

October 7, 2004

Marlene R. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

Re: *Ex Parte*, CC Docket Nos. 99-68, 01-92

Dear Ms. Dortch:

PAETEC Communications, Inc., files this written *ex parte* presentation in order to refute assertions by CenturyTel and other ILECs who claim that so-called “VNXX” or “virtual FX” service provided by a CLEC to Internet service providers (“ISPs”) imposes substantial additional costs on the ILEC and therefore justifies different intercarrier compensation treatment than other ISP-bound traffic.<sup>1</sup> If the Commission plans to address VNXX arrangements, it is critically important that it do so based on a correct understanding of the interests involved.

In fact, as the attached diagrams show, there are no additional costs imposed on the ILEC when an ISP server is collocated at the CLEC’s switch site rather than being physically in the local calling area (“LCA”) from which the dial-up calls originate. The ILEC’s transport cost is entirely determined by the location of the point of interconnection (“POI”) at which the ILEC hands local traffic off to the CLEC, and not at all by whether the ISP server is physically within the LCA or remote from it. Thus it is not true to state, as CenturyTel does, that “[u]nder virtual NXX arrangements, CenturyTel must transport the traffic via the public switched network to a distant ISP server located outside of the LEC’s local calling area.”<sup>2</sup> On the contrary, the ILEC need only transport VNXX traffic to the same place to which it transports any other CLEC-bound traffic – the POI – without regard to the physical location of the ISP server.

An ILEC might naturally be disgruntled that a particular CLEC has established only a single POI in a LATA, distant from some of the LATA’s local calling areas; or that an ISP can choose to take service from a CLEC rather than the ILEC itself; or that ISPs are exempt from switched access charges; or even that dial-up local Internet access is available to end users in the first place. But it is inaccurate and misleading to point to the physical location of the ISP server as causing any particular hardship for the ILEC, or to seek to deprive a CLEC, on that basis alone, of intercarrier compensation to which it would otherwise be entitled.

Respectfully submitted,



John B. Messenger  
Vice President & Associate General Counsel  
PAETEC Communications, Inc.

<sup>1</sup> See, e.g., *ex parte* filing of CenturyTel, Inc., dated September 24, 2004, in the above dockets.

