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REDACTED - FOR PUBLIC INSPECTION

September 14, 2016

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

VIA ECFS

Re: XO Communications, LLC Notice of *Ex Parte* Presentation; WC Docket No. 16-70

Dear Ms. Dortch:

The enclosed letter provides information about a meeting held on September 12, 2016 between representatives of XO Communications, LLC ("XO") and staff of the Federal Communications Commission ("FCC" or "Commission") in connection with the Commission's investigation of the proposed acquisition of XO by Verizon Communications Inc.

In accordance with the Protective Order (DA 15-567) in this proceeding, this filing consists of a redacted copy of XO's submission to the Commission.

Copies of the Highly Confidential version of the filing, including accompanying documents, are being submitted to the Secretary's Office and Commission staff via hand delivery under separate cover.

Should you have any questions, please contact the undersigned.

Sincerely,

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Enclosures
cc: Michael Ray and Zachary Ross (via e-mail)

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HIGHLY CONFIDENTIAL INFORMATION –
SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NO. 16-70

September 14, 2016

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, Room TW-A325
Washington, D.C. 20554

Re: XO Holdings and Verizon Communications, Inc. Consolidated Applications for Consent to Transfer Control of Domestic and International Authorizations Pursuant to Section 214 of the Communications Act, WC Docket No. 16-70

Dear Ms. Dortch:

On September 12, 2016, Lisa Youngers, Vice President and Assistant General Counsel, Federal Policy and Advocacy, and George Kuzmanovski, Vice President of Access Planning and Implementation, of XO Communications, LLC ("XO") and Thomas Cohen of Kelley Drye & Warren LLP, counsel for XO, met with the following FCC staff to discuss the above-referenced proceeding: Terri Natoli, Madeleine Findley, Chris Sova, Michael Ray, Virginia Metallo, Joel Rabinovitz, and (by telephone) Pam Megna.

Mr. Kuzmanovski began the meeting by reviewing XO's owned and controlled[1] metro fiber facilities in its 38 major markets, the details of which are presented in the attached highly confidential spreadsheet. In their Consolidated Applications to Transfer Control of Domestic and International Section 214 Authorizations, Verizon Communications, Inc. and XO stated that XO owns 5,600 metro route (or sheath) miles in these major markets and that on average 79

1 "Controlled" facilities are dark facilities that XO has leased on a long term basis (so-called Indefeasible Rights of Use ("IRUs")).

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percent of those fibers are unlit.[2] Mr. Kuzmanovski explained that in addition to facilities it constructed and owns, XO has IRUs[3] totaling approximately 7,800 metro route miles. Thus, overall, XO owns or controls approximately 13,500 metro route miles in its markets. He then addressed XO's fiber capacity on those routes and explained that XO has (owned and leased) approximately 1.2 million fiber miles in metro areas, of which only about 20 percent are lit. He added that XO tends to light new fibers when average utilization on that route reaches 70 percent.

Mr. Kuzmanovski next discussed network (fiber) construction and explained that XO spends an inordinate amount of time prior to construction on the upfront local government permitting process and the process of obtaining rights to multitenant buildings. He also noted that local governments on occasion impose moratoria on construction, which further delays bringing service to customers and highlighted the importance of gaining access to already deployed conduit. In contrast to the significant time involved in these upfront processes, XO is generally able to construct facilities relatively rapidly, assuming local governments facilitate construction "sign-offs" and do not impose excessive construction restoration requirements. XO has found that where local governments and building owners are cooperative, it could build fiber to serve a customer at a location within approximately 40 days. Where the upfront process is more difficult, the process could take upwards of 7-8 months, if not longer.

As for determining whether it could build fiber to a location, which is its preference, XO as a rule has found it economically feasible to build where it was within **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** feet of a location.[4] However,

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2 XO Holdings and Verizon Communications, Inc. Consolidated Applications for Consent to Transfer Control of Domestic and International Authorizations Pursuant to Section 214 of the Communications Act, as amended, Exhibit 1 to Application, WC Docket No. 16-70 (March 4, 2016).

3 As a rule, XO's dark fiber leases have a minimum duration of 20 years.

4 Mr. Kuzmanovski explained that XO considers a building On-Net if XO could serve all end users at the location. In a Private Net building, XO serves only a single or limited number of end users. XO has approximately **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** On-Net buildings in all markets, of which approximately **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** are fiber-fed buildings in Verizon's incumbent local exchange carrier territory. XO serves approximately **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** buildings either On-Net or by using

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Mr. Kuzmanovski noted the determination of whether to build versus access (lease) another provider's facilities varies considerably depending on the customer's demand for service (*e.g.* the greater the demand (revenue), the more attractive the build) and the cost of construction (*e.g.* the lower the cost of access to rights-of-way, poles, conduit, and buildings, the more attractive the build).

