VoIP-PSTN Traffic identified in accordance with this tariff section will be billed at rates equal to the Telephone Company's applicable tariffed interstate switched access rates as set forth in National Exchange Carrier Association, Inc. Tariff F.C.C. No. 5. If the FCC Orders or the mandate therein with respect to the treatment of Toll VoIP-PSTN Traffic is vacated, reversed, stayed, enjoined, restrained or overturned, VoIP-PSTN Traffic will be billed under this tariff at the rates applicable to non-VoIP-PSTN interexchange traffic. The addition of this section 2.3.12 is to comply with the FCC Orders. No inference should be taken that Toll VoIP-PSTN Traffic occurring prior to the effective date of the FCC Orders is not subject to this tariff and Telephone Company intrastate switched access tariffs applicable to non-VoIP-PSTN interexchange traffic. (T)

(C) Calculation and Application of Percent Toll VoIP- Usage Factors (T)

(1) The Telephone Company will determine the number of terminating Toll VoIP-PSTN Traffic access minutes to which rates equal to the Telephone Company's interstate rates will be applied under (B), preceding, by applying a terminating Percent VoIP Usage (PVU) factor to the total intrastate access minutes terminated by a customer to the Telephone Company's end users. (T)

(2) The Telephone Company will determine the portion of dedicated switched access facilities to which rates equal to the Telephone Company's interstate rates will be applied under (B), preceding, by calculating a PVU-DTT factor and applying that PVU-DTT factor to the dedicated switched access facilities between the Telephone Company and the customer. (T)

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2.3.12 VoIP-PSTN Traffic (Cont'd)

(C) Calculation and Application of Percent Toll VoIP- Usage Factors

(2) (Cont'd)

Example: Where a PVU-DTT is to be applied to dedicated switched access facilities, the percent intrastate usage (i.e., 1-PIU) applicable to those facilities (or that would be applicable to those facilities if intrastate direct trunk transport were to be offered by the Telephone Company) will be multiplied by the product of the terminating PVU multiplied by a fraction (percent terminating usage, or "PTU"), the numerator of which shall be equal to the customer's intrastate terminating access minutes and the denominator of which shall be equal to the customer's intrastate total (originating and terminating) access minutes, and the resultant whole number percentage (PVU-DTT factor) will be applied to rates equal to the interstate rates applicable to those dedicated facilities. For example, if the PVU resulting from combining the PVUC with the PVUT is equal to 10% and the customer's terminating intrastate access minutes equal 30% of the customer's total intrastate access minutes, and if the PIU applicable to the dedicated switched access facilities is 80%, then the implied percent intrastate usage is 20% and, when multiplied by the PVU of 10% and a PTU of 30%, yields a resultant PVU-DTT factor of 1% (0.6% rounded). Rates equal to the Telephone Company's interstate rates applicable to those switched access dedicated facilities would then be multiplied by 1% to calculate the intrastate charges applicable to utilization of those switched access dedicated facilities for intrastate terminating Toll VoIP-PSTN Traffic. (N)

(K)*

*Material moved to Sheet Nos. 53.3, 53.4 and 53.5

2.3.12 VoIP-PSTN Traffic (Cont'd)

(C) Calculation and Application of Percent Toll VoIP- Usage Factors (Cont'd) (T)

(3) The customer will calculate and furnish to the Telephone Company a terminating PVUC factor (along with the supporting documentation as specified in (C)(7) below) representing the whole number percentage of the customer's total terminating intrastate access minutes that the customer sent to the Telephone Company, that originated in IP format and that would be billed by the Telephone Company as intrastate access minutes. The PVUC shall also be accompanied by the customer's identification of the Carrier Identification Code ("CIC") or CIC's to which the PVUC is to be applied and, if the Telephone Company's invoices that are to be affected by the PVUC identify the Billing Account Number ("BAN") or BANs included in such invoices, the BAN or BANs to which the PVUC is to be applied. (T)

(4) If applicable, the Telephone Company will calculate and periodically update on or more terminating PVUT factors representing the whole number percentage of total intrastate terminating access minutes that the Telephone Company receives from the customer and that terminate in IP format at Telephone Company end users' premises. The PVUT factor will not be applicable if the PVUC factor is calculated on any basis other than one that utilizes only the customer's own data. (N)

