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May 23, 2011

FILED/ACCEPTED

VIA HAND DELIVERY AND ECFS

MAY 23 2011

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street S.W.
Washington, DC 20534

Federal Communications Commission
Office of the Secretary

Re: Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; Connect America Fund, WC Docket No. 10-90; High-Cost Universal Service Support, WC Docket No. 05-337; and A National Broadband Plan for our Future, GN Docket No. 09-51

Dear Ms. Dortch:

On behalf of PAETEC Holding Corp. and its subsidiaries ("PAETEC"), enclosed please find two (2) copies of the redacted version of Exhibit 1 related to PAETEC's intercarrier compensation revenues, expense and minute of use data. This information is being filed pursuant to the Protective Order issued in this proceeding on September 16, 2010.¹

In accordance with the Protective Order, all pages of this filing are marked **REDACTED- FOR PUBLIC INSPECTION**.

By separate letter addressed to Ms. Dortch and Ms. Lynne Hewitt Engledow, PAETEC has requested confidential treatment of this information pursuant to Section 0.457 and 0.459 of the rules of the Federal Communications Commission.

- Boston
- Hartford
- Hong Kong
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- Silicon Valley
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¹ See *Developing a Unified Intercarrier Compensation Regime*, Protective Order, CC Docket No. 01-92, et al., DA 10-1749 (rel. Sept. 16, 2010) ("Protective Order").

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List A B C D E

REDACTED - FOR PUBLIC INSPECTION

Ms. Marlene H. Dortch
Secretary
May 23, 2011
Page 2

Please contact the undersigned if you have any questions.

Sincerely,



Tamar E. Finn

Counsel for PAETEC Holding Corp.

Attachments

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

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

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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.

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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.

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SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKET NOS. 05-337, 07-135, 10-
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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

Exhibit A

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SUMMARY ANALYSIS FOR PAETEC COMPANIES*

*Does not include Cavalier Entities.

2010* COMBINED SUMMARY ANALYSIS FOR MCLEOD, PAETEC COMM. AND US LEC	
Category	2010
Billed MOUs	
Revenues	
Avg. Rev. per Billed MOU	

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 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

BILLED MOUS												
MCLEOD MOUS PER YEAR												
	INTERSTATE ACCESS			INTRASTATE ACCESS			RECIPROCAL COMPENSATION			TOTAL MOUS		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Orig.*												
Term.												
TOTAL												

*Originating MOUs include 8YY minutes.

PAETEC COMMUNICATIONS MOUS PER YEAR												
	INTERSTATE ACCESS			INTRASTATE ACCESS			RECIPROCAL COMPENSATION			TOTAL MOUS		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Orig.*												
Term.												
TOTAL												

*Originating MOUs include 8YY minutes.

US LEC MOUS PER YEAR												
	INTERSTATE ACCESS			INTRASTATE ACCESS			RECIPROCAL COMPENSATION			TOTAL MOUS		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Orig.												
Term.												
TOTAL												

*Originating MOUs include 8YY minutes.

TOTAL COMPANY MOUS PER YEAR (MCLEOD, PAETEC, US LEC COMBINED)												
	INTERSTATE ACCESS			INTRASTATE ACCESS			RECIPROCAL COMPENSATION			TOTAL MOUS		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Orig.												
Term.												
TOTAL												

*Originating MOUs include 8YY minutes.

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 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

REVENUES												
MCLEOD REVENUES PER YEAR												
	INTERSTATE ACCESS			INTRASTATE ACCESS			RECIPROCAL COMPENSATION			TOTAL REVENUES		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Orig.												
Term.												
TOTAL												

PAETEC COMMUNICATIONS REVENUES PER YEAR												
	INTERSTATE ACCESS			INTRASTATE ACCESS			RECIPROCAL COMPENSATION			TOTAL REVENUES		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Orig.												
Term.												
TOTAL												

USLEC COMMUNICATIONS REVENUES PER YEAR												
	INTERSTATE ACCESS			INTRASTATE ACCESS			RECIPROCAL COMPENSATION			TOTAL REVENUES		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Orig.												
Term.												
TOTAL												

