

**BEFORE THE  
ILLINOIS COMMERCE COMMISSION**

<b>Illinois Bell Telephone Company</b>	)	
	)	
<b>Filing to increase Unbundled Loop and Nonrecurring Rates (Tariffs filed December 24, 2002)</b>	)	<b>Docket No. 02-0864</b>
	)	

**SURREBUTTAL TESTIMONY OF**

**AUGUST H. ANKUM, PH.D.  
SIDNEY L. MORRISON**

On behalf of

WorldCom, Inc. d/b/a MCI  
McLeodUSA Telecommunications Services, Inc.  
Covad Communications Company  
TDS Metrocom, LLC  
Allegiance Telecom of Illinois, Inc.  
RCN Telecom Services of Illinois, LLC  
Globalcom, Inc.  
Z-Tel Communications, Inc.  
XO Communications, Inc.

February 20, 2004

**JOINT CLEC EXHIBIT 1.1  
(CORRECTED)**

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE THE NAMES OF THE PANEL MEMBERS**  
3 **SUPPORTING THIS TESTIMONY?**

4 A. The panel members supporting this testimony are Dr. August H. Ankum and Mr.  
5 Sidney L. Morrison.

6  
7 **Q. ARE YOU THE SAME DR. AUGUST H. ANKUM AND SIDNEY L.**  
8 **MORRISON THAT PREVIOUSLY FILED TESTIMONY IN THIS**  
9 **PROCEEDING?**

10 A. Yes we are.

11 ***A. Purpose and Summary***

12 **Q. PLEASE STATE THE PURPOSE OF THIS TESTIMONY.**

13 A. The purpose of this testimony is to respond to the issues related to non-recurring  
14 costs and charges raised in the testimony of SBC witnesses Dr. Kent A. Currie  
15 and Vivian Gomez McKeon. In doing so, we will provide additional support for  
16 our initial claims that SBC’s studies and proposed rates do not comply with the  
17 basic Total Element Long Run Incremental Cost (“TELRIC”) principles as  
18 developed by the Federal Communications Commission (“FCC”) in its *Local*  
19 *Competition Order*,<sup>1</sup> and by introducing the FCC Wireline Competition Bureau’s

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<sup>1</sup>*Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, First Report and Order*, 11 FCC Rcd 15499 (1996), *aff’d in part and vacated in part sub nom. Comp. Tel. Assoc. v. FCC*, 117 F.3d 1068 (8<sup>th</sup> Cir. 1997) and *Iowa Utils. Bd. v. FCC*, 120 F.3d 753 (8<sup>th</sup> Cir. 1997), *aff’d in part and remanded, AT&T v. Iowa Utils. Bd.*, 525 U.S. 366 (1999); *on remand Iowa Utils. Bd. v. FCC*, 219 F.3d 744 (8<sup>th</sup> Cir. 2000) (*Iowa Utilities II*), *reversed in part sub nom. Verizon Communications, Inc. v. FCC*, 535 U.S. 467 (2002) (*Verizon v. FCC*), (hereinafter, “*Local Competition Order*”).

20 findings on non-recurring cost model issues in the *Virginia Arbitration Order*.<sup>2</sup>  
21 Further, we will discuss the fact that SBC’s studies do not acknowledge that high  
22 non-recurring costs constitute barriers to entry, as the FCC found in the *Triennial*  
23 *Review Order*.<sup>3</sup> We conclude by finding that nothing in SBC’s rebuttal testimony  
24 causes us to change the recommendations contained in our direct testimony and  
25 that SBC’s cost studies fail to reflect forward-looking and optimally efficient  
26 operational support systems and conditions, as required by the FCC’s TELRIC  
27 methodology.

28

29 **Q. PLEASE SUMMARIZE YOUR TESTIMONY AND STATE YOUR**  
30 **RECOMMENDATION.**

31 A. In this testimony we respond to SBC’s testimony and reconfirm our previous  
32 recommendations concerning SBC’s proposed non-recurring charges. Further, we  
33 recommend that the Administrative Law Judge (“ALJ”) and the Illinois  
34 Commerce Commission (“Commission”) reject SBC’s testimony and revised  
35 studies which reflect SBC’s sudden “revelation” that basic unbundled loops are  
36 design circuits: basic loops are in fact not design circuits.

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<sup>2</sup> Memorandum Opinion and Order, CC Docket Nos. 00-218, 00251, *In the Matter of Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration, In the Matter of Petition of AT&T Communications of Virginia Inc., Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia Corporation Commission Regarding Interconnection Disputes With Verizon Virginia Inc.*, released August 29, 2003, (hereinafter, “*Virginia Arbitration Order*.”)

<sup>3</sup> *Report and Order and Order on Remand and Further Notice of Proposed Rulemaking, In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers* (CC Docket No. 01-338); *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996* (CC Docket No. 96-989); *Deployment of Wireline Services Offering Advanced Telecommunications Capability* (CC Docket No. 98-147), FCC No. 03-36, (rel. Aug. 21, 2003) (hereinafter, “*Triennial Review Order*”).

38

39 **II. SBC USES THE INCORRECT CRITERION FOR WHEN COSTS**  
40 **SHOULD BE RECOVERED THROUGH NRCS AND CREATES**  
41 **BARRIERS TO ENTRY**

42 *A. Criterion for When Costs Should Be Recovered Through Non-Recurring*  
43 *Charges*

44 **Q. SINCE YOU SUBMITTED YOUR DIRECT TESTIMONY IN THIS CASE**  
45 **ON MAY 6, 2003, HAS THE FCC ISSUED FURTHER DIRECTIVES ON**  
46 **NON-RECURRING COST RELATED ISSUES?**

47 **A.** Yes. Further directives and guidance are found in the FCC's Wireline  
48 Competition Bureau's Virginia Arbitration Order and the FCC's TELRIC NPRM.  
49 The issues raised in these FCC Orders are directly relevant to those before the  
50 Commission in the current proceeding and to the rebuttal testimony of SBC.  
51 Accordingly, we will first discuss these the FCC's latest guidance on non-  
52 recurring charges before directly addressing the rebuttal testimony of the SBC  
53 witnesses.

54

55 **Q. HAS THE FCC FOUND THAT IN ORDER TO MINIMIZE NON-**  
56 **RECURRING CHARGES – AND THE EXTENT TO WHICH THEY ARE**  
57 **ABLE TO CONSTITUTE A BARRIER TO ENTRY – COSTS MUST BE**  
58 **APPROPRIATELY CLASSIFIED?**

59 **A.** Yes. Perhaps the most important issue with respect to non-recurring charges  
60 concerns the question: when are costs to be recovered through non-recurring  
61 charges and when are they supposed to be recovered through recurring charges. If

62 the classification is made incorrectly, the non-recurring charges may be  
63 artificially high. This issue is important, for example, with respect to Dr. Currie’s  
64 discussion of how to recover computer processing costs (which is addressed in  
65 more detail below.) Within the context of the computer processing costs, Dr.  
66 Currie states the following criterion: “The issue is whether or not forward-looking  
67 computer processing costs would remain unchanged if SBC Midwest had  
68 nonrecurring activities in the future.” (See Currie rebuttal at 23.) Dr. Currie is  
69 wrong as a matter of methodology.

