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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

Level 3 Communications, LLC and)	
Broadwing Communications, LLC,)	
)	
Complainants,)	Case No. 07-668-TP-CSS
)	
v.)	
)	
Neutral Tandem-Michigan, LLC)	
)	
Respondent.)	

**ANSWER OF LEVEL 3 COMMUNICATIONS, LLC AND
BROADWING COMMUNICATIONS, LLC TO COUNTERCLAIM**

On June 20, 2007, Respondent, Neutral Tandem-Michigan, LLC, filed its Answer to the Complaint and, along with Neutral Tandem, Inc. (collectively, "Neutral Tandem"), submitted a Counterclaim against Complainants, Level 3 Communications, LLC and Broadwing Communications, LLC (collectively, "Level 3"). By this pleading, Level 3 files its Answer to the Counterclaim pursuant to Section 4905.26, O.R.C., and Rule 4901:9-01, O.A.C.

INTRODUCTION

By Complaint filed on May 31, 2007, Level 3 asks the Commission, among other things, to direct Neutral Tandem to notify its Ohio carrier customers that Neutral Tandem's tandem transit traffic exchange agreements with Level 3 have been terminated so that their customer can take appropriate steps to route the traffic to Level 3.

By its Answer filed on June 20, 2007, Neutral Tandem, admits many of the material factual allegations set forth in the Complaint, denies that Level 3 is entitled to the relief sought, and urges dismissal on the basis that reasonable grounds have not been stated for the Complaint.

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By its Counterclaim, Neutral Tandem asks the Commission to order Level 3 to maintain its interconnection with Neutral Tandem on the basis that Ohio law obligates Level 3 to accept terminating traffic from Neutral Tandem on just, reasonable, and non-discriminatory terms and conditions.

Although the Counterclaim is phrased in terms of seeking “interconnection”, Neutral Tandem is not seeking interconnection in the traditional sense. Rather, by its Counterclaim, Neutral Tandem seeks to radically alter the legal framework within which non-dominant, competitive local exchange carriers (“CLECs”) operate in Ohio. Neutral Tandem urges the Commission to mandate, contrary to all precedent and without legal authority that CLECs in Ohio must directly, rather than indirectly, interconnect with each other on terms established by the Commission. Neutral Tandem also argues that Level 3 (and other CLECs) must maintain direct interconnection in perpetuity and must terminate traffic from Neutral Tandem for free - although Neutral Tandem, in turn, sells this same termination right to its carrier customers for a profit.¹ Such a change would dramatically alter the business relationships among CLECs. Indeed, nothing in state or federal law mitigates in favor of such a sudden and extreme overhaul of the long-standing framework for CLEC-to-CLEC interconnection.

The parties agree as to the essential factual background of this dispute. In short, Neutral Tandem has delivered traffic to Level 3 for more than two (2) years under various negotiated commercial traffic exchange agreements. Earlier this year, Level 3 exercised its negotiated contractual right to terminate the contracts by providing thirty (30) days’ notice to Neutral

¹ Neutral Tandem seeks to directly interconnect with Level 3 in order to pass transit traffic (traffic originated by Neutral Tandem’s carrier customers). Other CLECs are, thus, indirectly interconnected with Level 3 via the voluntary tandem transit service function being offered by Neutral Tandem. If Neutral Tandem were to be granted the right to demand direct interconnection with free termination, every other CLEC could demand the exact same treatment from other CLECs.

Tandem. Neutral Tandem does not assert in its Answer, nor in any other state proceeding between the parties, that the contracts were unlawfully terminated.