TOTAL COMPANY REVENUES PER YEAR (MCLEOD, PAETEC, US LEC COMBINED)												
	INTERSTATE ACCESS			INTRASTATE ACCESS			RECIPROCAL COMPENSATION			TOTAL REVENUES		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Orig.												
Term.												
TOTAL												

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BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

ILEC EXPENSES			
MCLEOD EXPENSES* PER YEAR			
Year	2008	2009	2010
ILEC Expenses	N/A*		
* 12 Months of data not available for 2008			
PAETEC COMMUNICATIONS EXPENSES* PER YEAR			
Year	2008	2009	2010
ILEC Expenses			
US LEC COMMUNICATIONS EXPENSES* PER YEAR			
Year	2008	2009	2010
ILEC Expenses			
COMBINED LCR EXPENSES			
PAETEC COMM and USLEC EXPENSES			
Year	2008	1/2009 - 7/2009	2010
LCR Expenses			
MCLEOD, PAETEC COMM and USLEC EXPENSES			
Year	2008	8/2009 - 12/2009	2010
LCR Expenses			

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 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

ST	JUR	Values	201001	201002	201003	201004	201005	201006	201007	201008	201009	201010	201011	201012	2010 TOTAL	201101	201102	201103	201104	2011 YTD
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	INTRA REVENUE IF INTER RATES																											
	VARIANCE INTRA REVENUE																											
	TX	INTER	REVENUE																									
			MOU																									
		ARPM																										
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	INTRA REVENUE IF INTER RATES																											
	VARIANCE INTRA REVENUE																											
	VA	INTER	REVENUE																									
			MOU																									
		ARPM																										
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INTRA REVENUE IF INTER RATES																												
VARIANCE INTRA REVENUE																												
WY		INTER	REVENUE																									
			MOU																									
		ARPM																										

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Terminating Rate* Analysis for McLeod

*Rates based on average revenue per MOU.

State	Interstate Rate/MOU	Intrastate Rate/MOU 2012	Difference \$	Difference %	Comments
WY					
MT					
NE					
IA					
ND					
MN					
WA					
ID					
UT					
WI					
IN					
SD					PARITY WITH STATE ILEC RATES
AZ					
OR					
MO					PARITY WITH ILEC STATE RATES / STATE MANDATE TO EQUAL FCC RATE BY 2013
CO					PARITY WITH ILEC STATE RATES
IL					STATE MANDATE TO EQUAL FCC RATE BY 7/2012
MI					STATE MANDATE TO EQUAL FCC RATE BY 1/2015
TX					BILLING TX MANDATED SAFE HARBOR RATES
NM					S/B PARITY WITH FCC - INTRA CURRENTLY LOWER
OH					S/B PARITY WITH FCC - INTRA CURRENTLY LOWER

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Terminating Rate* Analysis for PAETEC Communications

*Rates based on average revenue per MOU.

State	Interstate Rate/MOU	Intrastate Rate/MOU 2012	Difference \$	Difference %	Comments
DC					PARITY WITH FCC RATES
NH					
FL					PARITY WITH ILEC STATE RATES
MD					
DE					
NY					PARITY WITH ILEC STATE RATES
RI					
CT					
IL					STATE MANDATE TO EQUAL FCC RATE BY 7/2012
VA					PARITY WITH STATE ILEC RATES
NJ					STATE MANDATE TO EQUAL FCC RATE BY 2013
CA					BILLING PER CA MANDATE - 10% HIGHER THAN HIGHEST ILEC
PA					PARITY WITH STATE ILEC RATES
MA					PARITY WITH FCC RATES

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Terminating Rate* Analysis for US LEC Communications

*Rates based on average revenue per MOU.

