

Notes to Errata

Selwyn direct testimony (AG Exhibit 1.0)
Selwyn rebuttal testimony (AG Exhibit 1.1)

I have corrected certain numerical data in my direct and rebuttal testimony (AG Exhibits 1.0 and 1.1) based upon clarifications and additional information that was contained in IBT rebuttal and surrebuttal testimony. The corrections do not alter any of my original opinions or conclusions. The following notes explain the changes that I have made.

Calculation of the UNE-P rates in MSA-1

I have added the \$1.00 UNE-P rate increase that I had previously excluded due to the ambiguous language in IBT's response to Staff GS 1.04. Additionally, Mr. Wardin has suggested (AT&T Exhibit 1.1, page 49) that, per the testimony of Data Net Systems witness Mr. Segal (Data Net Systems Exhibit 2.0, page 9), the UNE-P rate should include transport costs and "other charges." I have reviewed Mr. Segal's testimony and based thereon have made certain changes to my calculation of the UNE-P rate. I have added \$1.50 of estimated average transport costs to the UNE-P rate. Mr. Segal also included certain "other charges" at \$0.50 to \$0.60 per month, but did not identify the specific items included in these amounts. I have included \$0.50 in "other charges" to my calculation of the UNE-P rate. My corrected calculations of the UNE-P rates in MSA-1 are reflected in the changes to Table 9 of my direct testimony, AG Exhibit 1.0, at page 136.

Using the updated UNE-P rates, I have restated my calculation of the per-line monthly wholesale price increase represented by the replacement of UNE-P with LWC that appears on page 52, line 22 of my direct testimony AG Exhibit 1.0. Footnote 51, describing this calculation, has also been changed.

IBT bundled service prices and wholesale LWC rate comparison

I have corrected my calculation of the price of several IBT retail package offerings and the potential CLEC shortfall based upon a current Local Wholesale Complete ("LWC") rate. I have added the \$4.50 EUCL charge to IBT's Flat Rate and *uSelect3* packages that I had previously excluded due to the ambiguous language in IBT's Ill. C.C. Tariff 19. These changes are reflected in Table 10 of my direct testimony, AG Exhibit 1.0, at page 137.

CLEC Market Shares in MSA-1

I have corrected my calculations of CLEC market shares in MSA-1 which appear at Table 2 of my rebuttal testimony, AG Exhibit 1.1, at page 16. In response to criticisms from Mr. Wardin, I have made adjustments to my calculations of CLEC lines to correct my calculation of the LWC lines provided by MCI in MSA-1, and have included the number of LWC lines provided by TalkAmerica as identified in its response to Staff 2 and JZ 1.02. Additionally, I have included in my count of "competitive lines" those wireless lines *not* provided by Cingular

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Wireless, in addition to my previous counts of CLEC lines. My estimate of non-Cingular lines is based upon Mr. Wardin's April 4, 2006 testimony that Cingular has a BEGIN IBT CONFIDENTIAL<<
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1 **The bundled services market is not sufficiently competitive to satisfy the statutory**
2 **requirements for reclassification.**
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4 Q. You have recommended that the basic dial tone access line and local usage remain subject to
5 regulation, i.e., that they not be reclassified as “competitive.” Are bundled services and
6 service packages sufficiently competitive to warrant reclassification at this time?
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8 A. No, they are not. All of the evidence introduced by IBT in this proceeding *pre-dates* the
9 elimination of UNE-P and thus *pre-dates* the market condition that will exist once most
10 CLECs’ only choice is either to pay the higher LWC prices or exit the market. AT&T and
11 MCI have already exited the residential market in the face of higher wholesale prices, and
12 there is strong evidence that other CLECs are scaling back on their operations. The
13 Commission is being asked to adopt a reclassification policy that will become operative *in*
14 *the future* based upon out-of-date evidence as to competitive conditions that have existed *in*
15 *the past* and that are certainly not likely to persist for very long.
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17 Q. But aren’t bundled services sufficiently profitable to permit CLECs to compete in this
18 segment?
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20 A. That’s not at all clear. First, as described above, CLECs face the large increase in wholesale
21 rates that will arise if, as and when UNE-P ceases to be available in Illinois. The per-line
22 monthly wholesale price increase – which could be as much as $\frac{\$17.15}{\$22.33^{51}}$ – will cut a large

