

REDACTED - FOR PUBLIC INSPECTION
SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKET NOS. 05-337, 07-135,
10-90, GN DOCKET NO. 09-51
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

PAETEC HOLDING CORP.

EXHIBIT 1

REDACTED – FOR PUBLIC INSPECTION
SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKET NOS. 05-337, 07-135, 10-90, GN DOCKET NO. 09-51
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
)	
Establishing Just and Reasonable Rates for Local Exchange Carriers)	WC Docket No. 07-135
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Developing an Unified Intercarrier Compensation Regime)	CC Docket No. 01-92
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Lifeline and Link-Up)	WC Docket No. 03-109

DECLARATION OF TAMI J. SPOCOGEE

I, Tami J. Spocogee, on oath, state and depose as follows:

I. INTRODUCTION

1. My name is Tami J. Spocogee. I currently serve as Director of Carrier Access & Financial Support of PAETEC Holding Corp. PAETEC has four primary operating subsidiaries – PAETEC Communications, L.L.C., US LEC entities, McLeodUSA Telecommunications Services, L.L.C. and Cavalier Telephone entities, that all do business under the PAETEC name (hereinafter jointly referred to as “PAETEC”). I am submitting this Declaration to provide an overview of the data PAETEC submits in response to the data request included in paragraph 572 of the Notice of Proposed Rulemaking by the Federal Communications Commission (“FCC”) adopted February 8, 2011, in the above-referenced dockets.

REDACTED – FOR PUBLIC INSPECTION
SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKET NOS. 05-337, 07-135, 10-
90, GN DOCKET NO. 09-51
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

1 **II. BACKGROUND**

2 2. I have been involved in the telecommunications industry since 1980, when I began working
3 for Southwestern Bell Telephone Company (“SWBT”). I held a variety of positions with
4 SWBT starting in the commercial business office. In 1985 I joined the Inter-exchange
5 Carrier Service Organization where my primary responsibilities concentrated on Access and
6 Interconnect billing. My specific titles and responsibilities were Service Representative in
7 the Service Center and Manager - SWBT Headquarters handling billing and dispute
8 processes. I also was a member of a BellCore (now Telcordia) task force established to
9 improve integrity between the billing, ordering and network systems for SWBT. The last
10 position I held at SWBT was Manager in the Service Center handling billing issues for most
11 inter-exchange carriers and competitive local exchange carriers (“CLECs”). In August 1994
12 I joined WilTel, subsequently acquired by WorldCom and changed to MCI, as a Manager in
13 the Network Cost Organization. I subsequently moved to Senior Manager over the Network
14 Cost organization, handling payments, audits and disputes of network and CLEC services.
15 During this time (6 years), I was also a participant, and for two years a Co-Leader, of the
16 Billing Committee in the Order and Billing Forum (“OBF”).

17 3. I joined McLeodUSA Incorporated in September 2000 as a Senior Manager over the
18 network cost organization. My organization was responsible for payments, audits and
19 disputes of network services purchased from other telecommunications service providers. In
20 December of 2004, I also started managing the group responsible for Carrier Access Billing
21 System access services billings and the related billing disputes. I later became Director of
22 Network Cost and Access Billing for McLeodUSA. After PAETEC acquired McLeodUSA

1 in February 2008, I became Director of Carrier Access and Financial Support for the entire
2 PAETEC organization.

3 **III. INTERCARRIER COMPENSATION DATA**

4 4. The Commission requested state-by-state revenue and minute of use data for switched
5 access (intra and interstate) and reciprocal compensation. The attached excel spreadsheet
6 provides the requested data.

7 5. To put the data in context, PAETEC provides state-by-state average revenue per billed
8 minute of use for terminating intrastate and interstate access charges for McLeodUSA,
9 PAETEC Communications, and US LEC (hereafter, “Legacy Companies”). PAETEC used
10 the average revenue rather than the average rate because the rate may vary based on mileage
11 charges. PAETEC also notes the percentage difference between intrastate and interstate
12 charges in each state and where a state commission has required PAETEC to mirror the
13 incumbent’s state rate and/or the interstate rate.

14 6. PAETEC provides billed minutes of use data (“MOU”) for originating and terminating
15 intrastate access, interstate access, and reciprocal compensation in calendar years 2008,
16 2009, and 2010 for each of its Legacy Companies and on a consolidated basis. Cavalier
17 MOU data is not available.

