



January 27, 2009

David C. Olson  
Director  
MHCRC  
1120 SW Fifth Avenue, #1305  
Portland, OR 97204

Re: Response to Letter dated January 23, 2009 and Notice of Formal Hearing

Dear Mr. Olson:

This letter is in response to the "Notice of Formal Hearing" transmitted to Verizon Northwest Inc. ("Verizon") via e-mail on January 23, 2009 and your written communication of that same date entitled "Summary of notice provided to Verizon re failure to offer PEG channels." It is my and Verizon's goal to establish a productive and effective working relationship with the MHCRC and this letter is for the purpose of improving communication between Verizon and the MHCRC staff and is not a waiver of any rights.

In response to Ms. Omelchuck's letter dated November 26, 2008 addressed to Tim McCallion informing Verizon of the general nature of and desired channel assignments for the PEG channels, Verizon immediately began the internal processes necessary to activate the PEG channels. Only two business days after receipt of this information, Verizon requested that internal staff assign the PEG channels as requested in the notice, and tentative channel assignments were made one week later. At that time, Verizon contacted MetroEast to discuss the design for the connections necessary to obtain the PEG signals, including an onsite survey at the MetroEast facility. Design of both the offsite and onsite components of the connection was underway during that time and was completed on December 10, 2008.

Although Verizon understood the PEG channel concerns raised in Ms. Omelchuck's letter, Verizon cannot accept that letter as a valid Noncompliance Notice pursuant to Section 14.4 of the Cable Franchise Agreement between the City of Gresham, Oregon and Verizon Northwest Inc. ("Franchise Agreement"). The letter informed Verizon of the general type of programming to appear on, and the desired channel locations of, the PEG channels as required under the Franchise Agreement. Ms. Omelchuck's letter goes on to indicate that Verizon had not yet installed a connection with MetroEast to obtain the PEG channel signals and that Verizon had allegedly failed to communicate with MetroEast about a technical plan or timeline. Although it is unclear which of these items is being referred to, the letter indicates that "this is of grave concern" and "implicates a potential franchise violation." Ms. Omelchuck's request in the letter was that "Verizon address the access channel connection without further delay."

Ms. Omelchuck's letter failed to indicate in any way that it was a Notice of Violation under the Franchise Agreement, neither referencing Section 14.4 or any other enforcement provision of the Franchise Agreement or otherwise indicating that it was sent to Verizon pursuant to those provisions. In stark contrast, the letter stated that it was to "provide notice under Section 7.1.2" which is the franchise provision requiring information regarding channel content be provided to Verizon within ten days of the effective date. Verizon reasonably expects, and the Franchise Agreement requires, that any formal Noncompliance Notice under the Franchise Agreement would be clearly identified as such and would provide Verizon with "the exact nature of the alleged noncompliance". Furthermore, Ms. Omelchuck's letter did not indicate that the cure period set forth in Section 14.5 of the Franchise Agreement was running, indicate a deadline to cure, or request that Verizon provide information regarding Verizon's good faith efforts to cure if cure could not be completed within 30 days. Because these rights are guaranteed to Verizon under Section 14 of Franchise Agreement, Verizon reasonably expects that any Noncompliance Notice would reference these rights and associated time frames.

I met with you, Julie Omelchuck and Rob Brading on December 11, 2008 to discuss the MHCRC's concerns regarding the PEG channels. At the beginning of that meeting, you alleged that Verizon had violated several different unspecified sections of the Franchise Agreement and, without providing any further detail, left the room before I had an opportunity to inquire further into the nature of those alleged violations or explain the amount of work necessary for Verizon to obtain the PEG channel signals. If you intended to pursue these alleged violations, Verizon expected that it would receive a formal written Noncompliance Notice identifying "the exact nature" of all alleged franchise violations briefly alluded to during the December 11<sup>th</sup> meeting as provided in Section 14.4 of the Franchise Agreement, particularly because Ms. Omelchuck's letter of November 26, 2009 failed to contain this information.

During this time period, Verizon was engineering the offsite and onsite components based upon the final design that was completed on December 10. I was scheduled to attend the MHCRC's regularly scheduled meeting on December 15, 2008 to provide an update on Verizon's progress in obtaining the PEG signals. That meeting was cancelled due to inclement weather. The day following the scheduled meeting, I received a copy of the staff report that was intended to be presented at that meeting.

The staff report indicated in capital letters at the very beginning, "INFORMATION ONLY" and then provided some background information and quoted draft versions of Sections 7.1.1 and 7.2.2 of the Franchise Agreement, which relate to the provision of PEG channels and the connection to MetroEast to get the content for those channels, respectively. The staff report did not request any specific action be taken by the Commission or Verizon, nor (as I note above) was it received by Verizon prior to the scheduled Commission meeting.