State	Interstate Rate/MOU	Intrastate Rate/MOU 2012	Difference \$	Difference %	Comments
GA					STATE MANDATE TO EQUAL FCC RATE - 10 YEAR PLAN
SC					
AL					
NC					PARITY WITH ILEC STATE RATES
KY					
FL					PARITY WITH ILEC STATE RATES
TN					PENDING ORDER FROM STATE TO REDUCE TO FCC BY 4/2016
DE					
MS					
MD					
NY					PARITY WITH ILEC STATE RATES
NJ					STATE MANDATE TO EQUAL FCC RATE BY 2013
LA					
VA					PARITY WITH STATE ILEC RATES
PA					PARITY WITH STATE ILEC RATES
DC					PARITY WITH FCC RATES
IN					

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Terminating Rate* Analysis for PAETEC COMPANIES**

*Rates based on average revenue per MOU.

**Does Not Include Cavalier Companies (MOUs not available).

ENTITY	ST	INTER RPM	INTRA RPM	Difference \$	Difference %	COMMENTS
PAETEC Comm.	DC					PARITY WITH FCC RATES
McLeod	WY					
McLeod	MT					
McLeod	NE					
McLeod	IA					
McLeod	ND					
McLeod	MN					
McLeod	WA					
McLeod	ID					
McLeod	UT					
McLeod	WI					
McLeod	IN					
McLeod	SD					PARITY WITH STATE ILEC RATES
McLeod	AZ					
McLeod	OR					
McLeod	MO					PARITY WITH ILEC STATE RATES / STATE MANDATE TO EQUAL FCC RATE BY 2013
McLeod	CO					PARITY WITH ILEC STATE RATES
US LEC	GA					STATE MANDATE TO EQUAL FCC RATE - 10 YEAR PLAN
US LEC	SC					
PAETEC Comm.	NH					
US LEC	AL					
US LEC	NC					PARITY WITH ILEC STATE RATES
US LEC	KY					
US LEC	FL					PARITY WITH ILEC STATE RATES
McLeod	IL					STATE MANDATE TO EQUAL FCC RATE BY 7/2012
McLeod	MI					STATE MANDATE TO EQUAL FCC RATE BY 1/2015
PAETEC Comm.	FL					PARITY WITH ILEC STATE RATES
US LEC	TN					PENDING ORDER FROM STATE TO REDUCE TO FCC BY 4/2016
US LEC	DE					
PAETEC Comm.	MD					

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Terminating Rate* Analysis for PAETEC COMPANIES**

*Rates based on average revenue per MOU.

**Does Not Include Cavalier Companies (MOUs not available).

ENTITY	ST	INTER RPM	INTRA RPM	Difference \$	Difference %	COMMENTS
US LEC	MS					
PAETEC Comm.	DE					
US LEC	MD					
PAETEC Comm.	NY					PARITY WITH ILEC STATE RATES
PAETEC Comm.	RI					
PAETEC Comm.	CT					
US LEC	NY					PARITY WITH ILEC STATE RATES
PAETEC Comm.	IL					STATE MANDATE TO EQUAL FCC RATE BY 7/2012
McLeod	TX					BILLING TX MANDATED SAFE HARBOR RATES
US LEC	NJ					STATE MANDATE TO EQUAL FCC RATE BY 2013
US LEC	LA					
PAETEC Comm.	VA					PARITY WITH STATE ILEC RATES
PAETEC Comm.	NJ					STATE MANDATE TO EQUAL FCC RATE BY 2013
PAETEC Comm.	CA					BILLING PER CA MANDATE - 10% HIGHER THAN HIGHEST ILEC
US LEC	VA					PARITY WITH STATE ILEC RATES
PAETEC Comm.	PA					PARITY WITH STATE ILEC RATES
US LEC	PA					PARITY WITH STATE ILEC RATES
US LEC	DC					PARITY WITH FCC RATES
US LEC	IN					
PAETEC Comm.	MA					PARITY WITH FCC RATES
McLeod	NM					S/B PARITY WITH FCC - INTRA CURRENTLY LOWER
McLeod	OH					S/B PARITY WITH FCC - INTRA CURRENTLY LOWER