

EXHIBIT E

Ethan Sprague

From: Hult, Dan E [Dan.Hult@qwest.com]
Sent: Wednesday, January 12, 2005 8:01 AM
To: Ethan Sprague
Subject: RE: next steps on Pacwest ISP dispute

Ethan - Listed below is the Qwest response in red:

We received your partial payment of \$587K on the Arbitrator's order - thanks. However I have a few questions related to the outstanding amounts.

First, from your correspondence I understand that Qwest is laying another dispute on top of the first. The second dispute has to do with whether a portion of the presumed ISP traffic that Pac-West billed Qwest (and for which the arbitrator ruled compensation was due under the ISP amendment) is in fact covered by the ISP Amendment. Qwest appears to believe that certain presumed ISP bound traffic is carved out of the ISP Amendment and FCC jurisdiction based on that traffic's routing characteristics. It occurs to me that the best and most efficient way to resolve this related dispute, which only comes about because of the Arbitrator's initial ruling, is to engage him again to decide this second related matter of what ISP traffic the ISP Amendment covers. Pac-West proposes the parties contact him to ascertain his availability.

Qwest response: Qwest does not view the VNXX issue as a dispute that is "overlaid" or somehow a "second" dispute related to the recent arbitration order. As we stated previously, VNXX traffic by nature, is not covered under the ICA and the facts surrounding VNXX traffic is a separate and stand alone issue, not related to any facts that were presented in the arbitration case. While it does impact the payment of reciprocal compensation, it does not in any way relate, nor was discussed in the arbitrators decision on the ISP caps that were in dispute. Given that position, the appropriate method to address the VNXX issue would be for PacWest to initiate a separate dispute under the ICA dispute resolution terms, if it so chooses. As this issue does not relate to the dispute presented to or ruled upon by the arbitrator, Qwest does not accept the PacWest suggestion to return to the same arbitrator in the recent unrelated ISP cap decision.

Qwest points to two recent decisions related to the VNXX issue that support the Qwest position that reciprocal compensation for VNXX traffic is not due under the interconnection agreements, as Qwest never agreed to exchange this traffic with PacWest under the ICA. The Oregon PUC issued OPUC's order (No. 04-704) in docket UM1058, and the United States District Court for the District Court of Oregon in civil case 04-6047-AA, issued its order under summary judgement clearly stating that the exchange of VNXX traffic is inappropriate under the terms of the local interconnection agreements and compensation is inappropriate.

Secondly, Qwest said it was going to prospectively pay Pac-West's invoices, with the exception of the traffic described above. As you'll see from the attached email, Qwest hasn't done so (at least for our December invoices). Can you please confirm whether you've had a change of heart, or can we should expect some further payment?

Qwest response: Qwest is processing the December payment for AZ and WA for approx. \$61K and will include the appropriate dispute identification for that portion withheld for VNXX and non-Qwest originated traffic. See the response below for OR. Barb Newman began processing those payments on 1/7/05.

Third, we have not received any payment for local traffic in Oregon, even after the Core order. I cannot tell from your spreadsheet whether that has to do with something related to "the new market restrictions" or your methodology for identifying alleged "VNXX" traffic. Are you aware that Pac-West

has a POI in Portland? I would assume even Qwest would agree that compensation is due on calls that allegedly originating from rate centers which are local to the POI location? Or is it Qwest's position that a switch is required in each local calling area for traffic to be considered terminated within that local calling area?

Qwest response: Qwest has not issued any payments in OR as Qwest records show that all the traffic billed by PacWest is related to VNXX traffic. Qwest is aware that PacWest has a POI in OR and a switch in Seattle. As PacWest terminates no traffic to Qwest in OR, Qwest believes that PacWest does not have any end users physically located in any OR communities. Again, these calls are being transported out of the local calling area and therefore, these calls are not local calls but VNXX traffic and not subject to compensation under the local ICA.

Lastly, the attached spreadsheet calculates the interest Qwest owes on the amount it has agreed to pay through October usage for WA and AZ (\$9,399.88). Can we expect Qwest to pay the late payment charges called out in the contract for the traffic it has agreed to pay? I'd appreciate if you could clarify Qwest's position on these issues and would be happy to schedule a call to discuss. Thanks

Qwest response: Qwest would like to point out that PacWest did not bill Qwest, nor include any Late Payment Charges in the information it provided in its claim, so it finds it somewhat lacking that PacWest now demands interest. Nevertheless, so as not to prolong any more issues associated with the arbitration order, Qwest will provide a late payment charge in the amount you identified (\$9,399.88) in its next billing cycle.

Qwest believes that all the issues that are directly related to the arbitration order are now sufficiently addressed, all payments will be completed shortly, and considers the issues related to the arbitration order closed.

Please let me know if you have any questions

Dan Hult
Director-Carrier Relations
Qwest Wholesale Markets

<<FW: Qwest Pac West Nov and Dec Inv. - Dec Pymts for AZ and WA only>>
Amount Documentation.xls>>

<<Pay

-----Original Message-----

From: Ethan Sprague [<mailto:esprague@pacwest.com>]
Sent: Thursday, January 06, 2005 6:10 PM
To: Hult, Dan E
Subject: next steps on ISP dispute

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ETHAN SPRAGUE
Director - Regulatory Affairs
Pac-West Telecomm, Inc.
1776 W. March Lane, Ste 250
Stockton, CA 95207
209.926.3416 Tel
209.926.4585 Fax
esprague@pacwest.com

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