SURREBUTTAL TESTIMONY ON REHEARING OF CAROL A. CHAPMAN ON BEHALF OF AMERITECH ILLINOIS

I.

INTRODUCTION

Q. Please state your name.

A. My name is Carol A. Chapman.

Q. Are you the same Carol A. Chapman who filed direct and rebuttal testimony on rehearing in this proceeding?

A. Yes.

II.

PURPOSE OF TESTIMONY

Q. What is the purpose of your surrebuttal testimony on rehearing?

A. The purpose of my surrebuttal testimony on rehearing is to respond to the rebuttal testimony on rehearing of Ms. Terry L. Murray on behalf of Rhythms Links, Inc. In particular, I will respond to several assertions that Ms. Murray makes concerning Ameritech Illinois' Broadband Service Offering.

Q. Is the Broadband Service offering intended to be a substitute for unbundled network elements?

A. No. Contrary to the testimony of Ms. Murray, the Broadband Service is offered in addition to, and not as a substitute for, unbundled network elements. The Broadband Service is simply a new service offering that Ameritech Illinois has made available to CLECs that provides them with an additional method of providing DSL services.

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Q. Ms. Murray claims that it would be "rational behavior" for Ameritech Illinois to create impediments for its CLEC customers in the development of its Broadband Service offering. Do you agree?

A. Absolutely not. The Broadband Service Offering is a service provided by Ameritech Illinois to CLECs. It simply does not make sense that Ameritech Illinois would create impediments to the development of its own service offering. To the contrary, this type of behavior would be detrimental to Ameritech Illinois for a number of reasons.

First, higher utilization of the Project Pronto network increases the profitability of Ameritech Illinois' network investment. To the extent that Ameritech Illinois can encourage efficient, higher utilization of the Project Pronto network through the introduction of additional capabilities, it clearly is in Ameritech Illinois' best interest to do so. In other words, as Ameritech Illinois is able to introduce new technologies in an efficient manner, Ameritech Illinois will be able to increase the profit potential of its investment.

On the other hand, if Ameritech Illinois were to raise impediments for CLEC customers in its development of the Broadband Service Offering, it would adversely affect the profit potential of the Offering. Indeed, it would defeat the purpose of building the Project Pronto network if the network were redesigned or otherwise offered in an inefficient manner.

Second, with a technology such as DSL, the demand tends to increase as more customers begin to use it. This is due to the fact that as more end-user customers have access to high-speed broadband services, more

content providers will begin to develop products geared towards these high-speed customers. As new and innovative uses for high-speed, broadband services increase, so will end-user customer demand. As a result, at this stage in deployment, DSL service provided by any data provider will have the beneficial impact of increased marketability of new DSL services for all data providers.

Third, Ms. Murray's assertion that Ameritech Illinois has an incentive to create impediments for CLECs is based on the incorrect assumption that a broadband service provided by a CLEC would result in Ameritech Illinois losing money or customers. As a preliminary matter, Ameritech Illinois would not have built the Project Pronto network and would not be offering the Broadband Service to CLECs if it did not believe that those efforts would be profitable to Ameritech Illinois.

Moreover, it simply is not true that Ameritech Illinois will lose customers as a result of a CLEC providing a broadband service. Indeed, Ameritech Illinois does not provide advanced services and therefore has no "advanced services" customers to lose. Even considering the possibility that Ameritech Illinois' data affiliate, AADS, might lose customers as a result of another CLEC offering a broadband service, Ms. Murray's assertion still does not hold water. In fact, it will frequently not be the case that AADS would lose a customer as a result of another CLEC's offering of a broadband service.

More specifically, because advanced services are part of a rapidly growing market, many DSL end-user customers are first time customers. As a result, the services provided by data CLECs will be frequently provided to end-user customers that are not currently customers of Ameritech Illinois' data affiliate. As a result of the *CLECs'* purchase of wholesale DSL services, Ameritech Illinois is able to realize higher utilization and profitability of its network.

Furthermore, to the extent that CLECs' business plans differ from the business plans of Ameritech Illinois' data affiliate, CLECs are likely to serve many customers that Ameritech Illinois' data affiliate may not even attempt to serve. This is further incentive for Ameritech Illinois to develop, where practical, additional capabilities desired by the CLECs in order to increase the potential market of its wholesale services. Put simply, to the extent that CLECs wish to offer services, the fact that Ameritech Illinois' affiliate may not choose to offer those same services is irrelevant to Ameritech Illinois. Ameritech Illinois has an incentive to develop capabilities to support these CLEC services so long as they represent a profitable new marketing opportunity and do not adversely affect the network or existing network business plans.

Given the above, it is clear that Ameritech Illinois has every incentive to assist CLECs in the efficient utilization of its network and the introduction of new capabilities into the network. It simply would not make economic

sense, and would defeat the purpose of building the Project Pronto network, for Ameritech Illinois to do otherwise.