Mr. Kuzmanovski then explained that XO expects to compete with the incumbent local telecommunications carrier and multiple competitive providers in any location it serves. He added that while not all competitive providers have deployed their own facilities, many competitors, even smaller providers, are increasingly deploying fiber as demand burgeons. As a result, XO needs to offer a better package of price, services, and reliability, which XO has greater ability to do when it deploys its own fiber. Type II service (using unbundled loops from the incumbent or lit services from the incumbent or a competitor) is at best a marginally profitable service, and XO uses it as an entry strategy which hopefully proves sufficiently profitable so it can deploy fiber at a later time or XO uses leased facilities so that it can serve a customer with multiple locations in geographically diverse areas. Mr. Kuzmanovski then added that because demand for higher bandwidth services is increasing rapidly, XO is finding the business case to deploy fiber is becoming more viable. He elaborated that the current "sweet spot" for business data service has evolved to 100 Mbps Ethernet service, and many customers are looking for 1 Gbps service. He expects this trend to continue, especially as wireless providers move to 5G.[5]

He closed by noting that the demand for higher bandwidth service is a key reason that XO's Ethernet over Copper ("EoC") service, over it which most often provides 10 Mbps service, is becoming less important. Other reasons for EoC's diminishing importance are that XO does not provide EoC with Service Level Agreements and incumbents are retiring copper loop

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unbundled network elements provided by incumbent local exchange carriers. XO also serves an additional approximately **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** buildings with a variety of services by leasing approximately **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]** special access circuits purchased from the three Regional Bell Operating Companies.

[5] **[BEGIN HIGHLY CONFIDENTIAL]** [redacted] **[END HIGHLY CONFIDENTIAL]**

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facilities over which EoC is provided. As a result, XO for the past several years has been reducing its investment in this technology.

Mr. Kuzmanovski and Ms. Youngers ended the meeting by offering to answer additional questions the Commission staff might have about XO's network and service offerings and to bring in other XO personnel for discussions.

This letter is being filed electronically pursuant to Section 1.1206 of the Commission's rules.

Respectfully submitted,

Thomas Cohen

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Counsel to XO Communications, LLC

Attachment: XO Network 2015 (**HIGHLY CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NO. 16-70**)

cc: Terri Natoli
Madeleine Findley
Chris Sova
Michael Ray
Virginia Metallo
Joel Rabinovitz
Pam Megna

Redacted for Public Inspection

XO NETWORK

Market 2015	SHEATH MILES			FIBER MILES			LIT MILES			TOTAL STRANDS		
	XO OWNED	NONXO	TOTAL	XO OWNED	NONXO	TOTAL	XO OWNED	NONXO	TOTAL	XO OWNED	NONXO	TOTAL
Miami	[redacted]											
San Francisco	[redacted]											
Salt Lake City	[redacted]											
Los Angeles	[redacted]											
Dallas	[redacted]											
Nashville	[redacted]											
Sacramento	[redacted]											
Pennsylvania	[redacted]											
Chicago	[redacted]											
Detroit	[redacted]											
Columbus	[redacted]											
Memphis	[redacted]											
Atlanta	[redacted]											
San Diego	[redacted]											
Seattle	[redacted]											
Boston	[redacted]											
Denver	[redacted]											
Washington DC	[redacted]											
St. Louis	[redacted]											
Austin	[redacted]											
New York	[redacted]											
Spokane	[redacted]											
Tampa	[redacted]											
Phoenix	[redacted]											
Houston	[redacted]											
Portland	[redacted]											
Minneapolis	[redacted]											
Cleveland	[redacted]											
Cincinnati	[redacted]											
Las Vegas	[redacted]											
Charlotte	[redacted]											
Western NY	[redacted]											
San Antonio	[redacted]											
TOTALS	5,654.25	7,795.70	13,449.95	941,520.38	297,304.80	1,238,825.18	194,483.17	45,205.72	239,688.89	1,498,004.00	212,935.00	1,710,939.00
	42.04%	57.96%	100.00%	76.00%	24.00%	100.00%	81.14%	18.86%	100.00%	87.55%	12.45%	100.00%

CONFIDENTIAL AND HIGHLY CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NO. 16-70
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION