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McLeodUSA

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AZ CORP COMMISSION
DOCUMENT CONTROL

Docket Control Center
Arizona Corporate Commission
1200 West Washington
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

JUL - 3 2002

Re: McLeodUSA Telecommunications Services, Inc.
ACC Tariff No. 2
Docket No. T-03267A-02-0445

DOCKETED BY *CMC*

Docket Control Center:

McLeodUSA Telecommunications Services, inc. ("McLeodUSA") hereby transmits for filing an original and 10 copies of the following responses to the requests from the Arizona Corporate Commission. Please file stamp the extra copy and return it to me in the enclosed, self-addressed, stamped envelope.

McLeodUSA submitted a tariff revision adding Additional and Alternate Bill Copies in a revision to our tariff dated June 14, 2002, which was Docket No. T-03267A-02-0445. Marta Kalleberg from the Arizona Corporate Commission responded, in a letter dated June 19, 2002, that this change was a rate increase and McLeodUSA needed to supply additional information for review by the Commission. The requests and responses are below:

1. Statement setting forth the reasons for which the rate-increase is required;

McLeodUSA plans to begin charging for additional bill copies to cover our costs for sending the copies to the customers.

2. Is there a cost based justification for the rate increase (i.e., is the rate increase necessary to account for a change in your costs)? If yes, please describe the change in your costs. Provide calculations and data to support your cost justification;

Listed below are the costs associated with sending out bill copies:

Paper:

1st page of every bill \$0.0111
Secondary page of every bill \$0.00574

Imaging:

Per image* \$0.0412

Mailing:

1-30 pages, envelope and postage \$0.4184
31-50 pages, envelope and postage \$0.6484
51-500 pages, envelope and postage \$3.5871
501+ pages, box and postage \$9.00

* Secondary page generally has 2 images, 1st page only has one image.

The average cost per business customer, per additional copy is \$9.28.
The average cost per residential customer, per additional copy is \$0.75.

Only 0.1% of our business customer's receive additional bill copies.
Only 0.005% of our residential customer's receive additional bill copies.

Actual Business Customer figures for AZ (2002):

AZ Business Customer:

- March – 68 pages \$9.51:
Bill copy cost = 5.92
Postage = 3.59
- April – 84 pages \$10.91
- May – 78 pages \$10.38
- June – 94 pages \$11.80

3. A schedule of current rates and proposed rates and the additional revenues to be derived from the proposed rates;

The current rate is \$0.00. The proposed current rate for Business is \$10.00 per copy and Residential is \$5.00 per copy. The proposed maximum rate for Business is \$20.00 per copy, and for Residential is \$10.00 per copy.

| | <u>Current</u> | <u>Maximum</u> |
|-----------------------|----------------|----------------|
| Business Customers | \$10.00 | \$20.00 |
| Residential Customers | \$ 5.00 | \$10.00 |

4. An affidavit verifying that appropriate notice of the proposed rate increase has been provided to customer of the service in a bill insert; and

The affidavit is not attached at this time because the appropriate notification letter has not been distributed as of today. An affidavit verifying that the appropriate notice of the proposed rate for Additional and Alternate Bill Copies will be distributed to all customers in Arizona by July 15, 2002. The affidavit and a copy of the letter will be forwarded to the Arizona Commission immediately following its distribution.

5. A copy of the customer notification you sent to your customers.

Attachment A is a copy of the notice that will be distributed to the customer. A final copy of the customer notification will accompany the affidavit (in request 4) once the customer notification is distributed.

If you have any further questions or concerns about this matter, please contact me on (319) 790-2250.

Truly yours,



Julia Redman-Carter
Manager
McLeodUSA Telecommunications Services, Inc.,
McLeodUSA Technology Park
6400 C Street SW, P.O. Box 3177
Cedar Rapids, IA 52406-3177
(319) 790-2250
(319) 790-7901 (fax)

Attachment



Local Service Update

Dear McLeodUSA Customer:

Thank you for your continued business with McLeodUSA. We are pleased to count you among the more than 450,000 customers who have selected McLeodUSA as their communications provider.

As McLeodUSA standardizes its products and pricing, and as we strive to keep pace with changing market conditions, we are adjusting the monthly rate for our Additional Invoice Copy service. The proposed charge will apply *only* if you:

- currently receive more than one copy of your monthly invoice, or
- request an additional invoice copy in the future by calling McLeodUSA.

If you currently receive more than one copy of your monthly invoice and wish to discontinue this service, please contact McLeodUSA Customer Care at the number below before _____, 2002.

Please read the notice below for more information.

McLeodUSA

NOTICE

McLeodUSA is proposing the following changes to its rates and charges:

Additional Invoice Copy Service:

a. Effective September 16, 2002, the monthly rate for each additional invoice copy is increasing to \$10.00.

This change will be voted on at a future Open Meeting of the Arizona Corporation Commission. This change will become effective only upon approval by the Commission. If you have any questions, please contact McLeodUSA Customer Care at 1-800-593-1177. If you have further questions, you may contact the Consumer Services Section of the Commission at 1-602-542-4251 or 1-800-222-7000, or you may visit their Web site at <http://www.cc.state.az.us>.