(5) If a PVUT factor is applicable, the Telephone Company will develop one or more total terminating Percent VoIP Usage ("PVU") factors by combining the customer's terminating PVUC factor with the Telephone Company's terminating PVUT factor. (N)

1) The PVU calculation below is applied when the Telephone Company does not bill based on actual call detail records for the Telephone Company's intrastate IP traffic at rates equal to interstate rates. (N)
(K)*

*Material moved to Sheet Nos. 53.4 and 53.5

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2.3.12 VoIP-PSTN Traffic (Cont'd)

(C) Calculation and Application of Percent Toll VoIP- Usage Factors (Cont'd) (N)

(5) (Cont'd)

PVU = PVUC + [PVUT x (1-PVUC)] applied to the Telephone Company's end users' total intrastate terminating access minutes.

Example: The customer reported its PVUC as 40%. The Telephone Company's PVUT is 10%. This results in the following: PVU = 40% + (10% x (1-40%)) = 46%
This means that 46% of the intrastate terminating access minutes exchanged between the customer and the Telephone Company's end users will be rated at rates equal to the Telephone Company's interstate rates.

2) The PVU calculation below is applied when the Telephone Company bills are based on the actual call detail records for the Telephone Company's intrastate terminating IP traffic at rates equal to the Telephone Company's interstate rates.

The formula for usage will be as follows:
PVU = PVUC x (1-PVUT) applied to the Telephone Company's TDM end user's total intrastate terminating access minutes.

Example: The Telephone Company has identified that there were 10,500 intrastate terminating access minutes that were identified and exchanged between the customer and the Telephone Company's IP end users. The customer reported its PVUC as 40%. The Telephone Company's PVUT is 10%.
This results in the following: PVU = 40% x (1-10%) = 36%
This means that 36% of the intrastate terminating access minutes exchanged between the customer and the Telephone Company's TDM end users will be rated at rates equal to the Telephone Company's interstate rates and the intrastate 10,500 MOU will also be rated at rates equal to the Telephone Company's interstate rates. (N)

(6) The customer shall not modify any of its reported PIU factors to account for Toll VoIP-PSTN Traffic. (T) (M)* (T) (M) (K)**

*Material moved from Sheet No. 53.2
**Material moved to Sheet No. 53.5

2.3.12 VoIP-PSTN Traffic (Cont'd)

(C) Calculation and Application of Percent Toll VoIP- Usage Factors (Cont'd) (N)

(7) The customer-provided terminating PVUC shall be based on information such as the number of the customer's retail VoIP subscriptions in the state of Washington (*e.g.*, as reported on FCC Form 477), traffic studies, actual call detail or other relevant and verifiable information, which shall be provided to the Telephone Company upon request. The customer must identify whether each PVUC is based only on the customer's own data or is based in whole or part on another source. If another source is used, the customer shall identify the data source. If anything other than the customer's own data is used, the Telephone Company will use the PVUC provided by the customer as the PVU and will not perform the calculation in (4) and (5), above. (T) (M)* (T) (N) (N)

(8) The customer shall retain the call detail, work papers, and information used to develop each PVUC factor for a minimum of one year following the date on which the PVUC factor is furnished to the Telephone Company. (T) (T)

(9) If the customer does not furnish the Telephone Company with a PVUC factor, the Telephone Company will utilize a PVUC equal to zero. (T) (T) (M)

(D) Initial Implementation of PVU Factors (T)(M)**

(1) If the customer provides the terminating PVUC factor to the Telephone Company by April 15, 2012, the Telephone Company will retroactively adjust the customer's bills to reflect the PVUC factor as of December 29, 2011. If the customer does not provide a PVUC factor by April 15, 2012, the Telephone Company will set the calculated PVU and PVU-DTT factors equal to the Telephone Company supplied PVUT. (N) (N)(M)

*Material moved from Sheet No. 53.2
**Material moved from Sheet No. 53.3

2.3.12 VoIP-PSTN Traffic (Cont'd)

(D) Initial Implementation of PVU Factors (Cont'd) (N) (M)*

(2) If the PVU factor cannot be implemented in the Telephone Company's billing systems by December 29, 2011, once the factor can be implemented the Telephone Company will adjust the customer's bills to reflect the calculated PVU factor that includes the PVUC factor prospectively in the next bill period if the PVUC factor is provided by the customer to the Telephone Company prior to April 15, 2012. (T)

(3) The Telephone Company may choose to provide credits based on the calculated PVU factor on a quarterly basis until such time as the billing system modifications can be implemented. (T)