70

71 **Q. PLEASE EXPLAIN WHY THE DISTINCTION BETWEEN RECURRING**  
72 **COSTS AND NON-RECURRING COSTS IS ONE OF THE MOST**  
73 **IMPORTANT ISSUES TO BE DECIDED BY THE COMMISSION IN**  
74 **THIS PROCEEDING.**

75 A. The Commission should note that a large portion of SBC’s costs – if not the  
76 majority – are incurred on a non-recurring basis. This is true for most of the  
77 investments associated with outside plant facilities, interoffice transport facilities,  
78 switch facilities, and for all buildings and grounds, and much of the power  
79 equipment in the central offices. Almost all of these facilities represent large, one  
80 time investment costs incurred on a non-recurring basis (though clearly all of  
81 them have recurring costs, such as maintenance, taxes, etc., associated with them).  
82 However, just because the costs associated with these facilities are incurred on a  
83 non-recurring basis in no way means from an economic perspective that these  
84 costs should be recovered through non-recurring charges. In fact, most of these  
85 costs are routinely identified in cost studies by SBC and others as recurring costs,

86 and correctly so. Typically, however, there is little discussion in recurring cost  
87 studies about why such one-time investments are expressed as recurring costs. In  
88 this proceeding, given that SBC has misclassified many of its costs as non-  
89 recurring costs while they should be classified as recurring costs, a discussion of  
90 the proper criterion that should be applied by the Commission in determining  
91 what costs should be recovered through non-recurring charges and what costs  
92 should be recovered through recurring charges is warranted.

93

94 **Q. PLEASE DISCUSS WHAT CRITERION SHOULD GUIDE THE**  
95 **COMMISSION IN DETERMINING WHEN A COST SHOULD BE**  
96 **RECOVERED THROUGH RECURRING CHARGES AND WHEN IT**  
97 **SHOULD BE RECOVERED THROUGH NON-RECURRING CHARGES.**

98 A. In general, the criterion for classifying costs should be the following. If activities  
99 benefit only the Competitive Local Exchange Carrier (“CLEC”) placing the  
100 request for service, then the costs of these activities – to the extent that they are  
101 efficiently incurred – should be recovered from the CLEC through non-recurring  
102 charges. However, if other entities, such as other CLECs and the Incumbent  
103 Local Exchange Carrier (“ILEC”) itself, benefit either immediately or over time,  
104 then the costs of these activities should be recovered through recurring charges.

105

106 An excellent discussion on this issue is found in the *Virginia Arbitration Order*, in  
107 which the FCC notes:<sup>4</sup>

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<sup>4</sup> *Virginia Arbitration Order* at paragraphs 156 and 584.

108                   The costs at issue are labor costs associated with the activities  
109                   necessary to provide UNEs to a competitive LEC. In many cases,  
110                   these activities will produce benefits for any carrier using the facility in  
111                   the future, and not just the initial competitive LEC for which the work  
112                   is performed (*e.g.*, cross-connects made to complete a connection are  
113                   likely to remain in place even if the end-user customer no longer takes  
114                   service from the competitive LEC).  
115

116                   The FCC then correctly goes on to note:

117                   Costs of non-recurring activities that benefit *only* the competitive  
118                   LEC, or are not reflected in Verizon's ACF calculation (*e.g.*, certain  
119                   types of loop conditioning), should be recovered through NRCs.  
120                   (Emphasis added.)  
121

122                   Again, many of the problems with SBC's non-recurring cost studies can be traced  
123                   to the fact that often SBC mischaracterizes costs as non-recurring costs even  
124                   though those activities and costs would benefit subsequent customers and should  
125                   be recovered through recurring charges.

126  
127                   A good example of the co-mingling of recurring and non-recurring costs concerns  
128                   the cleaning up of the legacy databases. As noted (and discussed in more detail  
129                   below), SBC's high fall-out rates -- and the associated costs -- are mostly caused  
130                   by errors in SBC's legacy databases. The clean up of these databases, however,  
131                   will benefit not only the CLEC placing the service order that falls out because of  
132                   the errors in the databases, but all subsequent CLECs that place orders as well as  
133                   SBC itself. For this reason (see previous discussion), all of the costs associated  
134                   with cleaning up the databases are recurring costs and not non-recurring costs.

135

136 The co-mingling of recurring and non-recurring costs is often also found in SBC's  
137 provisioning cost studies. As the FCC notes, most of the costs of provisioning  
138 consist of the labor costs associated with activities (traveling, establishing cross-  
139 connects, and testing) at either the central office or outside plant location. To the  
140 extent that establishing cross-connects results in the permanent activation of  
141 facilities, the CLEC that orders the facility to be activated as well as other CLECs  
142 and the ILEC itself will benefit from this activity. Thus -- using the criterion  
143 discussed previously -- the costs of this activity are more properly characterized  
144 as recurring costs.

145

146 Further, given that SBC's Subject Matter Experts ("SMEs") typically provide  
147 time estimates for testing and problem resolution activities for *end-to-end*  
148 *facilities*, the cost studies for non-recurring costs tend to inappropriately co-  
149 mingle recurring costs and non-recurring costs. Any testing and repairs on  
150 facilities (distribution links, feeder facilities, Central Office ("CO") facilities, etc.)  
151 benefit not just the CLEC that orders facilities but also subsequent CLECs and the  
152 ILEC itself. As such, the costs of these activities are recurring costs and *not* non-  
153 recurring costs. Clearer directives on this issue would resolve many of the cost  
154 disputes in this proceeding.

155

156 Last, as the FCC has noted on many occasions, the practice of recouping costs  
157 through non-recurring charges tends to create barriers-to-entry and precludes  
158 competition where it might have been viable. By contrast, recognizing that many  
159 of the costs recovered through the ILECs' proposed non-recurring charges may in

160 fact be more appropriately recouped through recurring charges has the added  
161 benefit that it lowers such potential barriers-to-entry.

162

163 **Q. ARE THERE ADDITIONAL REASONS FOR ENSURING THAT COSTS**  
164 **ARE APPROPRIATELY IDENTIFIED AS RECURRING COSTS AND**  
165 **NOT INAPPROPRIATELY AS NON-RECURRING COSTS?**

166 A. Yes. In addition to the aforementioned reasons, costs associated with cleaning up  
167 data bases, etc., -- if they are to be recovered at all under the FCC's TELRIC  
168 methodology -- are more appropriately identified as recurring costs. To be sure, to  
169 permit recovery of such costs as part of the non-recurring charges would lead to a  
170 number of undesirable effects:

- 171 1. It would provide SBC with no incentive to further automate or mechanize  
172 its systems as it would be compensated for its costs whether or not those  
173 costs are efficiently incurred.  
174
- 175 2. It would cause over-recovery since many of these costs are also recovered  
176 through recurring charges.  
177
- 178 3. It would cause complicated corrections to the recurring cost studies to sort  
179 out which costs are recovered through the non-recurring cost studies. If  
180 costs are not appropriately eliminated from the recurring cost studies, then  
181 over-recovery occurs. Further, to the extent that certain maintenance  
182 related expenses may be incorporated into the non-recurring charges, retail  
183 rates may have to be adjusted as well since presumably retail rates are set  
184 at levels that at least in part reflect the cost of maintaining the public  
185 switched network.  
186
- 187 4. It would cause unintended cross-subsidies as the non-recurring charges,  
188 paid by one single CLEC as a result of ordering one or more UNEs,  
189 would recover costs for activities from which other carriers, including the  
190 ILEC itself, will continue to benefit. To avoid these types of inappropriate  
191 cross-subsidies, complicated refund mechanisms would have to be put in  
192 place.  
193

194 5. This method would cause non-recurring charges to be significantly higher  
195 than they should be and preclude competition where competition would  
196 otherwise be possible.