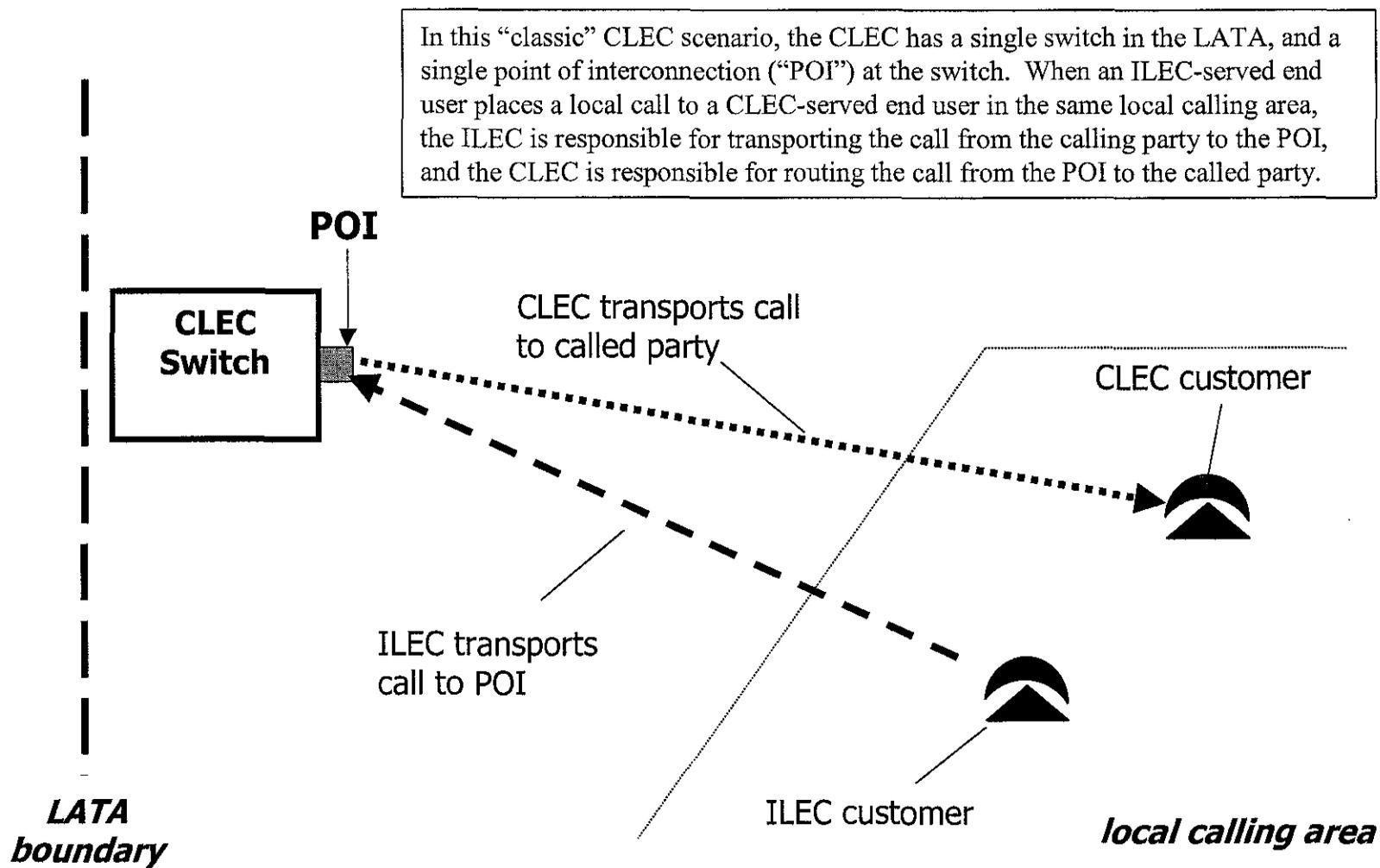
<sup>2</sup> *Id.*

# VNXX Imposes No Incremental Burden on ILECs

The following diagrams show that the cost to an ILEC of originating a dial-up Internet call from one of its end users to a CLEC-served ISP is exactly the same whether the ISP server is located within the originating local calling area (“LCA”) or in a remote central location such as the CLEC switch. Therefore the ILEC suffers no incremental burden from the CLEC’s provision of “VNXX” service to the ISP.