The traffic exchange arrangements between Neutral Tandem and Level 3 have been defined by three agreements, two of which are relevant to this dispute. First, pursuant to a traffic exchange agreement dated July 6, 2004 (referred to in the Complaint and the Neutral Tandem Counterclaim as the “Level 3 Contract”), Neutral Tandem delivered “tandem transit traffic” (traffic originated by Neutral Tandem’s customers, not by Neutral Tandem) to Level 3 for delivery. In exchange for terminating this traffic, Neutral Tandem *paid* Level 3 according to a formula contained in the Level 3 Contract. The Level 3 Contract was terminated by written notice delivered to Neutral Tandem on January 30, 2007, effective March 2, 2007. The effective date of termination was later extended by Level 3 to March 23, 2007. It has been the cornerstone of Neutral Tandem’s negotiation position going forward that it would not pay Level 3 anything for the use of Level 3’s network.

Second, under a Master Services Agreement dated February 2, 2004, Broadwing Communications, LLC purchased transit services from Neutral Tandem. This contract is referred to in the Complaint and the Neutral Tandem’s Counterclaim as the “Broadwing Contract”. Written notice terminating the Broadwing Contract was delivered to Neutral Tandem on February 14, 2007, effective March 23, 2007.

Finally, Level 3 entered into an agreement with Neutral Tandem and an amendment whereby Level 3 became a tandem transit service customer of Neutral Tandem for traffic originating on the Level 3 network (referred to in Neutral Tandem’s Counterclaim as the “Originating Contract” and the “Originating Amendment”). This agreement is not relevant to this dispute although subsequent to the start of these regulatory proceedings, Neutral Tandem

informed Level 3 that the contract did not apply to Level 3's Broadwing affiliate despite the agreements plan language.²

When continued efforts to negotiate a revised commercial agreement proved unsuccessful, Level 3 informed Neutral Tandem both orally and in writing that it would work with Neutral Tandem on a migration plan that would eliminate any impact on the customers of either party as a result of the contract termination. When Neutral Tandem failed to cooperate on developing a migration plan, Level 3 decided to continue to terminate transit traffic received from Neutral Tandem, even though the contracts had been terminated, in order to prevent any end-user disruptions. Neutral Tandem has to date taken absolutely no steps to notify its customers or prepare for a traffic migration and unwinding of the relationship with Level 3.

Prior to filing its Complaint on May 31, 2007, Level 3 had reason to believe that Neutral Tandem had not notified its carrier customers that they should not send traffic destined to Level 3 through Neutral Tandem. Since the traffic routed through Neutral Tandem is destined to Level 3's end users, Level 3 is justifiably concerned that Neutral Tandem's refusals and failures could cause traffic bound for Level 3's customers to fail. Level 3 filed its Complaint in order to obtain the assistance of the Commission to compel Neutral Tandem to notify its Ohio carrier customers of the termination of Neutral Tandem's contracts with Level 3, and to require Neutral Tandem or its customers to route traffic over trunks that do not require the use of direct connections between Neutral Tandem and Level 3, such as through Neutral Tandem's own interconnection trucks with the ILECs.

² Furthermore, neither the on-going validity of the Originating Contract, nor the payment obligations it contains, are in dispute here. Neutral Tandem seeks to imply some irregularity or bad faith on the part of Level 3 regarding the execution of the Originating Agreement. What Neutral Tandem fails to mention is that it voluntarily entered into the Originating Agreement, and that it continues to receive its bargained-for compensation from Level 3. Neutral Tandem can terminate the Originating Contract and Originating Amendment per the terms of the contract. However, it has not done so presumably because it obtains compensation from Level 3 under those agreements. The Originating Contract and Originating Amendment constitute a separate and distinct relationship which is not at issue here. Neutral Tandem's rhetoric about the timing of the execution of the

ANSWER

Level 3 states as follows in response to the respective numbered paragraphs of the Counterclaim:

1. Upon information and belief, Level 3 admits the allegations contained in Paragraph 1 of the Counterclaim.

2. Paragraph 2 of the Counterclaim is a statement of the name, address, and telephone number for Neutral Tandem and its legal representatives in this action. In that there are no factual allegations set forth in Paragraph 2, no response is required by Level 3.

