**BEFORE THE WASHINGTON STATE**

**UTILITIES AND TRANSPORTATION COMMISSION**

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| WASHINGTON INDEPENDENT TELECOMMUNICATIONS ASSOCIATION, WASHINGTON EXCHANGE CARRIER ASSOCIATION, THE TOLEDO TELEPHONE CO., INC., TENINO TELEPHONE COMPANY, KALAMA TELEPHONE COMPANY AND HOOD CANAL TELEPHONE COMPANY, d/b/a HOOD CANAL COMMUNICATIONS,  Complainants,  v.  MCLEODUSA TELECOMMUNICATIONS SERVICES, L.L.C. AND PAETEC COMMUNICATIONS, INC.,  Respondents. | DOCKET NO. UT-111816  NARRATIVE IN SUPPORT OF SETTLEMENT AGREEMENT |

1. This Narrative is filed in support of the Settlement Agreement which accompanies this Narrative. The Settlement Agreement resolves all claims among the Parties arising out of the Complaint filed in this matter.

2. The Complainants are the Washington Independent Telecommunications Association, Washington Exchange Carrier Association, The Toledo Telephone Co., Inc., Tenino Telephone Company, Kalama Telephone Company and Hood Canal Telephone Company, d/b/a Hood Canal Communications ("Washington RLECs"). The Respondents are McLeodUSA Telecommunications Services, L.L.C. and PaeTec Communications, Inc. ("McLeod/PaeTec"). Collectively the Washington RLECs and McLeod/PaeTec may be referred to herein as "Parties" and individually as a "Party."

3. The Complaint brought in this matter contains several allegations. The core underlying premise for the Complaint is that McLeod and its parent company, PaeTec, are responsible for the payment of certain intercarrier compensation monies for the termination of traffic by the Washington RLECs.

4. The Response filed in this matter denied the allegations of the Complaint and contained several defenses. These defenses include, but are not limited to, that the traffic delivered to the Washington RLECs was not traffic subject to intercarrier compensation and, even if it is traffic subject to intercarrier compensation, McLeod and PaeTec are not the financially responsible parties.

5. The Settlement Agreement is filed as a confidential document. The Settlement Agreement includes an agreement to settle the claims. The consideration received is not directly related to the Washington RLECs' claim for intercarrier compensation. Rather, it reflects each Party's evaluation of the ongoing costs of litigation, the risks of litigation inherent in each Party's theories and assertions, and a desire on the part of all Parties to reach a business-to-business solution that allows the Parties to focus their energies and concerns elsewhere.

6. The principal legal issues involved in this matter relate to the vigorously disputed questions of whether VoIP-originated traffic delivered prior to the FCC’s recent *Intercarrier Compensation and USF Reform Order* is exempt from access charges and, if not, whether such charges are payable by the intermediate, transiting carrier that hands traffic off at the terminating tandem or, alternatively, by a carrier further up-stream in the transmission chain. Additionally, questions arise regarding where jurisdiction lies to resolve these issues. Voluntary resolution and dismissal of this matter is reasonable and in the public interest particularly in light of significant uncertainty of result and substantial costs associated with litigation of these particular issues.

7. As consideration for this Settlement Agreement, the Washington RLECs have agreed to a broad form of release and waiver of the claims contained in the Complaint filed in this matter.

8. Further, all Parties have agreed that they will abide by the Federal Communications Commission's call signaling rules related to the population of signaling record information.

9. The Settlement Agreement calls for WECA to be responsible for dispensing the money received among its members and McLeod/PaeTec shall have no responsibility for such actions undertaken by WECA.

10. The Settlement Agreement contains usual form of warranties and protections for a settlement of this type.

11. The Parties urge that the Commission approve the Settlement Agreement. Approval is in the public interest because it resolves all claims in the Complaint brought in this docket in a manner that is satisfactory to all of the Parties. By settling, each Party can focus its attention on other matters. The settlement will also help to avoid future disputes because of the Parties’ agreement to abide by the Federal Communications Commission's call signaling rules related to the population of signaling record information. The settlement also relieves the Commission of further workload in this docket.

12. As can be seen by an examination of the Settlement Agreement, it does not include any ongoing provision of services or facilities among the Parties that would in any way result in a lessening of competition or adversely affect the delivery of service to customers.

13. The Parties will offer a witness or witnesses in favor of approval of the settlement, if the Commission deems it necessary, but the Parties recommend that no testimony or further hearings are necessary for consideration of this settlement.

14. Based on the foregoing, the Parties respectfully urge the Commission to accept the Settlement Agreement expeditiously and enter an order in this matter dismissing the Complaint with prejudice.

Respectfully submitted this \_\_\_\_\_\_\_\_ day of May, 2012.

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