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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL



June 10, 2014

Steve Olea
Director of Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

JUN 11 2014

ORIGINAL

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

DOCKETED BY

RE: Docket No. T-03267A-11-0314, Decision No. 72670, In the Matter of the Joint Application of Windstream Corporation and McLeodUSA Telecommunications Services, LLC d/b/a PAETEC Business Services for Approval to Transfer of Indirect Control of McLeodUSA Telecommunications Services, LLC d/b/a PAETEC Business Services to Windstream Corporation

Dear Mr. Olea:

On November 8, 2011, in the above captioned proceeding, the Arizona Corporation Commission ("Commission") approved the transfer of indirect control of McLeodUSA Telecommunications Services, LLC d/b/a PAETEC Business Services ("McLeod") to Windstream Corporation ("Windstream"). The Commission's decision required McLeod and Windstream to submit for the first two years following the merger an Arizona Merger Benefits report and also file by April 15, 2012 and April 15, 2013 the status of plans to increase investment and employees related to the transaction. Windstream inadvertently missed these filings by their due dates but provides these responses to comply with the Commission's order:

- 1) Windstream and McLeodUSA shall submit an Arizona Merger Benefits report to Docket Control. The report shall at minimum detail:
 - a. Any cost, capital and synergy savings and;

RESPONSE: Proforma synergy from the overall transaction after all integrations take place is expected to be \$105M on an annualized basis. Broken down, \$22M is from interconnection expense savings, and \$83M from SG&A reductions.

Windstream did not have operations in Arizona prior to the McLeod acquisition, therefore few if any of the synergies were associated specifically to Arizona.

- b. Any service improvements that have resulted from the proposed transaction and have been passed on to or made available to Arizona customers.

RESPONSE: No specific service improvements have occurred as a result of this merger.

- 2) Windstream and McLeodUSA shall file updates in Docket Control by April 15, 2012 and April 15, 2013 on the status of plans related to the proposed transaction to increase employees and investment in Arizona.

RESPONSE: As of April 1, 2012, Windstream and McLeodUSA had 27 employees in the state of Arizona. As of April 1, 2013, Windstream and McLeodUSA had 26 employees in the state.

Windstream and McLeod invested \$234,300 in the state of Arizona from April 16, 2012 to April 15, 2013.

- 3) Windstream and McLeodUSA shall file updates in Docket Control by April 15, 2012 and April 15, 2013 of any changes in the status of debt financing plans.

RESPONSE: In connection with the acquisition of PAETEC on November 30, 2011, Windstream Corporation assumed \$650.0 million of 8.875 percent notes due June 30, 2017 ("PAETEC 2017 Notes"). Interest was payable semi-annually. On January 8, 2013, Windstream Corporation announced a tender offer to purchase for cash any and all of the outstanding \$650.0 million aggregate principal amount of PAETEC 2017 Notes. Prior to the expiration of the tender offer, approximately \$588.5 million of the PAETEC 2017 Notes had been tendered. On February 25, 2013, the redemption of the remaining \$61.5 million outstanding principal amount was settled. Proceeds from the issuance of the 2023 Notes, together with available cash, were used to pay the consideration for the tender offer and to redeem all of the outstanding PAETEC 2017 Notes, along with related fees and expenses.

If you have any additional questions please contact me at (501) 748-7142 or by e-mail at cesar.caballero@windstream.com.

Sincerely,



Cesar Caballero