197  
198 6. It would reduce barriers to entry  
199  
200 In short, an approach that recovers all costs associated with service activation --  
201 irrespective of whether those costs are associated with activities that benefit only  
202 the CLEC placing the service order -- would result in a large number of  
203 undesirable consequences.

204  
205 In our review of SBC's studies, we have evaluated the validity of SBC's cost  
206 estimates against the standards described in the above discussion.

207 ***B. Placing the Fox in Charge of the Hen-House: Non-Recurring Charges,***  
208 ***Win-Back Programs and Churn Rates***

209 **Q. IS THERE AN INCREASING NEED AND JUSTIFICATION FOR THE**  
210 **COMMISSION TO APPROVE NON-RECURRING CHARGES THAT DO**  
211 **NOT POSE BARRIERS TO ENTRY?**

212 A. Yes. Contrary to Dr. Currie's testimony that continues to advocate the front  
213 loading of costs in non-recurring charges,<sup>5</sup> the FCC has recognized that such  
214 practices create barriers-to-entry where there should be none or lower ones, are  
215 inappropriate from a methodological perspective and permanently imperil the  
216 competitive process by handing the ILEC a lethal combination of wholesale and

---

<sup>5</sup> A specific example of this practice concerns Dr. Currie's stubborn discussion and recommendation (against previous Commission findings) to front load non-recurring charges with computer processing costs. (See Currie Rebuttal Testimony, Section VI, pages 23 – 26.) However, as discussed in this testimony, SBC's practice of front loading costs and raising non-recurring charges is systemic in that the company totally fails to acknowledge the proper principles for categorizing costs as either belonging in recurring charges or in non-recurring charges but reflexively "dumps" costs in the nonrecurring charges.

217 retail pricing strategies against which dependent CLECs simply cannot defend  
218 themselves.

219

220 Specifically, the FCC recognized in the *Triennial Review Order* that there  
221 is a lethal relationship between non-recurring charges, churn rates and the ILEC's  
222 winback programs. The higher the churn rates, the more difficult it is for the  
223 CLEC to fully recoup its customer acquisition costs and non-recurring charges,  
224 such as those proposed by SBC in the current proceeding. As the FCC notes:<sup>6</sup>

225 The evidence in the record demonstrates that customer churn  
226 exacerbates the operational and economic barriers to serving mass  
227 market customers. For example, competitive LECs incur non-  
228 recurring costs upon establishing an end user's service, but generally  
229 recover those costs over time, spreading them out over monthly  
230 customer bills; high churn rates thus often deprive competitive carriers  
231 the opportunity fully to recover those outlays.

232

233 To put these dynamics in perspective, consider an example: if customer  
234 acquisition costs are \$120 and churn rates are 12 months, the monthly cost  
235 recovery burden to break-even on customer acquisition costs is approximately  
236 \$10.<sup>7</sup> If the churn rate is 6 months, however, than the monthly cost recovery  
237 burden shoots up to \$20 per month. It is clear from this example that in the face  
238 of high churn rates, the non-recurring charges are possibly more important  
239 considerations than the recurring charges and they may pose an insurmountable  
240 barrier to entry.<sup>8</sup>

241

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<sup>6</sup> See *Triennial Review Order*, ¶470 and 471.

<sup>7</sup> Ignoring the time value of money,  $\$120 / 12 = \$10$  per month. These numbers are hypothetical and may significantly understate the customer acquisition costs (NRCs and other costs of attracting the customer) to CLECs.

<sup>8</sup> *Triennial Review Order*, ¶475.

242 The mix is revealed as even more lethal for CLECs when one considers the  
243 ability of ILEC's to engage in winback programs. Since winback programs are  
244 specifically targeted at the CLEC customers that have just left the ILEC, the  
245 winback programs in effect serve to *increase* the CLEC's churn rates. Indeed, it  
246 is through the combination of the non-recurring charges – if they are high -- and  
247 the winback programs that the ILEC will be able to render customers  
248 uneconomical for CLECs. Given that the winback programs are generally  
249 unregulated, they can be used as a “punitive” measure to signal to CLECs how  
250 much competition the ILEC will tolerate in a serving area.

251

252 The best protection against this potentially lethal dynamic that places an  
253 inordinate amount of market control in the hands of SBC is to set non-recurring  
254 charges at levels consistent with TELRIC and to order SBC to recover costs  
255 associated with investments or activities from which multiple entities benefit  
256 (such as computer processing costs) through recurring charges. This does by no  
257 means suggest that SBC should not recover its costs; rather, the recommendation  
258 is that the Commission should rigorously apply TELRIC principles and correctly  
259 classify costs as either non-recurring or recurring costs. We have already  
260 discussed that if SBC's costs are correctly classified, then many of the costs now  
261 included by SBC's non-recurring charges are more appropriately recovered  
262 through recurring charges.

263

264 **III. SURREBUTTAL TO SBC WITNESS DR. CURRIE**

265 **Q. WHICH ARE THE ISSUES THAT DR. CURRIE RAISES IN HIS**  
266 **TESTIMONY THAT YOU WILL REBUT?**

267 A. In his rebuttal testimony, Dr. Currie makes the following arguments:

268 -- SBC's Operations Support Systems ("OSS") and the high fall-out rates of  
269 those systems are the best that can be expected and should presumptively  
270 be considered as least-cost, forward-looking.

271  
272 -- Computer processing costs should be recovered through non-recurring  
273 charges because SBC incurs computer processing costs associated with  
274 service orders.

275  
276 -- Labor rate adjustments are inappropriately applied.

277  
278 -- Travel times do not need to be supported other than by subject matter  
279 expert estimates.

280  
281 In what follows, we will discuss each of these issues in more detail.

282  
283 Further, Dr. Currie also discusses SBC's revised non-recurring ("NRC") cost  
284 studies. The only modification that we will address is the new claim that  
285 unbundled loops are always design circuits. However, since Dr. Currie defers to  
286 Ms. Gomez-McKeon on this issue, we will address SBC's revised studies in a  
287 separate section.

288 *A. Dr. Currie Is Wrong in Claiming that SBC's High Fall-Out Rates Are*  
289 *Least-Cost, Forward-Looking and Consistent with the FCC's TELRIC*  
290 *Methodology*

291 **Q. DOES DR. CURRIE CLAIM THAT SBC'S OSS AND HIGH-FALL OUT**  
292 **RATES ARE LEAST-COST, FORWARD-LOOKING AND CONSISTENT**  
293 **WITH THE FCC'S TELRIC METHODOLOGY?**

294 A. Yes. Dr. Currie spends a good part of his rebuttal testimony discussing his  
295 understanding of the FCC’s TELRIC methodology. Specifically, he focuses on  
296 the critical question of what technologies should be assumed for purposes of the  
297 cost studies.