3. Level 3 admits the allegations contained in Paragraph 3 of the Counterclaim.

4. Level 3 admits the allegations contained in Paragraph 4 of the Counterclaim.

5. Level 3 admits that Paragraph 5 of the Counterclaim quotes language appearing in Section 4905.22, O.R.C. Answering further, Level 3 states that the statutory provision speaks for itself.

6. Level 3 admits that Paragraph 6 of the Counterclaim quotes language appearing in Sections 4905.22 and 4905.35, O.R.C. Answering further, Level 3 states that the statutory provisions speak for themselves.

7. Level 3 denies the allegations contained in Paragraph 7 of the Counterclaim. As stated above, Level 3 has unilaterally decided to maintain the connection until Neutral Tandem notifies its customers and takes the necessary steps to unwind the connection properly in order to avoid the threat of service disruption.

8. Level 3 denies the allegations contained in Paragraph 8 of the Counterclaim as conclusions of law to which no responsive pleading is required.

Originating Amendment and the termination of the other contracts with Level 3 is irrelevant to this dispute and should be disregarded.

9. Level 3 denies the allegations contained in Paragraph 9 of the Counterclaim. The consequences predicted in Paragraph 9 would only occur should Neutral Tandem fail to inform its customers of the termination of its contracts with Level 3 and to take such other steps as are necessary and appropriate to ensure uninterrupted service for the end-use customers.

10. Level 3 admits the allegations contained in Paragraph 10 of the Counterclaim.

11. Level 3 denies the allegations contained in Paragraph 11 of the Counterclaim. Level 3 further answers that a customer of one non-ILEC *may* seek to call customers on another non-ILEC and that those carriers have the option of exchanging traffic via either direct or indirect interconnection. Level 3 contends that the majority of calls either originate or terminate on an ILEC or ILEC affiliate network.

12. Level 3 denies the allegations contained in Paragraph 12 of the Counterclaim. Level 3 responds that although ILECs are a traditional provider of “transit services”, other carriers are capable of and provide third-party termination services.

13. Level 3 is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 13 of the Counterclaim and, therefore, denies the same. Answering further, Level 3 responds that Neutral Tandem has refused to provide support for this allegation in other state proceedings.

14. Level 3 is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 14 of the Counterclaim and, therefore, denies the same.

15. Level 3 is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 15 of the Counterclaim and, therefore, denies the

same. Answering further, Level 3 responds that Neutral Tandem has refused to provide support for this allegation in other state proceedings.

16. Level 3 denies the statements contained in Paragraph 16 of the Counterclaim. Answering further, Paragraph 16 contains statements of opinion, are not factual allegations and, as such, do not require a further response by Level 3.

17. Level 3 is without knowledge or information sufficient to form a belief as to the truth of the statements contained in Paragraph 17 of the Counterclaim and, therefore, denies the same. Answering further, Paragraph 17 contains statements of opinion, are not factual allegations and, as such, do not require a further response by Level 3.

18. Level 3 admits the allegations contained in Paragraph 18 of the Counterclaim, but notes that Neutral Tandem sends significantly more traffic to Level 3 than Level 3 sends to Neutral Tandem. Level 3 further notes that it pays Neutral Tandem to accept traffic from Level 3 while Neutral Tandem seeks to have Level 3 accept traffic for free.

19. Level 3 admits the allegation contained in Paragraph 19 of the Counterclaim that Neutral Tandem delivers traffic to Broadwing, but denies that Broadwing send any traffic to Neutral Tandem for termination.

20. Level 3 denies the allegations contained in Paragraph 20 of the Counterclaim. Level 3 admits that it sends only a limited amount of traffic to Neutral Tandem under a services purchase agreement. Level 3 further admits that through unintentional "order creep" outside the terms of the parties original agreements, the parties exchange traffic in a number of states.

21. Level 3 denies the allegations contained in Paragraph 21 of the Counterclaim, except that Level 3 admits that it entered into the Originating Amendment on January 31, 2007.