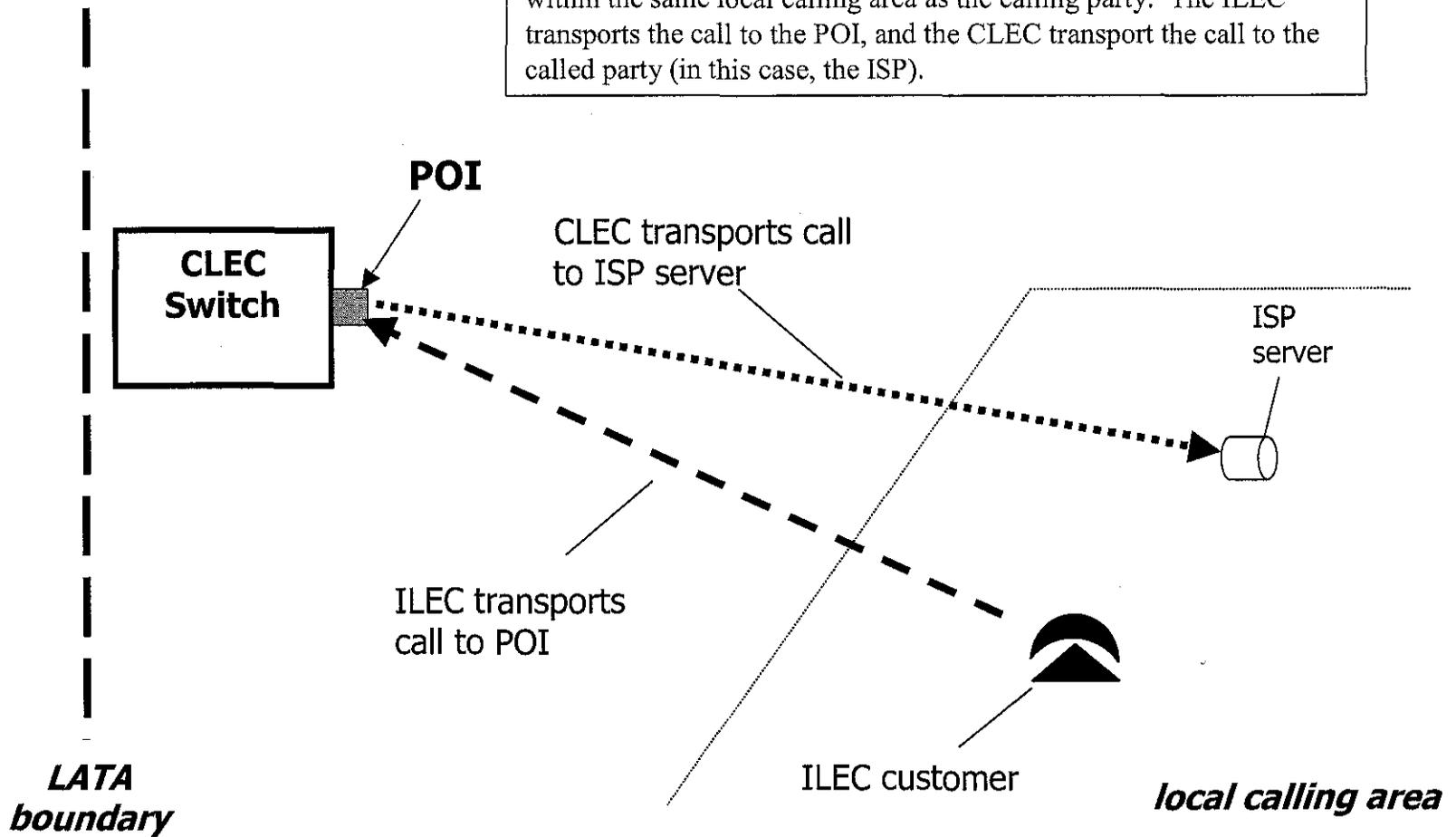
They also show that the critical issue for ILEC cost is not the location of the ISP server but rather the location of the point of interconnection (“POI”) at which the ILEC hands off local traffic to the CLEC. Moving the POI closer to the LCA reduces the ILEC’s cost. Moving the ISP server further from the LCA has no effect on the ILEC cost, and therefore should have no effect on the applicable intercarrier compensation.