298

299 Dr. Currie claims that SBC’s currently deployed OSS and the associated fall-out  
300 rates are presumptively reasonable. Further, Dr. Currie argues that our  
301 recommendation that the Commission should hold SBC to a higher standard of  
302 performance is inappropriate under TELRIC. For example, on page 12 of his  
303 rebuttal testimony, Dr. Currie states:

304 **Q19. THE ANKUM-MORRISON DIRECT TESTIMONY AT**  
305 **PAGE 32 CLAIMS THAT NRC STUDIES SHOULD**  
306 **‘REFLECT FORWARD-LOOKING, LEAST-COST**  
307 **TECHNOLOGIES AND NOT SBC’S ACTUAL**  
308 **OPERATIONS.’ IS THIS CONSISTENT WITH THE FCC’S**  
309 **TELRIC METHODOLOGY?**

310

311 A. No. This characterization of the TELRIC methodology is  
312 incomplete and misleading. The FCC clearly restricted relevant  
313 technologies in the context of this proceeding to those that are  
314 operationally feasible and commercially available to SBC Illinois.  
315 In addition, such technologies must be compatible with a network  
316 design that relies on existing wire center locations. As discussed,  
317 the technologies currently used and developed by SBC Illinois are  
318 appropriately considered for use in a any TELRIC study. The  
319 Ankum-Morrison testimony presumptuously claims that  
320 technologies used by SBC Illinois in ordering or provisioning  
321 UNEs are not “forward-looking, least-cost” technologies.  
322 However, their claim is based on an incomplete and misleading  
323 understanding of forward-looking, most-efficient and least-cost  
324 technologies.

325

326 Dr. Currie argues that our view is incorrect because “technical change is not part  
327 of a long run analysis. The long run takes technology as fixed rather than  
328 variable.” (See Currie rebuttal, page 11)

329 We disagree with Dr. Currie’s testimony.

330

331 **Q. PLEASE STATE WHY YOU DISAGREE WITH DR. CURRIE’S**  
332 **TESTIMONY?**

333 A. Let us first note that in principle we agree with Dr. Currie that under TELRIC the  
334 state of technology should be assumed as given (i.e., fixed). Dr. Currie misses the  
335 point, however, of our testimony and cost study revisions: *SBC has failed to*  
336 *implement the currently available technologies.*

337

338 **Q. PLEASE EXPLAIN IN MORE DETAIL WHY DR. CURRIE’S**  
339 **TESTIMONY ON THE STATE OF TECHNOLOGY IS BESIDES THE**  
340 **POINT AND FAILS TO ACKNOWLEDGE THAT IT CONCERNS**  
341 **CURRENTLY AVAILABLE TECHNOLOGIES.**

342 A. The Commission should note that what is at issue is not the question: what  
343 technologies are available? Rather the question is: to what extent has SBC  
344 deployed the currently available technologies? As such, the issue before the  
345 Commission in this instance is no different than, say, when the Commission is  
346 determining in the context of loop cost studies the proper percentage of Integrated  
347 Digital Loop Carrier (“IDLC”) deployment to be assumed for cost study

348 purposes.<sup>9</sup> Again, at issue is the question of what degree of deployment of an  
349 available technology should be assumed for cost study purposes – recognizing  
350 that SBC’s actual network and operations may not yet reflect the total and full  
351 deployment of these technologies.

352

353 **Q. DO THE FCC AND STATE COMMISSIONS THAT REVIEW SBC’S**  
354 **SECTION 271 APPLICATIONS ACCEPT SBC’S OSS AS IMMUTABLE,**  
355 **FIXED AND PRESUMPTIVELY STATE OF THE ART?**

356 A. No. While the context of 271 proceeding is different from that of TELRIC  
357 proceedings, both the FCC and state commissions recognized that it is not  
358 appropriate to take SBC’s state of deployment of technologies and state of  
359 performance of OSS as given. Again, at issue was the question of the extent to  
360 which SBC had deployed available technologies.

361

362 **Q. SHOULD THE COMMISSION FIND – AS DR. CURRIE RECOMMENDS**  
363 **– THAT SBC’S STATE OF OSS IS PRESUMPTIVELY REASONABLE?**

364 A. Absolutely not. There is no actual demonstration in Dr. Currie’s testimony that  
365 the current state of SBC’s OSS is state of the art and represents the best that can  
366 be done with currently available technologies. In fact, Dr. Currie’s general and  
367 misdirected testimony could have equally been used to defend a system that had  
368 even higher levels of fall out or that was based on CLECs having to fax in their  
369 services orders. Dr. Currie’s discussion is entirely a self-serving defense of

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<sup>9</sup> SBC itself routinely proposes IDLC penetration rates for cost study purposes that are higher than the actual deployment of this technology.

370 SBC's systems and provides no reasonable basis for finding that the systems are  
371 in fact state of the art.

372

373 **Q. DR. CURRIE ALSO CRITICIZES YOUR DISCUSSION OF**  
374 **ORBITZ.COM AND AUTOMATIC TELLER MACHINES. PLEASE**  
375 **COMMENT ON HIS TESTIMONY.**

376 A. The main point of our discussion was to underscore the difference between  
377 commercial applications in which companies have an incentive to provide optimal  
378 flow though and customer satisfaction and SBC's incentives, which unfortunately  
379 are to provide low levels of service since its customers, CLECs, are also its  
380 competitors.<sup>10</sup> Further, not only does orbitz.com, which was started by a number  
381 of airline companies, have an incentive to provide customers with quality service  
382 but orbitz also competes against other online services, such as travelocity.com.

383

384

385 **Q. DR. CURRIE ALSO APPEARS TO CLAIM THAT SBC'S OSS FACES**  
386 **GREATER COMPLEXITIES THAN ORBITZ.COM. PLEASE**  
387 **COMMENT ON THIS CLAIM.**

388 A. As noted in our direct testimony, orbitz.com deals with dozens of carriers,  
389 with virtually all airport destinations, for flights at all times of the day, with meal  
390 preferences, seat preferences, one way trips, round trips, multiple destination  
391 trips, single passenger, multiple passenger, hotel reservations, rental car

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<sup>10</sup> This statement is intended only to discuss SBC's incentives and how it may impact SBC's deployment of OSS. It is not intended as evidence that the company is engaged in other activities to handicap CLECs.

392 reservations, and vacation trips, to name the major variables. Further all those  
393 possible trips can be paid for with variety of payment methods, each of which  
394 needs to be validated before a ticket is issued. The number of possible  
395 permutations runs into the billions. While Dr. Currie may be smitten with the  
396 scope of SBC's operations, the truth is that the number of possible combinations  
397 between all possible trips over time is simply infinite. Most importantly,  
398 however, orbitz.com has to deal with *real time changes* in travel schedules and  
399 prices that change on daily if not hourly basis; orbitz.com also has to tab into the  
400 systems of a large number of other entities, such as airline companies, rental car  
401 companies, credit card companies, etc. Obviously, the challenges and  
402 complexities faced by orbitz.com greatly outweigh those that SBC is facing.