Q. Ms. Murray suggests that Ameritech Illinois is reversing its commitment to price the Broadband Service Offering using unbundled network element pricing methodology. Is there any truth to this assertion?

A. No. As I explained in both my direct and rebuttal testimony in this rehearing proceeding, although the Broadband Service is not an unbundled network element, a combination of network elements, or line sharing, Ameritech Illinois has committed to pricing the Broadband Service offering using unbundled network element pricing methodology, including, if necessary, the establishment of cost-based rates by the Commission. Ms. Murray's misleading comments have no factual basis whatsoever and ignore the clear commitments made by Ameritech Illinois.

Q. Ms. Murray claims that TELRIC methodology would enable Ameritech Illinois to recover its costs if the CLECs' proposal were implemented. Do you agree?

A. No. Under existing FCC TELRIC rules (which the Eighth Circuit has held violate the plain language of the 1996 Act), Ameritech Illinois can recover most network-related UNE costs only if it deploys and makes available a forward-looking, efficient network. As explained in the testimony of Mr. Lube and Mr. Keown, the CLECs are seeking to introduce inefficiencies in the network that could lead, among other things, to under-utilization and stranded investment. The FCC's current TELRIC methodology does not allow Ameritech Illinois to recover certain costs caused by inefficiencies engineered into the network or ineffective use of the capacity of the

network. Furthermore, even if the FCC's current TELRIC methodology allowed Ameritech Illinois to set a price based upon an inefficient configuration, the resulting higher price could very easily discourage CLECs from purchasing the Broadband Service and further decrease the utilization of the network. Because Ameritech Illinois will only be offering the Broadband Service to wholesale customers, any costs that are not recovered through the wholesale offering will not be offset by the provision of retail services over the architecture. If a certain level of network efficiency is assumed in the establishment of pricing, but is disregarded in the development of the product offering itself, as the CLECs propose, it will be impossible for Ameritech Illinois to recover its costs.

Q. Ms. Murray suggests that SBC has told investors that it will provide capabilities over the Project Pronto architecture that are different than those promised to CLECs. Is she correct?

A. No. SBC has made the same commitments to the CLEC community (namely, the ongoing development of additional capabilities for the Broadband Service offering, including HDSL capabilities) that it has made to its investors. Ms. Murray's statement has no factual basis.

Q. Ms. Murray claims that if SBC does not choose to utilize the available alternatives to the Broadband Service offering (i.e., copper loops and copper subloops), then the alternatives are obviously not viable options. Is this a reasonable argument?

A. No. As a preliminary matter, Ameritech Illinois does not offer retail advanced services and hence has no reason to use copper loops or subloops for that purpose. With respect to Ameritech Illinois' data affiliate, AADS, that data affiliate's business plans have no bearing on the "viability"

of particular DSL service options. Currently, Ameritech Illinois' data affiliate is marketing a relatively low-cost DSL service to the mass market. Other data CLECs may or may not choose to do the same utilizing Ameritech Illinois' Broadband Service offering and/or available unbundled network elements.

Moreover, many of Rhythms' current complaints revolve around additional capabilities for DSL service offerings not currently available over the Broadband Service offering. The services sought by the CLECs are typically higher speed symmetrical services that are generally marketed to business customers at a much higher price than ADSL. As a result, collocation costs that may or may not be economically sensible in the case of DSL services marketed primarily to residential end users may very well be sensible in the case of higher-priced DSL services marketed to a more lucrative business class customer base. Accordingly, there is no credible basis for concluding that use of copper loops and subloops (or their HFPL) are not viable options for providing DSL service.

Q. Ms. Murray claims that it is impractical to collocate at every RT site. Assuming this is true, does it support a claim that Ameritech Illinois' Broadband Service offering needs to be modified to meet CLECs' desire for additional capabilities?

A. No. The reason that it may not be practical for a CLEC to collocate at every RT site is the fact that not every RT site will have a sufficient number of customers who would be interested in the additional service capabilities the CLEC could provide through the RT collocation. In other words, in some markets, the customer base would primarily be interested

in the types of DSL currently offered through the Broadband Service and not faster, more expensive offerings.

By the CLECs' own admission, the CLECs' business plans do not justify collocation at every RT site, but instead would require a case-by-case determination of the potential market. In spite of this, the CLECs would have Ameritech Illinois modify its entire Broadband Service offering, jeopardizing the overall efficiencies of the network, to introduce capabilities on a wide scale basis that are not justified in the CLECs' own business plans.

Q. Does Ameritech Illinois' Engineering Controlled Splice ("ECS") actually eliminate economic barriers to RT collocation?