On December 23, 2008, Verizon responded to Ms. Omelchuck's letter explaining why it believed that it was in full compliance with the Franchise Agreement. Verizon hoped to avoid a formal Noncompliance Notice by explaining that there was no violation of the Franchise Agreement and by assuring the Commission that Verizon was working to launch the channels. Verizon's response did not mention any cure period because it did not believe that such a period was running. Nor did Verizon explain its good faith efforts to launch the PEG channels in detail

because Verizon did not believe that a Noncompliance Notice had been sent to trigger the need to do so.

Nonetheless, Verizon was continuing to work diligently toward launch of the PEG channels. Engineering of the offsite fiber installation that began on December 10, 2008 was completed by January 9, 2009 and a work order was issued to begin the construction process. I met with MHCRC staff again on January 12, 2009 and provided a status report on the progress of the PEG connections. By January 16, the remaining engineering was complete and the equipment was ordered for installation at MetroEast. On January 22, Verizon contacted MetroEast to coordinate scheduling of the onsite work.

I attended the MHCRC meeting on January 12, 2009 with other Verizon representatives believing that the meeting was the cancelled information session that had been scheduled for December 15, 2008. Again, Verizon was not provided a copy of the staff report used at the meeting until after the meeting had concluded, as Verizon's local representative, Renee Willer, received her copy on January 13, 2009 and I received my copy on January 15, 2009.

During the January 12, 2009 MHCRC meeting, Ms. Omelchuck requested that the Commission schedule a formal hearing on this matter, which was the first notice that Verizon received that staff intended to take such a position. Moreover, the issues were not "thoroughly discussed" during the meeting as your letter indicates, as MHCRC staff simply stated that because the PEG channels were not active when Verizon began service to its first subscriber, staff believed a violation of the Franchise Agreement had occurred. Verizon's receipt of the staff report for the January 12, 2009 meeting was the first instance that Verizon was informed that the "potential franchise violations" included an alleged violation of the customer service standards set forth in the Franchise Agreement. Nonetheless, it is listed as an issue for the hearing that is currently scheduled for February 23, 2009.

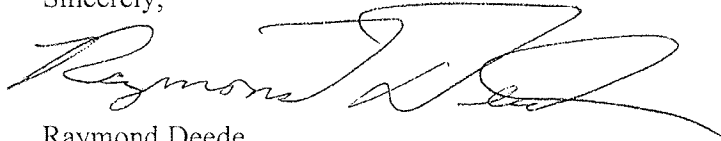
Although Verizon will attend the hearing to further this working relationship and to communicate Verizon's progress in activation of the PEG channels, Verizon cannot consider the February 23, 2009 hearing as a valid Due Process Hearing under Section 14.6 the Franchise Agreement due to the MHCRC's failure to comply with the substance of, and procedures set forth in, Section 14 of the Franchise Agreement. Accordingly, Verizon specifically reserves all of its rights under the Franchise Agreement and applicable law.

Verizon has been working diligently to complete the steps necessary to activate the PEG channels. Based upon the need for custom designs and engineering, construction of a dedicated fiber connection between Verizon's video serving office and MetroEast, and the time between order and delivery of the necessary equipment after the engineering is complete, this is a time-consuming process. In most instances, Verizon schedules 180 days to complete the connection and activate the PEG channels. In this case, Verizon has agreed to expedite the process and expects to activate the PEG channels by April 8, 2009. It is possible that the construction process may take less time than anticipated but because this is outside of Verizon's control, we cannot commit to a shorter schedule.

Verizon has diligently attempted to communicate with the MHCRC staff regarding these efforts as well as Verizon's understanding of the importance of the PEG channels to the MHCRC. Unfortunately, it appears that the attempts of each party to communicate with the other have not been effective. We appreciate that you set forth your perspective on your attempts to communicate in writing and this letter is intended to do the same from Verizon's perspective. Hopefully by getting all of this out on the table, we can work toward re-establishing open lines of communication and a productive and effective working relationship.

We look forward to meeting with you this afternoon to further discuss these issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Raymond Deede". The signature is fluid and cursive, with a large initial "R" and "D".

Raymond Deede  
Franchise Service Manager

cc: MHCRC Commissioners  
Mayor Shane T. Bemis, City of Gresham  
Joshua N. Dillon  
Ramona Monroe  
Renee Willer  
Ben Walters  
Julie Omelchuck  
Rob Brading, MetroEast