403

404

405 **Q. DR. CURRIE NOTES THAT ORBITZ.COM CHARGES FOR ITS**  
406 **SERVICES. IS THIS OBSERVATION RELEVANT?**

407 A. No. Dr. Currie again misses the point. First, Orbitz.com allows users to freely do  
408 price and availability searches. Presumably, Orbitz.com is able to allow free use  
409 of its systems because its service is fully electronic and does not experience the  
410 costly labor intensive costs of SBC's fall-outs. Further, Dr. Currie mixes the  
411 service ordering and provisioning costs: when a user purchases a ticket, or other  
412 service, through orbitz.com there is a charge but the charge is for both service  
413 ordering and service provisioning (the service that orbitz.com delivers is the e-  
414 ticket, etc.) Also, since orbitz.com is closely affiliated with the airlines it is  
415 simply impossible to affirmatively determine what the costs and true charges of

416 using the service are because the airline tickets are typically cheaper online so that  
417 on balance an online ticket (airfare plus charges from orbitz.com) is typically still  
418 cheaper than a ticket ordered by phone. Last, the point of the comparison is, of  
419 course, to demonstrate that lower fall-out rates are possible in commercial  
420 applications.

421

422 **Q. IS STAFF’S RECOMMENDATION THAT FALL OUT RATES SHOULD**  
423 **BE NO MORE THAN 2 PERCENT CONSISTENT WITH YOUR**  
424 **RECOMMENDATIONS AND THOSE OF THE FCC’S WIRELINE**  
425 **COMPETITION BUREAU?**

426 A. Yes. In our direct testimony we argued that SBC’s proposed fall out rates are  
427 reflective of errors in its own legacy systems. By contrast, TELRIC studies  
428 should assume that service ordering systems and service provisioning systems are  
429 designed and integrated to prevent virtually any fall out. We further argued that  
430 SBC should be held to the standards of commercial applications, such as online  
431 systems (orbitz.com for online air travel reservations, or amazon.com) or ATM  
432 machines.

433

434 Staff also recommends that the Commission reconfirm its previous finding on  
435 flow through (and fall out):<sup>11</sup>

436 I recommend that the Commission adopt the same flow through rates  
437 it found on October 16, 2001, in Docket 98-0396, when the  
438 Commission ordered a 98% flow through rate be used to determine  
439 non-recurring service order costs.  
440

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<sup>11</sup> Staff witness McClerren, direct testimony page 4.

441 This recommendation is consistent with the findings of many Commissions,<sup>12</sup> as  
442 well as the FCC's in the *Virginia Arbitration Order*,<sup>13</sup> that fall out rates should be  
443 no higher than 2%. UNE-P migration is so plain vanilla and should be so run-of-  
444 the-mill that there is no reason why there should any fall-out at all. UNE-P  
445 migration fall out rates should therefore be no higher than 1%.

446

447 ***B. Dr. Currie is Wrong to Claim that Computer Processing Costs Should be***  
448 ***Included in NRCs***

449 **Q. WHAT IS THE ARGUMENT THAT DR. CURRIE MAKES IN DEFENSE**  
450 **OF SBC'S PROPOSAL TO INCLUDE COMPUTER PROCESSING**  
451 **COSTS IN NRCs?**

452 A. On page 23 of his rebuttal testimony, Dr. Currie notes:

453 The issue is whether or not forward-looking computer  
454 processing costs would remain unchanged if SBC Midwest had  
455 nonrecurring activities in the future. The amount of computer  
456 hardware, the software capabilities needed, and the operating  
457 and programming personnel required would be different  
458 between a world with service orders for SBC Midwest and one  
459 without service orders.

460

461 We disagree with Dr. Currie.

462

463 **Q. PLEASE EXPLAIN WHY YOU DISAGREE WITH DR. CURRIE.**

464 A. The critical issue on whether or not costs should be recovered through recurring  
465 or non-recurring charges hinges on whether the costs are associated with activities

---

<sup>12</sup> In our direct testimony, we have cited a number of commissions that have adopted a 2 percent fall out rate. (See Ankum Morrison Direct Testimony, page 72.)

<sup>13</sup> That NRC studies should assume low fall out of no greater than **2 percent** was confirmed by the FCC's Wireline Competition Bureau in its *Virginia Arbitration Order*. See paragraph 592. The 2 percent assumption for the ATT model is found in paragraph 592.

466 that benefit *only* the CLEC placing the service order or also other entities (CLECs  
467 and/or SBC itself). (This issue has been discussed at length earlier in this  
468 testimony.) Clearly, computer processing costs are not incurred on a per service  
469 order basis; rather they are costs associated with equipment that benefits all  
470 entities that place service orders.

471  
472 Dr. Currie’s statement (quoted above) only demonstrates that computer  
473 processing costs are incurred, an issue that no party disputes; it does not provide  
474 any useful criterion for differentiating costs between those that should be  
475 recovered on a recurring basis and those that should be recovered on a non-  
476 recurring basis. In fact, Dr. Currie’s “criterion” is not really a criterion and if  
477 applied to other UNE costs (whether it be recurring loop costs or any other UNE  
478 related costs) would cause literally *all* costs to be recovered on a non-recurring  
479 basis. To see that this absurd result applies, the Commission only has to  
480 substitute the phrase “UNE costs” for the phrase “computer processing costs” in  
481 Dr. Currie’s “criterion”: “the issue is whether or not forward-looking <UNE  
482 costs> would remain unchanged if SBC Midwest had no recurring activities in the  
483 future.” Thus, since the answer to that question is “yes”, Dr. Currie’s “criterion”  
484 could just as easily be used to absurdly argue that recurring loop costs should be  
485 recovered through non-recurring charges.

486  
487 Again, the issue of when costs should be recovered through non-recurring costs  
488 was addressed by the FCC Wireline Competition Bureau in the Virginia

489 Arbitration Order. We have discussed this issue at length earlier in this  
490 testimony.

491

492 **Q. HAS THE COMMISSION ALREADY DECIDED THIS ISSUE IN A**  
493 **PREVIOUS PROCEEDING AND HAVE THESE ISSUES ALREADY**  
494 **BEEN DISCUSSED IN THAT PROCEEDING?**

495 A. Yes. The Commission has already comprehensively considered these issues in  
496 Docket No. 98-0396, and found explicitly that the computer processing costs  
497 should be recovered through recurring charges. We are somewhat confused,  
498 therefore, by Dr. Currie's dismissive statement that we "just refer back to the  
499 Commission's decision in Docket No. 98-0396," as if Commission findings on  
500 such issues are merely elective and should not be binding.<sup>14</sup>

501

502 **Q. HAS DR. CURRIE PROVIDED ANY ADDITIONAL INFORMATION OR**  
503 **HAVE OTHER EVENTS TRANSPIRED SUCH THAT THE**  
504 **COMMISSION SHOULD REVISIT THIS ISSUE?**

505 A. No. Dr. Currie provides basically the same arguments that have been previously  
506 rejected by the Commission in Docket No. 98-0396. Further, the FCC's Wireline  
507 Competition Bureau has since provided further guidance on which types of costs  
508 should be recovered through non-recurring charges. A simple application of the  
509 FCC's provisions confirms the Commission's previous findings that, because  
510 entities other than the CLEC placing the service order benefit (in the sense that

---

<sup>14</sup> Dr. Ankum testified on the appropriate recovery of computer processing costs in Docket No. 98-0396 and his recommendations on this issue were adopted by the Commission.

511 the computers once in place are used by all CLECs and SBC itself), the costs  
512 should be recovered through recurring charges.