18 7. PAETEC does not currently track unbillable MOU. We were able to pull a sample month
19 data of unbillable MOU for McLeodUSA and US LEC. The two categories included in this
20 sample are (1) MOU with no originating number and no Carrier Identification Code (“CIC”)
21 and (2) interLATA MOU with originating number but no CIC. We were not able to pull
22 sample data for other unbillable errors, such as MOU with invalid telephone numbers (less

REDACTED – FOR PUBLIC INSPECTION
SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKET NOS. 05-337, 07-135, 10-90, GN DOCKET NO. 09-51
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

1 than ten digits or those that cannot be located in an industry database to be tied to a carrier)
2 or (000) 000-0000 numbers.

3 8. Because PAETEC Communications represents approximately 50% of the MOU billed by
4 the Legacy Companies, I doubled the estimate to arrive at a combined unbillable monthly
5 MOU (excluding Cavalier) and multiplied by 12 to arrive at an annual estimate. Based on
6 this estimate, our unbillable MOU that can be tracked is approximately four percent of our
7 total (originating and terminating) MOU and seven percent of our terminating MOU.

8 ***BEGIN CONFIDENTIAL***

ESTIMATE	MINUTES
[REDACTED]	[REDACTED]

9
10 ***END CONFIDENTIAL***

11
12 9. PAETEC provides originating and terminating revenue data for intrastate access, interstate
13 access, and reciprocal compensation on a state-by-state basis for each of its Legacy
14 Companies and on a combined basis. Cavalier revenue is also provided by entity by state.
15 For PAETEC Communications and US LEC, the revenue data includes MOU charges and
16 direct end office trunking monthly recurring charges.

17 10. As the Commission requested, PAETEC provides a comparison of each operating
18 subsidiary's intercarrier compensation revenue to total revenue.

REDACTED – FOR PUBLIC INSPECTION
SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKET NOS. 05-337, 07-135, 10-90, GN DOCKET NO. 09-51
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

1 11. Although intercarrier compensation makes up only approximately 7% of PAETEC's
2 revenue overall, far less than the 30-40% figure often quoted for rural LECs, equalizing
3 intrastate and interstate access charges on January 1, 2012 would nevertheless have a real
4 financial impact on PAETEC. For example, in New York, PAETEC's intrastate access
5 revenue per minute of use is ***BEGIN CONFIDENTIAL*** [REDACTED] ***END
6 CONFIDENTIAL*** greater than its interstate access revenue per minute of use (which,
7 under Facilities-based CLECs proposal, would call for equalizing access rates over a five-
8 year period). PAETEC estimates that equalizing its access rates in New York alone would
9 cause the Company to lose revenue that is equivalent to the cost of supporting ***BEGIN
10 CONFIDENTIAL*** [REDACTED] ***END CONFIDENTIAL*** New York based
11 employees. Given that PAETEC's customer contracts average between three and five years,
12 it is highly unlikely that PAETEC could recoup that revenue loss through price increases
13 alone and would be forced to reduce costs.

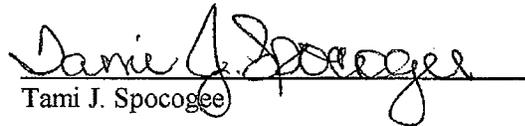
14 12. Using the 2010 data, and year-to-date 2011 data, I calculated an estimate of the reduction in
15 revenue the Legacy Companies would have experienced had they charged originating and
16 terminating intrastate access at interstate rates. Just as the delta between intrastate and
17 interstate rates varies depending on the state, the potential revenue loss varies by state. For
18 the January through April 2011, the estimated reduction in revenue is ***BEGIN
19 CONFIDENTIAL*** [REDACTED] ***END CONFIDENTIAL***. Dividing by four and
20 multiplying by 12 results in a projected annual loss of approximately ***BEGIN
21 CONFIDENTIAL*** [REDACTED] ***END CONFIDENTIAL***, which is approximately
22 ***BEGIN CONFIDENTIAL*** [REDACTED] ***END CONFIDENTIAL*** of the lower range
23 of PAETEC's public EBITDA guidance for 2011 of \$370-395 million.

REDACTED – FOR PUBLIC INSPECTION
SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKET NOS. 05-337, 07-135, 10-
90, GN DOCKET NO. 09-51
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

1 13. The Commission requested state-by-state data on intercarrier compensation expenses.
2 PAETEC does not track this data in the format requested by the Commission. PAETEC
3 performed a special query to extract four months of per minute of use expenses for intrastate
4 and interstate access, reciprocal compensation, and wholesale (non-regulated LCR) MOU
5 charges for the Legacy Companies. PAETEC tracks the non-regulated LCR data on a
6 consolidated basis for all Legacy Companies. The data (regulated and non-regulated) is not
7 available for Cavalier.

8 **IV. DECLARATION**

9 14. I declare that I created this Declaration with the assistance of persons under my direct
10 supervision and that, to the best of my knowledge, the facts represented herein are true and
11 accurate.


Tami J. Spocogee

Dated: May 23, 2011