# 1. Single-POI CLEC: ILEC end user calls CLEC end user

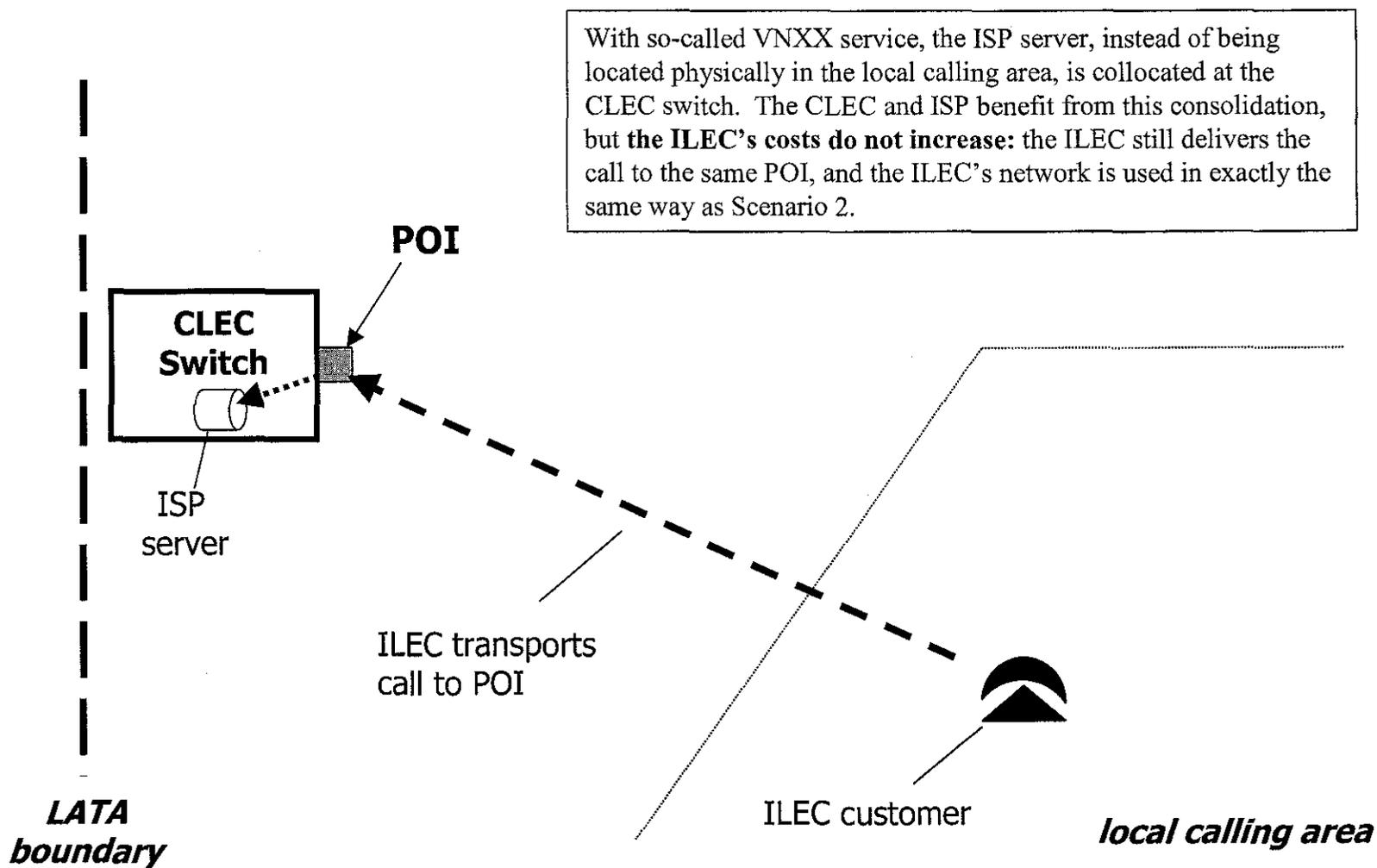


## 2. Single-POI CLEC: ISP Server in LCA

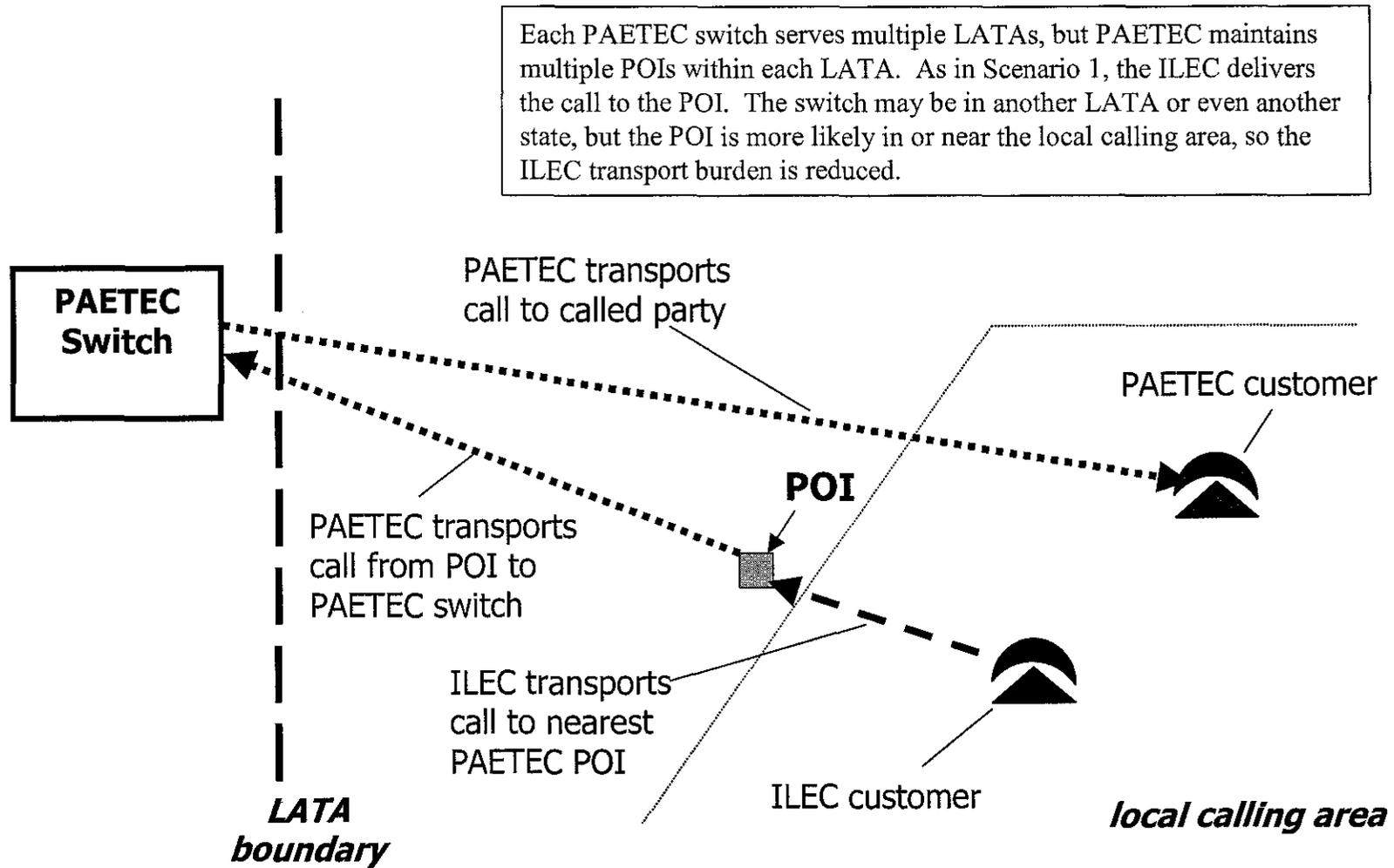
The situation is no different when the call is to an ISP server located within the same local calling area as the calling party. The ILEC transports the call to the POI, and the CLEC transport the call to the called party (in this case, the ISP).