513

514 *C. Dr. Currie's Claim that Our Labor Costs Adjustments Lack Validity is*  
515 *Wrong*

516 **Q. DOES DR. CURRIE DISAGREE WITH THE LABOR COST**

517 **ADJUSTMENTS YOU HAVE MADE TO THE NRC STUDIES?**

518 A. Yes. The labor rate adjustments are discussed by AT&T witness Mr. Flappan.  
519 We do not provide an independent analysis of these adjustments but simply apply  
520 them in our revised studies. On page 26 of his testimony, Dr. Currie takes issue  
521 with both the adjustments to the labor rates and the manner in which we have  
522 applied those adjustments:

523 However, Dr. Ankum and Mr. Morrison have not done what  
524 their words seem to say. ... Consequently, Dr. Ankum and Mr.  
525 Morrison's approach is not consistent with Mr. Flappan's  
526 recommendations.  
527

528 **Q. DO YOU AGREE WITH DR. CURRIE?**

529 A. No. While we will not discuss Dr. Currie's critiques of Mr. Flappan's labor rates,  
530 we believe that our implementation of Mr. Flappan's labor rates is consistent with  
531 Mr. Flappan's testimony and revisions.

532

533 **Q. PLEASE EXPLAIN WHY YOUR IMPLEMENTATION OF THE LABOR**  
534 **RATES IS CONSISTENT WITH MR. FLAPPAN'S TESTIMONY AND**  
535 **REVISIONS.**

536 A. The non-recurring costs consist entirely of labor costs (with the sole exception of  
537 the computer processing costs) and are calculated by multiplying estimated labor  
538 times by labor rates. In arithmetic terms, the non-recurring costs can be expressed  
539 as follows:

540 
$$\text{Labor times} \times \text{labor rates} = \text{NRC}$$

541 Given that the calculation is multiplicative, it makes no difference whether  
542 adjustments are applied against the labor rates or against the NRC. Assuming an  
543 average reduction of labor rates of, say, 30 percent, the following two adjustments  
544 to a hypothetical examples of SBC's NRC are demonstrated to be equivalent:

545

546 Example of SBC proposed NRC:

547 
$$10 \text{ minutes} \times \text{hourly rate of } \$70/60 \text{ minutes} = \$17.50$$

548 The following two adjustments are equivalent:

549 
$$10 \text{ minutes} \times \$70.00 \times (1 - 30\%)/60 \text{ minutes} = \$12.25$$

550 or,

551 
$$\$17.50 \times (1 - 30\%) = \$12.25$$

552

553 That is, in both instances the NRC revised for labor rates is \$12.25. Our  
554 testimony applied the second method.

555

556 **Q. BUT, IS IT NOT TRUE THAT YOUR METHOD OF ADJUSTING NRCs**  
557 **APPLIES THE AVERAGE LABOR RATE REDUCTIONS ADVOCATED**  
558 **BY MR. FLAPPAN?**

559 A. Yes. This means that if labor rate reductions for certain types of labor and the  
560 degree to which they are used in the studies deviate greatly from the average, our  
561 method could either underestimate or overestimate the results generate by a  
562 disaggregated method. However, Dr. Currie has neither claimed not  
563 demonstrated that our method under-estimates cost reductions for labor rate  
564 revisions. We believe that our implementation of Mr. Flappan's adjustments and  
565 testimony is reasonable and results, in combination with other reductions, in  
566 appropriate TELRIC based non-recurring charges.

567

568 *D. Dr. Currie's Testimony Is an Admission that SBC's Travel Time Estimates*  
569 *Are Not Supported*

570 **Q. HAVE YOU CLAIMED IN YOUR DIRECT TESTIMONY THAT SBC'S**  
571 **TRAVEL TIMES ARE UNSUPPORTED?**

572 A. Yes. On pages 104 – 106 of our Direct Testimony, we discuss that SBC fails to  
573 support its travel time estimates with the exception of SBC's response to Joint  
574 CLEC Data Request 1.52e.

575

576 **Q. IS DR. CURRIE'S TESTIMONY AN ADMISSION THAT SBC'S TRAVEL**  
577 **TIMES ARE UNSUPPORTED?**

578 A. Yes. As discussed in our direct testimony (and as can be seen from SBC's cost  
579 studies), there is travel time in SBC's NRC studies for two distinct types of trips:  
580 (a) travel to the work locations (FDI/SAI and/or end-user locations), and (b) travel  
581 to unmanned central offices. The latter situation applies only to the minority of  
582 trips.

583

584 Dr. Currie now admits that the support for travel times included in SBC's  
585 response to Joint CLEC Data Request 1.52e applies *only* to travel to unmanned  
586 central offices. On page 37 he states:

587 Specifically, the spreadsheet has monthly travel times from  
588 January 2000 to May 2003 for more than 150,000 trips by central  
589 office forces to unmanned central offices in Illinois.  
590

591 He then goes on to note on page 38 that with respect to the majority of the trips  
592 there is no back-up or support information:

593 While SMEs may *not* have undertaken explicit calculations in  
594 making their travel time estimates, the estimates are based on  
595 informed judgment and are not simply "made up."  
596

597 Thus, Dr. Currie admits that the travel estimates for the vast majority of the  
598 instances are made up – or, since Dr. Currie takes offense to this term – are  
599 "estimates" by SMEs and *that no support documents, studies or analyses exist.*

600

601 **Q. EXPLAIN WHY IT IS SIMPLY NOT APPROPRIATE TO ASSERT, AS**  
602 **DR. CURRIE DOES, THAT SME ESTIMATES ARE SUFFICIENT TO**  
603 **SUPPORT TRAVEL TIMES ASSUMED IN THE NRC STUDIES.**

604 A. We have already explained in our direct testimony that SME estimates may  
605 introduce biases. However, the SME estimates for travel are particularly  
606 inappropriate for a number of reasons.

607

608 First, the travel estimates as used in the studies are averages intended as  
609 average travel time estimates. This means that for the studies to be reasonably

610 accurate, the average travel times should be representative of the various  
611 situations for which travel occurs in Illinois. That is, the average should reflect  
612 such variations as exists in the following very different circumstances:

- 613 -- travel in rural areas in hundreds of different communities in Illinois
- 614 -- travel in large urban areas in Illinois
- 615 -- travel during rush hour times in rural areas
- 616 -- travel during rush hour times in urban areas
- 617 -- travel during hours that are not rush hours in rural areas
- 618 -- travel during hours that are not rush hours in urban areas

619 Needless to say, it would be a daunting task for any person, no matter how expert,  
620 to provide an average travel time estimate taking into consideration all these  
621 variables without the benefit of doing some calculations – yet, this is precisely the  
622 feat accomplished, according to Dr. Currie, by SBC’s SMEs. That is, the SME  
623 estimates were “intuited” without analyses, studies or work papers. Our  
624 recommendation is that this method be found to be insufficient and that the travel  
625 time estimates are rejected as unsupported.

626

627 **Q. ARE SBC’S SMEs EVEN EXPERTS AT ESTIMATING TRAVEL TIMES**  
628 **OR TRAFFIC FLOWS?**

629 A. There is no reason to think that they are. While SBC’s SMEs are most likely  
630 experts at performing telecommunications oriented tasks they are not experts at  
631 estimating travel times or traffic flows, nor is there any indication that they would  
632 have the statistical training to validate that there estimates are a representative

633 average for all trips involved in the provisioning of UNEs in Illinois (which,  
634 again, would be a daunting statistical task).