22. The allegations contained in Paragraph 22 refer to a document in writing, a copy of which is attached as Exhibit 1 to the Counterclaim. That document speaks for itself, and any characterizations inconsistent with the document are hereby denied. Answering further, Level 3 denies all remaining allegations contained in Paragraph 22.

23. The allegations contained in Paragraph 23 refer to a document in writing, a copy of which is attached as Exhibit 2 to the Counterclaim. That document speaks for itself, and any characterizations inconsistent with the document are hereby denied. Answering further, Level 3 admits that neither party has sought to terminate the August of 2005 contract, which was amended on January 31, 2007, and denies all remaining allegations contained in Paragraph 23.

24. Level 3 denies the allegations contained in Paragraph 24 of the Counterclaim.

25. The allegations set forth in Paragraph 25 refer to a document in writing, a copy of which is attached as Exhibit 2 to the Counterclaim. That document speaks for itself, and any characterizations inconsistent with the document are hereby denied. Answering further, Level 3 denies all remaining allegations contained in Paragraph 25.

26. The allegations set forth in Paragraph 26 refer to a document in writing, a copy of which is attached as Exhibit 2 to the Counterclaim. That document speaks for itself, and any characterizations inconsistent with the document are hereby denied. Answering further, Level 3 denies all remaining allegations contained in Paragraph 26.

27. The allegations set forth in Paragraph 27 refer to a document in writing, a copy of which is attached as Exhibit 3 to the Counterclaim. That document speaks for itself, and any characterizations inconsistent with the document are hereby denied. Answering further, Level 3 admits that the parties have been unable to reach an agreement, but denies all remaining allegations contained in Paragraph 27.

28. The allegations set forth in Paragraph 28 refer to a document in writing, a copy of which is attached as Exhibit 4 to the Counterclaim. That document speaks for itself, and any characterizations inconsistent with the document are hereby denied. Answering further, Level 3 denies all remaining allegations contained in Paragraph 28.

29. The allegations set forth in Paragraph 29 refer to a document in writing, a copy of which is attached as Exhibit 5 to the Counterclaim. That document speaks for itself, and any characterizations inconsistent with the document are hereby denied. Answering further, Level 3 denies all remaining allegations contained in Paragraph 29.

30. Level 3 admits the allegation contained in Paragraph 30 of the Counterclaim.

31. The allegations set forth in Paragraph 31 refer to a document in writing, a copy of which is attached as Exhibit 1 to this Answer. That document speaks for itself, and any characterizations inconsistent with the document are hereby denied. Answering further, Level 3 denies all remaining allegations contained in Paragraph 31.

32. Level 3 admits the allegations contained in Paragraph 32 of the Counterclaim.

33. In response to Paragraph 33 of the Counterclaim, Level 3 admits only that the parties have attempted to negotiate mutually agreeable terms to maintain their traffic exchange agreements, including an in-person meeting on February 16, 2007 at Level 3's Colorado headquarters, as well as multiple telephone and email exchanges. Answering further, Level 3 denies the remaining allegations contained in Paragraph 23, and specifically denies the implied characterization that the negotiations were unilateral.

34. In response to Paragraph 34 of the Counterclaim, Level 3 admits only that the parties have been unable to reach an agreement. Answering further, Level 3 denies all remaining allegations and statements of opinion set forth in Paragraph 34, including the mischaracterization

of the Verified Answer filed by Level 3 in a proceeding before the California Public Utilities Commission.

35. Level 3 denies the allegations in Paragraph 35 of the Counterclaim.

36. Paragraph 36 of the Counterclaim references Level 3's testimony in a proceeding before the New York Public Service Commission. That testimony is part of the public record in New York and speaks for itself. Any characterization that is inconsistent with that testimony is expressly denied. Answering further, Level 3 is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in Paragraph 36 and, therefore, denies the same.

