

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

ALHAMBRA-GRANTFORK TELEPHONE)	
COMPANY)	
)	Docket No. 04-0354
)	
Petition for Universal Service Support)	
)	

**RESPONSE OF AT&T ILLINOIS TO ALHAMBRA GRANTFORK TELEPHONE
COMPANY'S MOTION TO STRIKE CERTAIN TESTIMONY**

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January 24, 2006

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Illinois Bell Telephone Company (“AT&T Illinois”), by one of its attorneys, submits this response to the motion of Alhambra Grantfork Telephone Company (“AGTC”) to strike the testimony of AT&T Illinois’ witness, James E. Stidham, Jr. The essence of ATGC’s argument is that AT&T Illinois has raised an issue outside the scope of this rehearing by taking the position that AGTC should not be granted retroactive funding, if the Commission determines to order additional funding from the Illinois Universal Service Fund (“IUSF”). AT&T Illinois disagrees that this issue is outside the scope of the rehearing and, in fact, the Commission’s Notice of Commission Action clearly and appropriately states that the issue of retroactive funding be addressed.

AGTC’s claim that the question of retroactive funding is outside the scope of rehearing is based on a misreading of the Commission’s October 19, 2005 Order, which denied AGTC’s request for additional funding from the IUSF, and the Commission’s November 29, 2005 Notice of Commission Action. In its Order, the Commission concluded in part that AGTC had provided insufficient information regarding the effect

of federal USF support. With respect to the inadequacy of AGTC's submission, the

Order stated:

The Commission has reviewed the record on this issue. Although Alhambra's position is well articulated in its briefs, the Commission finds that Alhambra has not properly reflected the effects of federal USF support associated with the project. It is undisputed that the request for relief is driven by the two-year upgrade commencing in 2003, and that Alhambra has included its costs of the project for both 2003 and 2004 in the "cost" element of the calculation of its purported funding requirement under Section 13-301(d).

However, Alhambra has excluded federal support for the same 2004 investment. In other words, Alhambra is including 2004 investment for the project in the cost side of the Section 13-301(d) formula, but is excluding federal support for the same 2004 investment in the federal support offset in the statutory formula. The existence of a two-year lag in the federal support, whereby support associated with the 2004 investment would not be received until 2006, does not somehow justify ignoring such support while including the costs for the same project in the cost side of the calculation. Under the circumstances, such "unbalanced equation" treatment would be illogical and asymmetrical, and would frustrate the formula in Section 13-301(d). Further, there is no rule, statutory provision or order that requires such a mismatch or the result thereof.

Alhambra's contentions that the AT&T and Staff arguments on this issue were rejected in 00-0233/00-0335, and would result in "disparate treatment" in the instant case, are unpersuasive. There is no indication in the language cited from the order in 00-0233/00-0335 that the Commission considered, and in turn rejected, a similar argument relating to a two-year lag on plant upgrades. Even if there were, the parties in the instant case should not be precluded from raising and analyzing the issue in the record -- which they did in a prompt manner -- especially in light of the federal USF offset language in 13-301(d) and the fact that Alhambra's request for support is based on its expenditures in those upgrades. Alhambra had an opportunity to quantify the particular federal support amounts after the issue was raised, but elected not to do so, in part because the FCC is "reconsidering" USS methodology. As observed by AT&T and Staff, the argument that the current methodology is under review does not mean the calculation of such amounts is irrelevant, or too speculative, to be considered in the instant docket.

As indicated above, Alhambra has not properly reflected the federal USF offset contemplated in the formula in Section 13-301(d). As such, the Company has not demonstrated that its economic costs exceed the

affordable rate less any federal universal service support within the meaning of Section 13-301(d). Its petition should be denied.

Order at 31 (emphasis added).

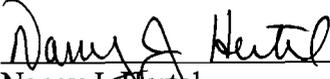
In its Application for Rehearing, AGTC sought as an alternative form of relief the opportunity “to present new evidence of its 2006 federal USF support...” and requested “that the Commission order the administrator of the Illinois Universal Service Fund to provide AGTC IUSF support...starting December 17, 2003, together with interest...” *AGTC Petition for Rehearing and Reconsideration at 9*. The November 23, 2005 Memorandum from the Administrative Law Judge to the Commission addressed this request and also the issue of retroactive funding. The ALJ noted that although AGTC had alleged that it had “new information” to quantify the federal support offset associated with the 2004 investment, “[t]he fact remains, however, that it was the Company’s decision not to provide any forecasted quantification of that support during the case, even though the issue was raised in a timely manner by other parties.” *ALJ Memorandum at 2*. The Administrative Law Judge recommended that if the Commission granted rehearing, the “scope of rehearing issues also include the retroactivity of any IUSF funding granted on rehearing.” *Id.*

On November 29, 2005, the Commission granted AGTC’s application for rehearing in part and identified two issues to be addressed in the proceeding: “(1) Quantification of the federal universal service fund support offset. (2) Retroactivity of IUSF funding, if any, granted on rehearing.” *See Notice of Commission Action*. Thus, the issue of retroactive funding is appropriate to consider on rehearing and is not outside the scope of this rehearing as AGTC argues.

AGTC has not raised any valid argument to support its position that the issue of retroactive funding is outside of the scope of the rehearing. AGTC relies on the statement in the Commission's October 19, 2005 Order that "[o]n this issue, based on the record, the Commission finds that if Alhambra were entitled to IUSF funding, such funding should be retroactive to December 17, 2003, if AGTC's financial statements are deemed to justify funding starting that day." *Order at 25*. On rehearing, the Commission will decide based on new evidence, not just the record in the initial proceeding, whether AGTC should be granted additional funding. In addition, although AGTC seeks to strike Mr. Stidham's testimony on retroactive funding, AGTC itself has submitted testimony on rehearing in which the witness addresses not only the amount of retroactive funding sought, but why AGTC believes that "it continues to be appropriate to implement its IUSF funding retroactive to December 17, 2003." *AGTC Exhibit 1 on Rehearing at 9-10*.

For all the above reasons, the ALJ should deny AGTC's Motion to Strike the Testimony of James E. Stidham, Jr.

Respectfully submitted,

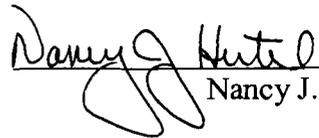


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Dated: January 24, 2005

CERTIFICATE OF SERVICE

I, Nancy J. Hertel, an attorney, certify that a copy of the foregoing **RESPONSE OF AT&T ILLINOIS TO ALHAMBRA GRANTFORK TELEPHONE COMPANY'S MOTION TO STRIKE CERTAIN TESTIMONY** was served on the following parties by electronic transmission on January 24, 2006.



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ICC Docket 04-0354
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