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REDACTED - FOR PUBLIC INSPECTION

January 27, 2011

FILED/ACCEPTED

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Federal Communications Commission
Office of the Secretary

VIA HAND DELIVERY

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

Re: ***In the Matter of Special Access for Price Cap Local Exchange Carriers,*** **WC Dkt. No. 05-25, RM-10593**

Dear Ms. Dortch:

Pursuant to the *Second Protective Order* in the above-referenced proceeding,[1] please find enclosed for filing two copies of the redacted version of a response from tw telecom, inc. to the Commission's *Special Access Data Request Public Notice* ("*Public Notice*").[2] The redacted version of the filing is also being filed with Marvin Sacks of the Pricing Policy Division of the Wireline Competition Bureau.

Also pursuant to the *Protective Order*, one original of the confidential version of this filing is being filed with the Secretary's Office under separate cover today. Two copies of the confidential version will also be provided to Marvin Sacks of the Pricing Policy Division of the Wireline Competition Bureau under separate cover.

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[1] *See Matter of Special Access for Price Cap Local Exchange Carriers,* Second Protective Order, WC Dkt. No. 05-25, RM-10593, DA 10-2419 (rel. Dec. 27, 2010) ("*Second Protective Order*").

[2] *See Data Requested in Special Access NPRM,* Public Notice, WC Docket 05-25, RM-10593, DA 10-2073 (rel. Oct. 28, 2010) ("*Public Notice*").

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tw telecom is filing both narrative and data specification responses in response to the *Public Notice*. Its narrative responses are included as Attachment A to the letter; its data specification responses are contained on the highly confidential CD enclosed with this submission, per the instructions in the *Public Notice.* tw telecom has provided responses to narrative Questions III.A, III.D, and III.F in Attachment A, and to data specifications III.B.1, III.B.2, and III.B.3 on the enclosed CD. This submission is a full response to the Commission's voluntary data request.

Please do not hesitate to contact me if you have any questions or concerns about this submission.

Respectfully submitted,

Thomas Jones
Jonathan Lechter

Attorneys for tw telecom, inc.

cc: Marvin Sacks, via email (Marvin.Sacks@fcc.gov)

Enclosures

ATTACHMENT A

tw telecom's Narrative Responses to Voluntary Information Requests III.A, III.D, and III.F

Voluntary Information Request Question III.A.
For each Listed Statistical Area, we request that all providers other than incumbent LECs (e.g., competitive LECs, out-of-region incumbent LECs, cable companies, fixed wireless, etc.) state whether their company has any connections that it owns or that it leases from another entity under an indefeasible right of use (IRU) agreement.

tw telecom's Response:

[BEGIN HIGHLY CONFIDENTIAL]

[END HIGHLY CONFIDENTIAL]

Voluntary Information Request Question III.D.
We request that all providers other than incumbent LECs (e.g., competitive LECs, out-of-region incumbent LECs, cable companies, fixed wireless, etc.) answer the following questions pursuant to the Instructions in Section II of this Public Notice:

1. Explain the business rule that you use to determine whether to build a channel termination to a particular location. Please enumerate all underlying assumptions.

   tw telecom's Response:

   TWTC builds its own loop and transport facilities whenever it is efficient and cost-effective to do so. In fact, TWTC is likely deploying these facilities at a faster rate than any other non-ILEC in the country. Unfortunately, for a number of reasons discussed herein, there are many locations where TWTC cannot economically construct its own loop facilities.

   TWTC generally builds its local network in the parts of metropolitan areas containing the largest enterprise customers using fiber ring transport facilities. TWTC constructs rings to very large commercial buildings as part of the original construction of its local transport network in a metropolitan area. In the majority of cases, however, TWTC must build a stand-alone fiber lateral (*i.e.,* loop) facility to a building containing a business customer it seeks to serve on its own network after the customer has agreed to purchase service from TWTC.

In assessing whether it is cost-effective to deploy its own loop facilities, TWTC determines whether the revenue opportunity associated with a given building or a given customer is large enough to justify construction. To justify construction, the potential revenue must be sufficient to cover the total cost of construction and recurring expenses and simultaneously achieve a reasonable rate of return on investment. Costs vary based on the distance between TWTC's transport network and the customer location (the longer the lateral facility, the greater the deployment cost), costs associated with obtaining access to poles, ducts, conduits, rights-of-way and commercial buildings, the type of services provided (electronics for higher capacity services generally cost more than electronics for lower capacity services) and the customer's willingness to enter into a longer-term contract. After considering these factors, a small minority of customer locations meets tw telecom's revenue requirements. In addition, TWTC recently conducted a build-buy analysis in late 2009, taking into account the aforementioned factors for the Phoenix MSA in order to identify the buildings in those areas to which TWTC could potentially deploy loop facilities in the future. This analysis was included in a declaration submitted with TWTC's opposition to Qwest's petition for forbearance from UNE obligations in the Phoenix MSA.