37. In response to Paragraph 37 of the Counterclaim, Level 3 admits only that it seeks to unwind the cancelled contractual relationship between the parties. Answering further, Level 3 denies all remaining allegations contained in Paragraph 37.

38. Paragraph 38 of the Counterclaim refers to written comments filed by Level 3 in a proceeding before the Federal Communications Commission ("FCC"). Those comments are a part of the public record at the FCC and speak for themselves. Any characterizations of those comments are specifically denied.

39. Paragraph 39 of the Counterclaim refers to written comments filed by Level 3 in a proceeding before the FCC. Those comments are a part of the public record at the FCC and speak for themselves. Any characterizations of those comments are specifically denied.

40. Paragraph 40 refers to a document in writing, a copy of which is attached as Exhibit 6 to the Counterclaim. The document speaks for itself, and any characterizations inconsistent with the document are specifically denied. Answering further, Level 3 denies all remaining allegations contained in Paragraph 40.

41. Level 3 denies the allegations in Paragraph 41 of the Counterclaim. Answering further, Paragraph 41 contains statements of opinion, are not factual allegations and, as such, do not require a further response from Level 3.

42. Paragraph 42 refers to a document in writing, a copy of which is attached as Exhibit 7 to the Counterclaim. That document speaks for itself, and any characterizations inconsistent with the document are specifically denied. Answering further, Level 3 denies the remaining allegations set forth in Paragraph 42. Additionally, Paragraph 42 contains statements of opinion, are not factual allegations and, as such, do not require a further response by Level 3.

43. In response to Paragraph 43 of the Counterclaim, Level 3 admits that, on January 31, 2007, Level 3 and Neutral Tandem entered into an amendment to their August 2005 contract. Answering further, Level 3 denies that the amendment of the August 2005 contract was, in any way, related to Neutral Tandem's IPO announcement and denies all remaining allegations in Paragraph 43.

44. In response to Paragraph 44 of the Counterclaim, Level 3 admits that, on January 31, 2007, written notice was provided to Neutral Tandem that the parties' traffic exchange agreements would be terminated effective March 2, 2007. Answering further, Level 3 denies all remaining allegations set forth in Paragraph 44.

45. Level 3 denies the allegations set forth in Paragraph 45. Answering further, Paragraph 45 contains statements of opinion, are not factual allegations and, as such, do not require a further response by Level 3.

46. Level 3 admits the allegations contained in Paragraph 46 of the Counterclaim, except that the contract requiring Level 3 to terminate traffic from Neutral Tandem is no longer in effect.

47. Level 3 denies the allegations contained in Paragraph 47 of the Counterclaim. Level 3 further responds that it has not requested “reciprocal compensation” as defined under Section 251(b)(5) of the federal Telecommunications Act, but has requested that Neutral Tandem pay Level 3 reasonable compensation for accepting and terminating traffic directly from Neutral Tandem under a commercially negotiated traffic exchange agreement.

48. Level 3 denies the allegation contained in the first sentence of Paragraph 48 of the Counterclaim as a conclusion of law to which no response is required. Answering further, Level 3 admits that Neutral Tandem passes certain call origination information to Level 3. Level 3 denies all remaining allegations and statements of opinion contained in Paragraph 48.

49. Level 3 denies the allegations contained in Paragraph 49 of the Counterclaim. Level 3 admits only that its agreements with the ILECs are complex two-way arrangements that provide benefits flowing to both parties. Level 3’s termination of transit traffic is only a minor component for which the ILEC does not directly compensate Level 3.

50. Level 3 denies the allegation set forth in Paragraph 50 of the Counterclaim as a conclusion of law to which no response is required.

51. Level 3 denies the allegations set forth in Paragraph 51 of the Counterclaim as conclusions of law to which no response is required.

52. Level 3 denies the allegations contained in Paragraph 52. Answering further, Paragraph 52 contains statements of opinion, are not factual allegations and, as such do not require a further response from Level 3.

