



Covad Statement on California PUC Rate Decision

San Jose, Calif. (September 28, 2004)—Last Thursday, the California Public Utilities Commission completed a rate-making proceeding to specify permanent rates for certain unbundled network elements (UNE), including UNE loops (UNE-L), unbundled loops with unbundled switching (UNE-P) and UNE T-1s. The decision adopted permanent rates that resulted in the increase in UNE-L and UNE-P rates, while decreasing UNE T-1 and certain other rates.

The decision increased average permitted monthly recurring charges for UNE-P from \$13.94 to \$16.53, and increased average permitted monthly recurring charges for UNE-L from \$9.82 to \$11.93. The rate for UNE-L loops for the most densely populated areas, where most of Covad's subscriber base resides, increased from \$8.24 to \$9.64. The order substantially decreased average monthly recurring charges for UNE T-1s, from \$93.91 to \$57.42. In the most densely populated areas, where most of Covad's subscriber base resides, the T-1 rate dropped from \$89.68 to \$49.49 a month.

"Although we do not believe that the record supported any increases in rates, we are pleased that the Commission dramatically reduced rates for the UNE-T1 loops that Covad uses to provide Voice over Internet Protocol and other business-class services which are the centerpiece of Covad's business" said Jim Kirkland, senior vice president and general counsel. "Lower T1 rates will help us meet the growing demand for reasonably priced business-class VoIP services. In addition, the rate increases for UNE-L loops are at or below the rates Covad typically pays for UNE-L loops nationwide. Since Covad is a facilities-based provider, we do not rely on unbundled switching from the ILECs or UNE-P, where the rate increases were more substantial. So the increase in some rates for Covad is offset by the significant decrease in other loop rates."

About Covad

Covad is a leading nationwide provider of integrated voice and data communications. The company offers DSL, Voice Over IP, T1, Web hosting, managed security, IP and dial-up, and bundled voice and data services directly through Covad's network and through Internet Service Providers, value-added resellers, telecommunications carriers and affinity groups to small and medium-sized businesses and home users.



Covad broadband services are currently available across the nation in 44 states and 235 Metropolitan Statistical Areas (MSAs) and can be purchased by more than 57 million homes and businesses, which represent over 50 percent of all US homes and businesses. Corporate headquarters is located at 110 Rio Robles San Jose, CA 95134. Telephone: 1-888-GO-COVAD. Web Site: www.covad.com.

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