

**BEFORE THE ILLINOIS COMMERCE COMMISSION**

**Docket No. 04-0354**

**Direct Testimony on Rehearing of James E. Stidham, Jr.  
On Behalf of AT&T Illinois**

**AT&T Illinois Exhibit 1.3**

**JANUARY 13, 2006**

1           **DIRECT TESTIMONY ON REHEARING OF JAMES E. STIDHAM, JR.**

2                           **ON BEHALF OF AT&T ILLINOIS**

3

4   **Q.     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

5   A.     My name is James E. Stidham, Jr., and my business address is 208 S. Akard  
6         Street, Room 3041, Dallas, Texas 75202.

7   **Q.     ARE YOU THE SAME JAMES E. STIDHAM WHO SUBMITTED**  
8         **DIRECT AND REBUTTAL TESTIMONY IN THIS PROCEEDING?**

9   A.     Yes.

10  **Q.     WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**  
11         **PROCEEDING?**

12  A.     My testimony responds to the direct testimony on rehearing of Alhambra witness  
13         Robert C. Schoonmaker and to the issues identified by the Commission in its  
14         Notice of Commission Action granting rehearing in this proceeding.

15  **Q.     THE COMMISSION, IN ITS ORDER ON REHEARING IN THIS**  
16         **PROCEEDING, HAS PROVIDED THE PARTIES AN OPPORTUNITY TO**  
17         **FILE ADDITIONAL TESTIMONY ON THE RETROACTIVITY OF IUSF**  
18         **FUNDING, IF ANY, GRANTED ON REHEARING. SHOULD**  
19         **ALHAMBRA BE GRANTED FUNDING RETROACTIVE TO**  
20         **DECEMBER 17, 2003, AS PROPOSED BY MR. SCHOONMAKER IN HIS**  
21         **DIRECT TESTIMONY ON REHEARING?**

22 A. No. I believe that it would be both fair and reasonable to begin any IUSF funding  
23 that may be granted to Alhambra effective on the date that the Commission issues  
24 an order in this proceeding approving such funding. In the direct testimony of  
25 Alhambra witness Robert Schoonmaker dated June 25, 2004, Alhambra asked for  
26 funding back to “January 1, 2003.” (AGTC Ex. 1.0 at 61.) In Mr. Schoonmaker’s  
27 reply testimony, dated October 29, 2004, he stated that Alhambra “does not  
28 contest the Staff’s proposal to make any funding approved in this case retroactive  
29 to December, 2003 when it filed its request for funding.” (AGTC Ex. 3.0 at 19,  
30 lines 397-399.) December 17, 2003 is the date identified by Staff on which  
31 Alhambra initially applied for IUSF funding. In its initial brief, Staff stated in  
32 support of its recommended date for the beginning of retroactive funding that  
33 “AGTC should not be penalized financially for administrative delays beyond its  
34 control.” Staff Initial Brief at 44. The Commission’s October 19, 2005 Order  
35 concluded the following:

36

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

45

46 However, Alhambra has excluded federal support for the same  
47 2004 investment. In other words, Alhambra is including 2004 investment  
48 for the project in the cost side of the Section 13-301(d) formula, but is  
49 excluding federal support for the same 2004 investment in the federal  
50 support offset in the statutory formula. The existence of a two-year lag in  
51 the federal support, whereby support associated with the 2004 investment

52 would not be received until 2006, does not somehow justify ignoring such  
53 support while including the costs for the same project in the cost side of  
54 the calculation. Under the circumstances, such “unbalanced equation”  
55 treatment would be illogical and asymmetrical, and would frustrate the  
56 formula in Section 13-301(d). Further, there is no rule, statutory provision  
57 or order that requires such a mismatch or the result thereof.  
58

59 Alhambra’s contentions that the AT&T and Staff arguments on  
60 this issue were rejected in 00-0233/00-0335, and would result in  
61 “disparate treatment” in the instant case, are unpersuasive. There is no  
62 indication in the language cited from the order in 00-0233/00-0335 that  
63 the Commission considered, and in turn rejected, a similar argument  
64 relating to a two-year lag on plant upgrades. Even if there were, the  
65 parties in the instant case should not be precluded from raising and  
66 analyzing the issue in the record -- which they did in a prompt manner --  
67 especially in light of the federal USF offset language in 13-301(d) and the  
68 fact that Alhambra’s request for support is based on its expenditures in  
69 those upgrades. Alhambra had an opportunity to quantify the particular  
70 federal support amounts after the issue was raised, but elected not to do so,  
71 in part because the FCC is “reconsidering” USS methodology. As  
72 observed by AT&T and Staff, the argument that the current methodology  
73 is under review does not mean the calculation of such amounts is  
74 irrelevant, or too speculative, to be considered in the instant docket.  
75

76 As indicated above, Alhambra has not properly reflected the  
77 federal USF offset contemplated in the formula in Section 13-301(d). As  
78 such, the Company has not demonstrated that its economic costs exceed  
79 the affordable rate less any federal universal service support within the  
80 meaning of Section 13-301(d). Its petition should be denied.  
81

82 Order at 31 (emphasis added).  
83

84 As the Commission has denied Alhambra’s request for funding for the above  
85 reasons, all of which were within its control, Alhambra is not being “penalized  
86 financially for administrative delays beyond its control.” The ratepayers of other  
87 telecommunications carriers in Illinois would be the ones penalized by providing  
88 retroactive funding to Alhambra that occurred as a result of Alhambra’s refusal to  
89 provide the necessary data to support its request for additional IUSF support.

90

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

92 **A. Yes.**

**STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION**

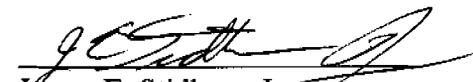
**ALHAMBRA-GRANTFORK TELEPHONE )  
COMPANY )  
)  
)  
**Petition for Universal Service Support )  
)****

**Docket No. 04-0354**

**AFFIDAVIT**

James E. Stidham, Jr., being first duly sworn on oath, deposes and states the following:

1. AT&T Illinois Ex. 1.3, Direct Testimony on Rehearing, which is being admitted as part of the record, is my written testimony in this proceeding.
2. This testimony was prepared by me or under my supervision.
3. If called as a witness in this proceeding and asked the questions contained in AT&T Illinois Exhibit 1.3, my answers would be the same as are contained in AT&T Illinois Exhibit 1.3
4. The facts set forth and statements made in AT&T Illinois Exhibit 1.3 are true and correct to the best of my knowledge, information and belief.
5. Further affiant sayeth not.

  
James E. Stidham, Jr.

Subscribed and sworn to before me, this  
21<sup>st</sup> day of February, 2006 in the

State of Texas,  
County of Dallas  
  
Notary Public

