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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

- JEFF HATCH-MILLER, CHAIRMAN
- WILLIAM A. MUNDELL
- MARC SPITZER
- MIKE GLEASON
- KRISTIN K. MAYES

AZ CORP COMMISSION
DOCUMENT CONTROL

UTILITIES DIVISION STAFF,

Docket No. T-03267A-03-0887

Complainant,

v.

Arizona Corporation Commission

DOCKETED

McLEODUSA TELECOMMUNICATIONS
SERVICES, INC.,

APR 25 2005

Respondent.

DOCKETED BY	<i>KJ</i>
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**NOTICE OF FILING TESTIMONY
OF JAMES THOMPSON ON BEHALF OF
MCLEODUSA TELECOMMUNICATIONS SERVICES, INC.**

McLeodUSA Telecommunications Services, Inc. ("McLeodUSA"), through its undersigned counsel, hereby files the testimony of James Thompson, General Counsel for McLeodUSA Telecommunications Services, Inc. in support of the settlement agreement in this docket. A copy of the testimony is attached.

Dated this 25th day of April, 2005.

MCLEODUSA TELECOMMUNICATIONS SERVICES, INC.

By *Michael W. Patten*

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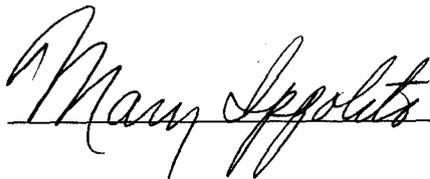
1 **ORIGINAL + 13 COPIES** of the foregoing
2 filed April 25, 2005, with:

3 Docket Control
4 ARIZONA CORPORATION COMMISSION
5 1200 West Washington
6 Phoenix, Arizona 85007

7 Copies of the foregoing hand-delivered/mailed
8 on April 25, 2005, to:

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER – Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

UTILITIES DIVISION STAFF,

Complainant,

v.

MCLEODUSA
TELECOMMUNICATIONS SERVICES,
INC.

Respondent.

Docket No. T-03267A-03-0887

TESTIMONY OF

James E. Thompson

ON BEHALF OF MCLEODUSA TELECOMMUNICATIONS SERVICES, INC.

April 25, 2005

1 **Q. Please state your name, current position and business address.**

2 **A.** My name is James E. Thompson. I am General Counsel, Group Vice
3 President and Secretary of McLeodUSA Incorporated and its subsidiary,
4 McLeodUSA Telecommunications Services, Inc. (McLeodUSA). My
5 business address is McLeodUSA Technology Park, 6400 C Street SW, P.O.
6 Box 3177, Cedar Rapids, Iowa 52460-3177.

7 **Q. How long have you been employed by McLeodUSA in your current**
8 **positions and what are your responsibilities?**

9 **A.** I joined McLeodUSA in my current positions in December 2002. My
10 current responsibilities include overall responsibility for advising
11 McLeodUSA and its management with respect to legal, regulatory and
12 related matter affecting the Company and its operations, oversight of the
13 Company's compliance with regulatory and legal requirements generally,
14 and responsibilities associated with the position of General Counsel in a
15 publicly traded company.

16 **Q. Could you please describe your educational and employment**
17 **background prior to joining McLeodUSA?**

18 **A.** Prior to assuming my current position with McLeodUSA, I was employed
19 by Alticor Inc. where I headed that firm's International Legal Division in
20 connection with the company's operations in more than 80 countries and

1 territories worldwide, and provided legal support in a general counsel
2 capacity to Alticor's Business Development business unit. Prior to joining
3 Alticor, I was an attorney with the international law firm Jones Day Reavis
4 & Pogue ("Jones Day"), in the firm's Washington DC and Brussels, Belgium
5 offices. I received my Juris Doctorate from the University of Michigan Law
6 School in 1986. I received a B.A in History from the University of Michigan,
7 Ann Arbor, Michigan in 1983.

8 **Q. Are you familiar with the Complaint filed in the Settlement Agreement**
9 **between McLeodUSA and the Utilities Division Staff in this Docket, T-**
10 **03267A-03-0887?**

11 **A.** Yes, am familiar with this settlement.