53. Level 3 admits that Paragraph 53 of the Counterclaim quotes language appearing from a decision of the FCC. Answering further, Level 3 states that the FCC decision speaks for

itself and any characterization inconsistent with the content of that decision are specifically denied.

54. Level 3 denies the allegations set forth in Paragraph 54 of the Counterclaim. Answering further, Paragraph 54 contains statements of opinion, are not factual allegations and, as such, do not require a further response from Level 3.

55. Level 3 is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 55 of the Counterclaim and, therefore, denies the same.

56. Level 3 admits that Paragraph 56 of the Counterclaim quotes language appearing in a report by the FCC. That report speaks for itself and any characterization inconsistent with the content of that decision are specifically denied.

57. Level 3 is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in the first sentence of Paragraph 57 of the Counterclaim and, therefore, denies the same. Level 3 denies all other allegations set forth in Paragraph 57. Answering further, Paragraph 57 contains a statement of opinion, is not a factual allegation and, as such, does not require a further response by Level 3.

58. Level 3 denies the allegations contained in Paragraph 58 of the Counterclaim. Answering further, Paragraph 58 contains statements of opinion, are not factual allegations and, as such, does not require a further response from Level 3.

59. Paragraph 59 of the Counterclaim is a statement of the relief sought by Neutral Tandem, contains no factual allegations and, as such, requires no response from Level 3.

60. Paragraph 60 of the Counterclaim is a statement of the relief sought by Neutral Tandem, contains no factual allegations and, as such, requires no response from Level 3.

61. Paragraph 61 refers to a proceeding before and a decision of the Georgia Public Service Commission, a copy of which is attached as Exhibit 9 to the Counterclaim. That decision speaks for itself and any characterizations of the decision are hereby denied. Answering further, Level 3 denies all remaining allegations contained in Paragraph 61.

62. Paragraph 62 refers to a decision of the Illinois Commerce Commission, a copy of which is attached as Exhibit 10 to the Counterclaim. The document speaks for itself, and any characterizations of the decision are hereby denied. Answering further, Level 3 denies all remaining allegations contained in Paragraph 62.

63. Paragraph 63 references and quotes from a document in writing, a copy of which is attached as Exhibit 11 to the Counterclaim. The document speaks for itself, and any characterizations inconsistent with the document are hereby denied. Answering further, Level 3 denies all remaining allegations contained in Paragraph 63.

64. In response to Paragraph 64 of the Counterclaim, Level 3 admits only that it initially notified Neutral Tandem and the Commission that it would no longer accept transit traffic from Neutral Tandem on or after June 25, 2007, and subsequently notified Neutral Tandem that it would charge \$.001 for traffic Neutral Tandem chose to terminate directly to Level 3 after June 25, 2007. Answering further, denies the remaining allegations contained in Paragraph 64.

65. Level is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 65 of the Counterclaim and, therefore, denies the same. Answering further, Paragraph 65 contains statements of opinion, are not factual allegations and, as such, does not require a further response from Level 3.

66. Level 3 denies the allegations set forth in Paragraph 66 of the Counterclaim and further states that any potential call blocking would be caused by Neutral Tandem's refusal to notify its customers and failure to make any arrangements for the unwinding of its connection with Level 3. Answering further, Paragraph 66 contains statements of opinion, are not factual allegations and, as such, does not require further a response from Level 3.

67. Level 3 denies the statements contained in Paragraph 67 of the Counterclaim as either conclusions of law or statements of opinion, neither of which are factual allegations and both of which require no further response from Level 3.

68. Level 3 denies the allegations contained in Paragraph 68 of the Counterclaim as conclusions of law to which no response is required.

69. Level 3 denies the allegations contained in Paragraph 69 of the Counterclaim as conclusions of law to which no response is required.

70. Level denies the allegations set forth in Paragraph 70. Answering further, Paragraph 70 contains statements of opinion, are not factual allegations and, as such, do not require a further response from Level 3.