51. IBT response to CUB 2.12; IBT response to Staff GS 1.04. The \$27.50 2006 LWC rate
(continued...)

1 simply underscored the uncertainty inherent in *any* UNE-based approach to
 2 entering the local market.¹³²
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4 To begin with, the price that a CLEC would be required to pay for LWC is significantly
 5 higher than the existing UNE-P rate:

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7 Table 9
 8 UNE-P and LWC Rates in MSA-1

9 Service	Monthly Rate
10 UNE-P, Access Area A	\$10.35 \$7.35-
11 UNE-P, Access Area B	\$17.58 \$14.58-
12 UNE-P, Access Area C	\$19.68 \$17.09-
13 LWC, All Access Areas	\$27.50 <\$26.50>
14 Source: IBT response to Staff GS 1.04. NB: UNE-P 15 rates include \$1.00 increase over Commission-set rates, 16 as mandated by the TRRO.	

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18 But the rate increase does not tell the entire story. As it turns out, IBT's *wholesale* LWC
 19 price is actually *above* IBT's *retail prices* for many of its residential services:
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132. Polumbo California testimony, at A. 9; see also, Polumbo FCC Declaration at paras. 8-9.

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Table 10 The LWC Price Squeeze		
Service	Monthly Rate (including SLC)	CLEC Surplus (Shortfall) From \$27.50 LWC rate
Measured Rate, Access Area A	\$7.05	(\$20.45) -\$19.45
Measured Rate, Access Area B	\$10.03	(17.47) -\$16.47
Measured Rate, Access Area C	\$13.50	(\$14.00) -\$13.00
Flat Rate Package, Area A	\$23.60 \$19.10	(\$3.90) -\$7.40
Flat Rate Package, Area B	\$26.58 \$22.08	(\$0.92) -\$4.42
Flat Rate Package, Area C	\$28.00 \$23.50	\$0.50 -\$3.00
uSelect3, Access Area A	\$26.50 22.00	(\$1.00) -\$4.50
uSelect3, Access Area B	\$28.00 23.50	\$0.50 -\$3.00
uSelect3, Access Area C	\$28.00 23.50	\$0.50 -\$3.00

2006
LWC
Rate

IBT
IL C.C.
Tariff 19
price plus
Ameritech
Tariff
FCC #2
EUCL.

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This situation will only get worse, as I explained earlier, the prices for LWC increase by \$1 each year. The point is that it is unreasonable and unrealistic to expect non-facilities-based competition to survive, or to provide any kind of price constraining competition, after the demise of UNE-P. Thus any current assessment of the extent of competition in MSA-1 that is based upon a world in which UNE-P still exists is simply irrelevant to the post-UNE-P era and *has no probative value whatsoever in this proceeding.*

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Q. But if the Commission grants IBT’s request that residential services be reclassified as “competitive” and in so doing permits IBT to increase its residential rates to the point where the profit margins available to CLECs using LWC becomes positive, isn’t it reasonable to assume that at least some of these CLECs will continue to offer residential service?

December 2005). In Table 2 below, I have updated my market share analysis using the revision of WKW-5 contained in IBT Response to JZ 2.01 as well as certain additional CLEC data that did not become available until after my direct testimony was submitted. I have not included the wireless market data, so that my table can be directly compared to the Staff data presentation.

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Table 2 Comparison of Competitor CLEC Market Shares by data source				
	Wardin WKW-5 September, 2005	JZ 2.01 IBT E911 data December, 2005	Adjusted CLEC data December, 2005	Pro forma CLEC Facilities-Based
Resale				
UNE-P				
LWC				
UNE-L				
Own Facilities				
<u>Wireless (Non-Cingular)</u>				
Total				

Sources: IBT Exhibit 1.0 (Wardin) Schedules WKW-5 WKW-9; CLEC Responses to Staff 1(B); IBT response to Staff JZ 2.01.

Notes: Data from Mr. Wardin's exhibits and IBT data response have been corrected to reflect line count data as provided by CLECs where available, and have otherwise been adjusted to reflect the average overstatement included in IBT E911 data. The pro forma CLEC facilities-based shares are based upon corrected and adjusted data, and assume that all current residential TSR, LWC and UNE-P lines revert to IBT retail services. Wireless (non-Cingular) data assume: Cingular share based upon testimony of Mr. Wardin.

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