12 **Q. Can you briefly describe the Settlement Agreement?**

13 **A.** Yes. The settlement consists primarily of a number of commitments by
14 McLeodUSA intended to ensure that the Commission is able to fully
15 exercise its authority to review and approve Interconnection Agreements
16 under both state and federal law. Specifically, McLeodUSA has stipulated
17 that the agreements identified in Staff's complaint are Interconnection
18 Agreements under current federal and state law. McLeodUSA has further
19 agreed to take joint responsibility for filing and seeking Commission
20 approval of all future Interconnection Agreements and to notify the

1 Commission of any oral Interconnection Agreements. McLeodUSA has
2 also committed to notify the Commission of any future commercial
3 agreements with an ILEC, whether oral or written, that relate to
4 interconnection or the purchase of network elements. Finally, McLeodUSA
5 has agreed to a payment of \$75,000 to the State Treasurer.

6 **Q. Do you believe this Settlement Agreement is in the public interest?**

7 A. Yes, I believe the Settlement Agreement is in the public interest. The
8 settlement has three primary components that, I believe, advance the public
9 interest. First, it includes specific commitments by McLeodUSA that clarify
10 its responsibilities with respect to the filing of Interconnection Agreements.
11 Second, it includes a significant payment obligation that reflects
12 McLeodUSA's commitment to take responsibility for its past actions.
13 Finally, the Settlement Agreement, if adopted, will resolve all issues
14 between the parties in this Docket and allow both McLeodUSA and
15 Commission Staff to devote their respective scarce resources towards other
16 matters of pressing concern. McLeodUSA, in particular, can focus its
17 resources on providing high quality service to its customers and continuing
18 to bring competitive alternatives to Arizona consumers in a very
19 challenging telecommunications marketplace.

20

1 Q. How do McLeodUSA's filing commitments advance the public interest?

2 A. These commitments eliminate any possible doubt or ambiguity about
3 McLeodUSA's obligation with respect to the filing of Interconnection
4 Agreements. I was not working for McLeodUSA or in the
5 telecommunications industry at the time McLeodUSA entered into the
6 agreements named in Staff's Complaint. But I am aware that McLeodUSA
7 believed it was solely the ILEC's responsibility to file Interconnection
8 Agreements and that, in fact, the ILEC (Qwest or SBC) had always
9 previously filed Interconnection Agreements entered into with
10 McLeodUSA. Staff has taken the position that a CLEC, such as
11 McLeodUSA, shares this filing obligation. Accordingly, as part of this
12 settlement, McLeodUSA has agreed to take joint responsibility for filing
13 Interconnection Agreements and to notify the Commission of any such
14 agreements if oral prior to implementation. In so doing, this Settlement
15 Agreement eliminates any potential doubt or ambiguity regarding
16 McLeodUSA's responsibilities regarding the filing of Interconnection
17 Agreements, including those that are entered into orally without being
18 memorialized in writing. This will help ensure that the Commission is able
19 to exercise its critical role under the Federal Act to review and approve
20 Interconnection Agreements.

1 Q. McLeodUSA has agreed to provide the Commission notice of any
2 "commercial agreements" in addition to accepting joint responsibility for
3 filing Interconnection Agreements. How does this notice obligation
4 advance the public interest?

5 A. This notice commitment helps ensure that the Commission has the
6 opportunity to review what Qwest refers to as "commercial agreements."
7 As such, this commitment will help the Commission police the marketplace
8 and protect the public interest by making sure the Commission is aware of
9 all agreements between McLeodUSA and ILECs for interconnection or the
10 purchase of network elements.

11 Q. What was the basis for the \$75,000 payment in paragraph 6 of the
12 Settlement Agreement?

13 A. This payment reflects a reasonable compromise between the parties that is
14 proportionate to the amount paid by Qwest under its settlement with staff
15 and consistent with payments by McLeodUSA and CLECs in other states
16 for similar allegations. It is proportionate to Qwest's payment because it
17 reflects the very substantial differences between the two carriers with
18 respect to size, financial strength and the number of alleged violations.
19 McLeodUSA, for example, currently has approximately 19,000 lines in
20 Arizona compared to Qwest's over 2 million lines. Similarly, Staff's

1 complaint alleged six violations by McLeodUSA as compared to the 84
2 violations alleged against Qwest. Only the state of Washington has
3 required McLeodUSA or any other CLEC to pay any penalty related to the
4 failure to file these agreements. The \$75,000 payment in this Settlement
5 Agreement is substantially larger than the \$25,000 payment McLeodUSA
6 made in settlement of the Washington unfiled agreements proceeding,
7 which addressed similar allegations to those presented here.

8 **Q. What, if any, action is McLeodUSA requesting of the Commission with**
9 **respect to this Settlement Agreement?**

10 A. McLeodUSA requests that the Commission approve the Settlement
11 Agreement as presented, resolving all matters related to McLeodUSA in the
12 Commission Complaint, and close this docket.

13 **Q. Does that conclude your testimony?**

14 A. Yes.