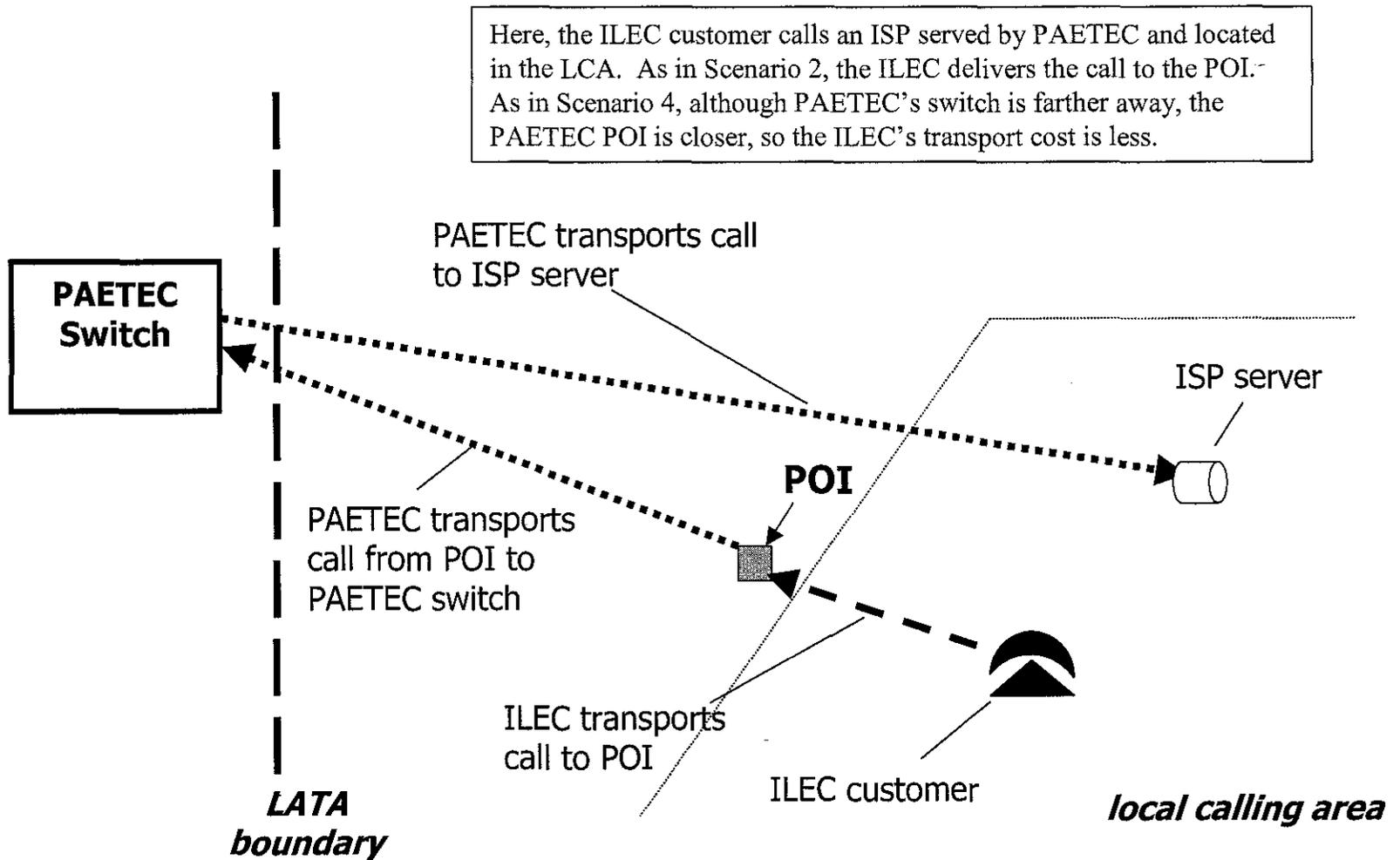
### 3. Single-POI CLEC: ISP Server at CLEC Switch (VNXX)



#### 4. PAETEC Network: ILEC end user calls PAETEC end user



## 5. PAETEC Network: ISP Server in LCA



## 6. ISP Server at PAETEC Switch (VNXX)