(E) PVU Factor Updates (T)

The customer may update the PVUC factor quarterly using the method set forth in (C), preceding. If the customer chooses to submit such updates, it shall forward to the Telephone Company, no later than 15 days after the first day of January, April, July and/or October of each year, the revised PVUC factor based on data for the prior three months, ending the last day of December, March, June and September, respectively. The revised calculated PVU factor will serve as the basis for future billing and will be effective on the bill date of each such month and shall serve as the basis for subsequent monthly billing until superseded by a new PVU factor. No prorating or back billing will be done based on the updated PVU factor. (T) (M)

*Material moved from Sheet No. 53.3

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2.3.12 VoIP-PSTN Traffic (Cont'd) (M)*

(F) PVU Factor Verification (T)

(1) Not more than twice in any 12-month period, the Telephone Company may request from the customer an overview of the process used to determine the PVUC factor, the call detail records, description of the method for determining how the customer's end users originate calls in IP format, and other information used to determine the customer's PVUC factor furnished to the Telephone Company in order to validate the PVUC factor supplied. The customer shall comply with each such Telephone Company request, and shall reasonably supply the requested data and information within 15 days of the Telephone Company's request. (T)

(2) The Telephone Company may dispute the customer's PVUC factor based upon: (T)

- A review of the requested data and information provided by the customer. (T)
- The Telephone Company's reasonable review of other market information, FCC reports on VoIP lines, such as FCC Form 477, or state level results based on the FCC Local Competition Report or other relevant data.
- A change in the reported PVUC factor by more than five percentage points from the preceding quarter. (T)

(3) If, after review of the data and information, the customer and the Telephone Company establish a revised PVUC factor, the Telephone Company will begin using that revised PVUC factor with the next bill period. (T) (M)

*Material moved from Sheet No. 53.4

2.3.12 VoIP-PSTN Traffic (Cont'd) (M)*

(F) PVU Factor Verification (Cont'd)

(4) If the dispute is unresolved, the Telephone Company may initiate an audit. The Telephone Company shall limit audits of the customer's PVUC factor to no more than twice per year. The customer may request that the audit be conducted by an independent auditor. In such cases the associated auditing expenses will be paid by the customer. (T)

- In the event that the customer fails to provide adequate records to enable the Telephone Company or an independent auditor to conduct an audit verifying the customer's PVUC factor, the Telephone Company will bill the usage for all contested periods using the most recent undisputed terminating PVUC factor reported by the customer, or if there is no such undisputed terminating PVUC factor, the default PVUC factor set forth in (C)(9) of this section will be used by the Telephone Company to calculate the PVU factor.

- During the audit, the most recent undisputed terminating PVUC factor from a previous reporting period will be used by the Telephone Company, or if there is no such undisputed terminating PVUC factor, the default PVUC factor set forth in (C)(9) of this section. This PVUC factor will remain in effect until the audit can be completed and a new or reinstated PVUC implemented in accordance with the two bulleted paragraphs immediately below in this subsection (F)(4).

- The Telephone Company will adjust the customer's PVUC factor based on the results of the audit and implement the newly calculated PVU factors in the next billing period or upon the next quarterly report date, whichever is first. The newly calculated PVUC factors will apply for the next two quarters before a new PVUC factor may be submitted by the customer. (T) (M)

*Material moved from Sheet No. 53.5

(N)

ACCESS SERVICE

2.3.12 VoIP-PSTN Traffic (Cont'd) (M)*

(F) PVU Factor Verification (Cont'd) (T)

(4) (Cont'd)

- If the audit supports the customer's PVUC factor, the usage for the contested periods will be adjusted to reflect the customer's audited PVUC factor in the calculation of the PVU factor. (T)

(D)

2.4 Payment Arrangements and Credit Allowances

2.4.1 A customer may establish credit by demonstrating to the Telephone Company any one of the following two ways, subject to the provisions of subsection 2.4.1(A)(3), (4) and (5):

* Corporate debt rating. The customer or, if the customer is unable to comply with this provision, its parent or affiliated company, has undertaken to guarantee the payment of all charges incurred by the subscribing customer, has a corporate debt rating, according to Standard and Poor’s of BBB or higher, or according to Moody’s of Baa or higher, with respect to any outstanding general debt obligation; or (M)

*Material moved from Sheet No. 53.6