In conducting the build-buy analysis, TWTC made two basic assumptions. First, TWTC assumed that it must earn an approximate monthly recurring revenue ("MRR") per building of **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** to justify construction of loop facilities under the best of conditions. This amount is the approximate MRR required to reach the target on-net building internal rate of return ("IRR") of **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** that TWTC uses in the marketplace. This assumption includes an estimated average cost of **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** including electronics, to deploy a loop facility in the Phoenix MSA. These costs reflect an average cost to build lateral facilities within one mile of TWTC's fiber network. TWTC rarely constructs these facilities beyond a mile, as it is generally cost-prohibitive, except where there are extraordinary revenue opportunities. Accordingly, the build/buy analysis was limited to buildings within a mile of TWTC's network. Hypothetically, the **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** revenue threshold can be met in any number of ways using a combination of customer sizes and services. For example, a small business customer purchasing VersiPak, TWTC's integrated voice and data T1 product, spends an average of **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** per month with TWTC. Assuming that the customer signs a three-year contract, TWTC would need to provide services to ten other like customers in a building in order to procure a total MRR of **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]**. In another example, a large business customer purchasing TWTC's Metro Ethernet solution spends an average of **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** per month with TWTC. Assuming that the customer commits to a three-year agreement and the customer has two locations (making TWTC's cost to build **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** TWTC would need to serve two additional like customers in one of the two buildings in order to come close to meeting the **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** revenue threshold. Practically speaking however, TWTC requires a firm commitment from one or several

customers to justify the build and will not undertake a build until that commitment is secured. Thus, in the majority of build scenarios there must be at least one larger business customer who has committed to a level of service that can meet TWTC's minimum MRR threshold to justify a build.

Second, TWTC assumed that it can win **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** of the revenue opportunity in a commercial building.

Using these assumptions, TWTC estimated that it might be able to construct loop facilities to buildings with **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** per month in estimated telecommunications spending. TWTC then relied on GeoResults data estimating the revenue spend in the commercial buildings with two DS1s of demand or more in the Phoenix MSA to determine the percentage of such buildings to which TWTC has not constructed its own loops ("non-TWTC buildings") but to which it *might* be able to do so in the future. Based on this analysis, TWTC determined that it might be able to build to only **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** of the non-TWTC buildings in Phoenix. The total number of such buildings to which TWTC has built or (assuming that barriers to entry are overcome) could theoretically build loops in each market is summarized in Table 3 below:

Table 1: TWTC Market Penetration in Qwest Forbearance MSAs

MSA	Total Buildings w/demand of 2 DS1s or more	Buildings to which TWTC has Constructed Loops	Market Penetration
Phoenix	[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]	[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]	[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]

Table 2: Buildings Viable for TWTC Build Consideration in Qwest Forbearance MSAs

MSA	Total Non-TWTC Buildings (w/demand of 2 DS1s or more)	Buildings Viable for Build Consideration	Percentage of Buildings Viable for Build Consideration
Phoenix	[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]	[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]	[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]

Table 3: Percentage of Buildings To Which TWTC Has Or Could Build Loops in Qwest Forbearance MSAs

MSA	Market Penetration Percentage	Percentage of Buildings Viable for Build Consideration	Total
Phoenix	[BEGIN HIGHLY CONFIDENTIAL]	[BEGIN HIGHLY CONFIDENTIAL]	[BEGIN HIGHLY CONFIDENTIAL]

	[END HIGHLY CONFIDENTIAL]	[END HIGHLY CONFIDENTIAL]	[END HIGHLY CONFIDENTIAL]

2. Please describe reasons why even if your business rule suggests that it would make sense to build, you would not, e.g., inability to access building, issues with rights of way, inability to obtain capital, issues of timing.

   tw telecom's Response:

   It should be noted that this build-buy analysis does not account for the fact, as explained, that TWTC generally cannot begin building its own loops unless and until potential customers in a given building in fact commit to purchasing the high revenue services that justify loop construction. This is why, even where TWTC has built its own transport facilities, there remain numerous buildings to which TWTC could theoretically, but cannot practically, afford to build loop facilities. Indeed, the forgoing build-buy analysis is merely the first "cut" in determining whether it is feasible to construct facilities to a particular location. If a location satisfies the build-buy analysis, there may be other factors which make it infeasible to build. For example, barriers such as rights of way, building access and the cost of serving that customer's other locations using expensive off-net circuits, among other issues, can preclude facilities construction even in those cases where the build-buy analysis indicates that the building is a viable target for deployment.

Voluntary Information Request Question III.F

We seek comment from the public on the quality, utility and clarity of this data request.

tw telecom's Response:

tw telecom does not have any comment from the public on the quality, utility, and clarity of this data request. TWTC notes that the data that it has provided in response to the *Public Notice* is current vintage data that was collected from its systems since the release of the *Public Notice*. TWTC's systems are generally unable to pull data as of a past date (e.g., December 31, 2009).