635

636 **Q. DO THE SBC’S SMEs HAVE ANY MORE EXPERIENCE AT TRAVEL IN**  
637 **ILLINOIS THAN AN ORDINARY CITIZEN?**

638 A. Not really. Everybody in Illinois that has a car has experience with travel times in  
639 Illinois. To show how inappropriate SBC’s method is, the Commission should  
640 consider the following question: “How long does it take on average for a citizen  
641 of Illinois to travel from his/her house to the grocery store?” Even somebody that  
642 has lived in various places in Illinois for decades and has gone to the grocery store  
643 thousands of times – and as such is as much a *SME on travel* as SBC’s SMEs --  
644 could not possibly answer this question accurately without the aid of a systematic  
645 quantitative analysis, other than by chance.

646

647 In short, when one looks past the “mystique” created by the term “subject  
648 matter expert”, it is clear that SBC wants the Commission to accept travel  
649 estimates that are entirely unsupported.

650

651 **Q. HAS THE FCC LIKEWISE FOUND THAT SME BASED ESTIMATES**  
652 **WITHOUT PROPER SUPPORT, SUCH AS SBC’S, POSE SERIOUS**  
653 **PROBLEMS?**

654 A. Yes. In the *Virginia Arbitration Order*, the FCC noted the following problems  
655 with this method:

- 656 1. The instructions to VZ's employees left little doubt that they would be  
657 used for UNE rates for CLECs, which would encourage employees to  
658 overestimate labor times. (Paragraph 572.)  
659
- 660 2. Verizon's method of averaging creates a systematic bias toward higher  
661 estimates. (Paragraph 573.)  
662
- 663 3. The high variation in the labor time estimates compounds the problems  
664 associated with the previous two observations, further undermining the  
665 validity of the estimates. (Paragraph 574.)  
666
- 667 4. The mechanics of VZ's methods tend to produce "padded estimates"  
668 because each step has minimum time estimates associated with it.  
669 (Paragraph 575.)  
670
- 671 5. The adjustments to the labor time estimates (for occurrence and forward-  
672 looking adjustments) are unsupported and based on subjective consensus  
673 building estimates. (Paragraph 576.)  
674

675 Most, if not all, of these problems apply to SBC's studies in general and to SBC's  
676 SME provided travel related time estimates.

677

678 **Q. HOW DO YOUR RECOMMENDATIONS SIDESTEP THE PROBLEMS**  
679 **THAT THE FCC HAS IDENTIFIED?**

680 A. We side step these problems in two ways. First, unlike the "evidence" provided  
681 by SBC's SMEs, our testimony on these issues is subject to cross-examination  
682 and provided under oath. Second, we provide the Commission with both a  
683 method and inputs that can be adjusted for determining travel times rather than an  
684 obscure and obviously incorrect SME based estimate that requires an  
685 unsupportable leap of faith. That is, under our recommendation, the Commission  
686 can adjust the critical inputs, such as the number of jobs that a technician can  
687 perform in a day or the assumed average distance or average speed of travel, that

688 are explicit in our method of determining travel times but that are obscured in  
689 SBC's SME based estimates.

690

691 **Q. HAS DR. CURRY CRITICIZED YOUR METHOD FOR DETERMINING**  
692 **TRAVEL TIMES?**

693 A. Yes. On page 41 Dr. Currie criticizes our method for determining travel times.  
694 Interestingly, Dr. Currie's own discussion underscores the need for a more  
695 systematic analysis, such as the one we presented, rather than completely made-  
696 up, SME based "guesstimates." Perhaps most condemning is Dr. Currie's  
697 testimony on page 38 of his rebuttal where he indignantly states that "without any  
698 additional experience or data, it is mere speculation as to whether distance or  
699 speed will dominate travel time estimates for rural areas compared to suburban  
700 areas." Well, in view of this, one cannot help but wonder: how did SBC's SMEs  
701 without the aid of even a scrap of paper<sup>15</sup> with notes or calculations "divine" their  
702 travel estimates?

703

704 **Q. HAS DR. CURRY SUPPLEMENTED SBC'S DEFICIENT TESTIMONY**  
705 **WITH MORE ACCURATE INFORMATION?**

706 A. No. Dr. Currie makes bold assertions about why our method is not appropriate.  
707 However, he does not provide the data to the Commission necessary to perform a  
708 detailed analysis of travel times. His discussion is no more than a series of

---

<sup>15</sup> As noted in our direct testimony, we asked SBC for all support for the SME based travel time estimates. None was provided.

709 unsubstantiated statements that are inadequate to carry the burden of proof that  
710 SBC has in TELRIC proceedings.

711

712 **Q. DOES DR. CURRIE ATTEMPT TO VALIDATE SBC'S TRAVEL**  
713 **ESTIMATES BY MAKING ADJUSTMENTS TO THE METHOD YOU**  
714 **PRESENTED IN YOUR TESTIMONY?**

715 A. Yes. In KAC-R24, Dr. Currie uses the method presented on page 115 of our  
716 direct testimony. Dr. Currie's inputs make no sense and his calculations should  
717 be rejected.

718

719 **Q. PLEASE EXPLAIN WHY DR. CURRIE'S INPUTS MAKE NO SENSE.**

720 A. First, Dr. Currie's assumption that a technician performs only four jobs per day  
721 should be rejected as inconsistent with SBC's own inflated labor times. Under  
722 SBC's own study assumptions, the average time it takes a technician for travel  
723 and establishing cross-connects and testing is still less than half an hour (though,  
724 obviously, it would be a lot less after our adjustments)<sup>16</sup>. This means that under  
725 Dr. Currie's assumption of four jobs per day, the technician is assumed to work  
726 less than two hours per day. While the fact that we should add in breaks, sick  
727 time and vacation time alters that conclusion to some extent, clearly, under Dr.  
728 Currie's assumption, the job remains a part time job. In short, Dr. Currie's ad hoc

---

<sup>16</sup> The precise time is easily verified by adding the individual activity times in SBC's NRC loop provisioning study, Tab: 6.2, lines 21 through 27.

729 assumption about the number of jobs<sup>17</sup> that technicians perform per day is  
730 inconsistent with SBC's own studies.

731

732 Next, Dr. Currie assumes that the average length of travel between jobs is 4 miles.  
733 This is of course nonsense. Not only is this number unsupported, it also is  
734 inconsistent with other facts about the network and common sense. First, as  
735 discussed in our direct testimony (page 111), technicians work in designated areas  
736 and not all over town. As such, the distances that they travel are delineated by  
737 loop lengths, which may vary from very short loops of significantly less than one  
738 mile in urban areas to longer loops in more sparsely populated rural areas. Given  
739 that most loops are found in Zone 1 and Zone 2, that have shorter loops, the  
740 average loop length in Illinois is estimated by us to be approximately 2.4 miles.  
741 (Precise loop lengths are found in footnote 21 to our direct testimony.) To  
742 assume that the average travel distance between job sites is 4 miles is inconsistent  
743 with these loop lengths. An average of 4 miles means that about half<sup>18</sup> the jobs  
744 have trips that are longer than 4 miles. This is highly questionable – again in  
745 view of the average loop length – because dispatchers plan the technicians' trips  
746 (in somewhat the same manner that most people plan the sequence of their  
747 Saturday morning errands so as to minimize their driving distances/time.) In  
748 short, Dr. Currie's assumption here is unsupported and inconsistent with other  
749 facts.