AFFIRMATIVE DEFENSE NO. 1

71. The Counterclaim fails to state a claim against Level 3 upon which relief can be granted.

AFFIRMATIVE DEFENSE NO. 2

72. The Counterclaim fails to state reasonable grounds for proceeding to hearing as required by Section 4905.26, O.R.C.

WHEREFORE, Level 3 Communications, LLC and Broadwing Communications, LLC respectfully requests that the Commission enter its decision dismissing the Counterclaim and denying the relief requested therein.

Respectfully submitted,

LEVEL 3 COMMUNICATIONS, LLC

BROADWING COMMUNICATIONS, LLC

By: 

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served upon the following counsel and/or parties, electronically and by first-class U.S. mail, postage prepaid, this 13th day of July, 2007:

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David A. Turano (0025819)

Case No. 07-668-TP-CSS
(Answer to Counterclaim)

EXHIBIT 1



May 8, 2007

Mr. Rian Wren
Chief Executive Officer
Neutral Tandem, Inc.
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Chicago, IL 60606

Mr. Surendra Saboo
Chief Financial Officer
Neutral Tandem, Inc.
One South Wacker, Suite 200
Chicago, IL 60606

RE: Termination of Transit Traffic Delivered to Level 3 Communications, LLC ("Level 3")

Dear Sirs:

On January 30 and on February 14, 2007, Level 3 advised Neutral Tandem, Inc. ("Neutral Tandem") of the lawful termination of 2 agreements between Level 3 and Neutral Tandem which contained economic and other terms for Level 3's termination of Neutral Tandem transit traffic. Each agreement was terminable on 30 days' notice. Notwithstanding the termination provisions of each agreement, Level 3 unilaterally decided to continue to accept and terminate Neutral Tandem's transit traffic until June 25, 2007, so as to permit Neutral Tandem to notify its customers of the discontinuance of traffic routing to Level 3 via Neutral Tandem. Neutral Tandem had nearly 6 months to prepare for, plan and complete any activities relating to the termination of our previous business arrangements.

Since that time, Neutral Tandem has admitted that it has taken no such steps. Further, it appears from Neutral Tandem's conduct that it does not intend to take any actions to migrate traffic or otherwise to perform steps to prepare its customers for their ability to terminate traffic to Level 3. Instead, Neutral Tandem's sole strategy has been to sue Level 3 to compel continued delivery of service by Level 3.

This letter is to advise you that, commencing on June 25, 2007, if and to the extent that Neutral Tandem, Inc. ("Neutral Tandem") elects to deliver transit traffic to Level 3 for termination, and if Level 3 elects to terminate such traffic on Neutral Tandem's behalf, Level 3 will charge Neutral Tandem at a rate of \$0.001 per minute terminated. Level 3 reserves all other rights available to it under applicable law, including the right to terminate the acceptance and delivery of Neutral Tandem's transit traffic.

The nationwide rate that we propose, on a blended basis, represents a significant discount to the ILEC transit rates otherwise available to Neutral Tandem or its customers. In addition, we note that Neutral Tandem will be able to recover these fees from the originating carrier pursuant to terms and conditions in Neutral Tandem's relevant state tariffs or the Master Services Agreement

Mr. Rian Wren
Mr. Surrendra Saboo
May 8, 2007
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contained as part of Neutral Tandem's S-1 filing. Of course, it is up to Neutral Tandem as to whether it will seek any recovery from its customers. Level 3 is not asking Neutral Tandem to act as a clearinghouse with respect to compensation that might be owed by originating carriers, but instead is assessing a market based charge for the use of a terminating network by a transiting provider.

By continuing to send traffic to Level 3 for termination from and after June 25, 2007, Neutral Tandem will be evidencing its acceptance of these financial terms.

Sincerely,



Sara Baack
Senior Vice President
Wholesale Markets Group

cc: Mr. John Harrington
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