

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Illinois Independent Telephone Association)	
)	
)	Docket No. 00-0233
Petition for initiation of an investigation of the necessity of and the establishment of a Universal Service Support Fund in accordance with Section 13-301(d) of the Public Utilities Act)	
)	
)	
Illinois Commerce Commission On its Own Motion)	
)	
)	Docket No. 00-0335
Investigation into the necessity of and, if appropriate, the establishment of a Universal Support Fund pursuant to Section 13-301(d))	
)	

REPLY RESPONSE OF SBC ILLINOIS TO MOTION OF ALHAMBRA-GRANTFORK TELEPHONE COMPANY TO OBTAIN ILLINOIS UNIVERSAL SERVICE FUNDING

SBC Illinois, by one of its attorneys, submits this Reply Response to the Responses filed by the Illinois Commerce Commission Staff (“Staff”), AT&T Communications of Illinois, (“AT&T”) and Verizon North Inc. and Verizon South Inc. (“Verizon”).

Alhambra-Grantfork’s motion for additional funding should simply be denied. The motion appears on its face to be merely an attempt to use the high cost fund as a “keep whole” mechanism, i.e., a means for Alhambra-Grantfork to retain a 11.21% rate of return without raising any of its rates. Verizon states in its Response that “the Commission’s schedule to decrease the fund over time means that the Commission did not intend for the fund level, and the carrier’s ultimate draw from the fund, to fluctuate every time there was a change in a carrier’s financial circumstance.” Verizon Response,

p. 2. Verizon concludes, as did SBC Illinois (see generally SBC Illinois Response, pp. 1-4) that Alhambra-Grantfork's attempted use of the fund is improper. Id.

Two of the parties, SBC Illinois and AT&T, have taken the position in their responses that the Commission should deny the motion. See AT&T Response, p. 2. AT& T cites an additional reason for denying the motion. AT&T states that it would be premature to determine whether a particular company needs additional fund support pending implementation of the Fifth District Appellate Court decision. That decision provides that non-primary access lines are now eligible for state high cost fund support, as well as primary lines. Assuming no further appellate review, the Commission will need to implement the court's decision, which may affect the level of support that a funded company receives.

Staff and Verizon appear to assume that the motion may be granted and offer suggestions as to how the motion should be addressed procedurally. AT&T also offered an alternative procedural approach, if the Commission does not deny the motion.

SBC Illinois has the following response. First, if the Commission grants Alhambra-Grantfork's request for a hearing, it should clarify that Alhambra-Grantfork will not simply be permitted to demonstrate that its rate of return is below 11.21%, and that "fact" alone justifies additional support as Alhambra-Grantfork's motion suggests. Second, assuming that Alhambra-Grantfork is actually seeking support retroactively to January 1, 2003 (see Staff Response, p. 2, fn. 1; AT&T Response, p. 2, fn.1), the Commission should clarify that Alhambra-Grantfork will not be provided support retroactively to any date prior to a Commission order.

Third, SBC Illinois does not agree with Verizon that this case should be assigned a separate and new docket number. If the ALJ determines that there should be hearings on the issue raised in Alhambra-Grantfork's motion, that proceeding should take place in Docket Nos. 00-0233/0335. In fact, it would have been more appropriate if Alhambra-Grantfork had actually petitioned the Commission to reopen another phase. It appears that Staff may also be suggesting that Docket Nos. 00-0233/0335 would be the proper forum in that Staff notes that this record was continued generally and not marked "heard and taken" Staff Response, p. 2.

Finally, AT&T discusses what the procedure should be, if instead of denying the motion, the Commission determines to conduct an investigation. An investigation would eliminate the costly and resource-intensive investigations of each company separately petitioning basis for additional funding. AT&T Response, p. 3.

Such a proceeding should be conducted in a single docket. Conducting the investigation in a generic proceeding such as Docket Nos. 00-0233/0335 would then mean that universal service funding would thereby be reset for all companies. In addition, other universal services issues that have been raised in this and related proceedings could be investigated at the same time.

For all of the above reasons discussed above and in its response to the motion, SBC Illinois requests that the Commission deny Alhambra-Grantfork's motion. Alternatively, if the Commission determines to conduct an evidentiary hearing, such a hearing should take place in this proceeding and should address the broader set of

procedural and methodological issues, such as those raised by AT&T and other parties,
not just the specific financial situation of Alhambra-Grantfork.

Respectfully submitted,

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