---

<sup>17</sup> Of course, some technicians may spend entire days at one worksite for certain jobs. However, these are not the jobs that we are considering here. At issue in these studies is the establishment of simple cross-connects.

<sup>18</sup> For convenience we assume that loop lengths follow a normal distribution.

750

751 Last, Dr. Currie's observation that there are fewer garages than central offices  
752 does not invalidate our analysis. As the diagram below shows, assuming that  
753 central offices are fairly uniformly distributed across a geographic region, the  
754 garages will be surrounded by central offices. This means that a dispatcher will  
755 still be able to arrange a reasonable travel schedule that minimizes the useless (in  
756 the sense that no work is accomplished) but expensive travel time.

757

**CO  
1**

**CO  
4**

**Garage**

**CO  
2**

**CO  
3**

758 In short, the more that Dr. Currie objects the more it becomes clear that given the  
759 complexity of the issue, SBC's SMEs can not possibly be expected to provide  
760 valid estimates of the top of their heads without the benefit of a more systematic  
761 analysis such as the one presented in our direct testimony.

762

763 **IV. SBC'S NEW FOUND CLAIMS THAT ALL UNE-LOOPS ARE**  
764 **DESIGN CIRCUITS – AND THE STUDY REVISIONS -- SHOULD**  
765 **BE REJECTED**

766 **Q. DOES SBC NOW CLAIM THAT ALL UNE-LOOPS ARE DESGN**  
767 **CIRCUITS?**

768 A. Yes. On page 21 of his testimony Dr. Currie notes; “all standalone loops are  
769 designed, but the original study did not implement this process.” He then refers to  
770 Ms. Gomez-McKeon for a basis for this sudden revelation.

771

772 **Q. DOES MS. MCKEON ADEQUATELY EXPLAIN SBC'S SUDDEN**  
773 **REVELATION THAT ALL UNE LOOPS ARE DESIGN CIRCUITS?**

774 A. No. There is hardly any discussion in Ms. Gomez-McKeon's testimony of this  
775 new issue. In general, the changes are unsupported.

776

777 **Q. ARE POTS LOOPS DESIGN LOOPS?**

778 A. No. There is simply nothing about POTS loops that requires custom design.  
779 Further, unless they are deficient all basic loops in SBC's network support basic  
780 POTS service. No design work is needed.

781

782 **Q. SHOULD THE COMMISSION REJECT THESE OPPORTUNISTIC AND**  
783 **GENERALLY UNSUPPORTED REVISIONS OF THE STUDIES?**

784 A. Yes. First, the changes are simply not adequately supported by SBC. Further,  
785 since March 6, 2003, SBC has filed these same NRC studies in Indiana and in  
786 Michigan. In neither jurisdiction did the company treat the unbundled loops as

787 design circuits. It is hard to understand why unbundled loops in Illinois would be  
788 different from those other states.

789 **V. SURREBUTTAL TO MS. GOMEZ-MCKEON'S REBUTTAL**  
790 **TESTIMONY**

791 **Q. DOES MS. GOMEZ-McKEON ADDRESS MANY OF THE ISSUES**  
792 **ADDRESSED IN YOUR TESTIMONY?**

793 A. Yes. Much of Ms. Gomez-McKeon's testimony is an itemization of the  
794 differences in position and recommendations made by SBC and us.

795

796 **Q. DOES MS. GOMEZ-McKEON INTRODUCE NEW INFORMATION**  
797 **THAT WOULD CAUSE YOU TO CHANGE YOUR**  
798 **RECOMMENDATIONS.**

799 A. No. Ms. Gomez-McKeon has not introduced new information that would cause  
800 us to change our recommendations. Further, our testimony in support of our  
801 recommendations remains as stated in our direct testimony; we will not repeat  
802 those arguments here.

803

804 **VI. THE FCC VIRGINIA ARBITRATION ORDER SUPPORTS**  
805 **HIGHER DIP AND DOP RATES THAN THOSE USED BY SBC**

806 **Q. DOES MS. GOMEZ-McKEON CONTINUE TO DEFEND SBC'S LOW**  
807 **DIP/DOP RATES?**

808 A. Yes. On page 24 of her testimony, Ms. Gomez-McKeon states the following:

809 Q. DO YOU AGREE THAT IT IS NECESSARY TO MODIFY  
810 THE DIP/DOP RATES AS PROPOSED BY MR. TURNER,  
811 DR. ZOLNIEREK AND DR. ANKUM AND MR.  
812 MORRISON?

813 A. No. Mr. Turner, Dr. Zolnierrek and Dr. Ankum and Mr. Morrison  
814 have questioned the DIP/DOP rate. For the reasons listed above,  
815 the DIP and DOP factors in the study are an appropriate  
816 representation of the facility make-up of the outside plant.  
817

818 In our direct testimony, we have already discussed why SBC's DIP and DOP rates  
819 are inappropriate for purposes of a TELRIC study; we will not repeat those  
820 arguments here.

821

822 **Q. HAS THE FCC REJECTED THE SAME ARGUMENTS MADE BY MS.**  
823 **GOMEZ-McKEON FOR DIP AND DOP RATES?**

824 A. Yes. The FCC's Wireline Competition Bureau rejected the same arguments in  
825 paragraph 587 of the *Virginia Arbitration Order*:

826 We find that AT&T/WorldCom's assumption of 100 percent DIP and  
827 DOP is reasonable. Not only is this a surer method of avoiding double  
828 recovery, but it also seems to conform to the retail practice of recovering  
829 these costs through recurring charges. In addition, it furthers the policy  
830 objective of minimizing barriers to entry. Verizon's critique of  
831 AT&T/WorldCom's assumption of 100 percent DIP and DOP  
832 misconstrues AT&T/WorldCom's model. As aT&T/WorldCom explained,  
833 the assumption of 100 percent DIP and DOP is a modeling convention that  
834 is designed to reflect that these costs are recovered in the recurring cost  
835 study, not an assumption that any real network would be built this way.  
836 This assumption does not prevent Verizon from recovering any costs  
837 because AT&T/WorldCom provide for recovery of these costs through  
838 ACFs, just like all other loop maintenance expenses.  
839

840 All the same findings would apply in the current proceeding. We recommend,  
841 therefore, that the Commission, like the FCC's Wireline Competition Bureau,

842 reject the arguments put forth in defense of low DIP and DOP rates, such as those  
843 made by Ms. Gomez-McKeon.

844 **VII. CONCLUSION**

845 **Q. HAS SBC'S REBUTTAL TESTIMONY CAUSED YOU TO CHANGE ANY**  
846 **OF YOUR RECOMMENDATIONS CONTAINED IN YOUR DIRECT**  
847 **TESTIMONY?**

848 A. No. SBC's rebuttal testimony has done nothing to change our recommendations  
849 with respect to non-recurring charges in this proceeding, and we urge the ALJ and  
850 the Commission to adopt our recommendations as described above and as  
851 discussed in our direct testimony.

852

853 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

854 A. Yes, it does.

855