A. Yes. Contrary to the assertions of Ms. Murray, the ECS actually eliminates economic barriers to RT collocation. Prior to Ameritech Illinois' voluntary commitment to provide ECS to requesting carriers, a CLEC choosing to access subloops served by an RT would typically have to collocate at each Serving Area Interface ("SAI") served by the RT in order to access all of the customers served by the RT. Through the ECS, Ameritech Illinois now provides CLECs with a means of accessing all of the customers served by all of the SAIs for the RT at a single collocation point. This makes collocation for the purpose of accessing subloops much more economically and operationally attractive.

Q. Is there any truth to Ms. Murray's claim that "SBC would likely be the only provider with cost-based, efficient access to the loops served

by the Project Pronto network architecture for the full range of advanced service offerings"?[1]

A. No. The truth of the matter is that Ameritech Illinois must offer its Broadband Service offering on a non-discriminatory basis. All CLECs, both affiliated and non-affiliated, will have the same cost-based, efficient access to the loops served by the Project Pronto network architecture for the full range of advanced service offerings.

Q. Is there any merit to Ms. Murray's claim that, because SBC at one time was considering both offering the Broadband Service as a UNE and allowing CLECs to own line cards, "it is clear that SBC was willing to go forward with this investment even if it had to unbundle the Project Pronto architecture and even if it had to allow competitors to own their own line cards"?[2]

A. Absolutely not. In fact, the opposite is true. As Ms. Murray alluded to in her rebuttal testimony, during the development of the Broadband Service and based upon the expressed desires of the CLEC community, SBC did consider and evaluate a number of different deployment strategies for the Project Pronto network and the Broadband Service offering, including CLEC ownership of line cards. This careful evaluation was consistent with SBC's desire to develop a Broadband Service offering that was attractive to its wholesale customers while, at the same time, ensuring that SBC's investment still made good business sense. Nevertheless, for the reasons explained in the testimony of Mr. Lube and Mr. Keown, this evaluation revealed that providing the Broadband Service offering in this manner (*i.e.*, allowing the CLECs to own line cards) could not be supported due to a

[1] Rehearing Verified Rebuttal Statement of Terry L. Murray on behalf of Rhythms Links, Inc. at p. 9.
[2] *Id.* at p. 25.

number of economic and operational problems that would result. Ms. Murray attempts to corrupt SBC's attempt to better meet its customer needs by claiming that the very act of considering the alternatives requested by the CLECs meant that SBC could economically justify these requests. Obviously, merely considering and evaluating an alternative does not prove it is economically and operational ~~feasibility~~ feasible, as Ms. Murray's assertion suggests. To the contrary, the very purpose of the evaluation is to determine the feasibility of the proposed option.

If Ms. Murray's illogical position were the standard for determining economic feasibility, SBC and other ILECs would be discouraged from considering the CLECs' requests. Surely such a result is not desirable. Rather, SBC, along with Ameritech Illinois, should be encouraged to evaluate CLEC requests in an attempt to provide mutually beneficial offerings, without having its conduct being mischaracterized as something it is not.

Q. Ms. Murray claims that the fact Ameritech Illinois has not offered to provide the Broadband Service in the exact manner requested by the CLECs shows that Ameritech Illinois is not interested in developing offerings that meet the needs of its wholesale customers. Is this a reasonable argument?

A. No, this argument is absurd. All customers desire the best product at the lowest price and at the best terms. However, simply because a customer desires to get higher value at a lower (or zero) cost, does not mean that a supplier can meet this demand. As the old saying goes, "there is no such thing as a free lunch." Suppliers have to evaluate their customers' desires

and determine how to best meet those desires while still making sound business decisions. The CLECs are interested in obtaining the maximum amount of flexibility and capability at the lowest possible price. Ameritech Illinois is interested in fulfilling this desire to the extent feasible as a matter of sound business judgment; however, Ameritech Illinois must look at the big picture to determine what is economically and operationally feasible and develop its offerings accordingly. The CLECs nevertheless seem to believe that Ameritech Illinois should provide whatever they request regardless of the effect it may have on Ameritech Illinois' operations and business plans.

Q. The FCC is currently considering the establishment of additional unbundling rules in the context of Next Generation Digital Loop Carrier ("NGDLC") systems. Should the Illinois Commerce Commission take this into consideration when making their decision?

A. Yes. If the Illinois Commerce Commission were to establish rules regarding unbundling requirements for NGDLC networks prior to the release of the FCC's rules, the Illinois Commission would risk establishing guidelines that are contradictory to the FCC standards soon to be established on a national basis. SBC is striving to offer uniform product offerings throughout its 13-state territory. This uniformity is beneficial to both CLECs and SBC ILECs. Uniform offerings minimize the programming and provisioning process changes necessary to access pre-order information and submit orders as well as the system modifications necessary to provision orders correctly. Uniformity also eliminates the

1 confusion caused by state-by-state idiosyncrasies in the various product
2 offerings. Consistency leads to higher efficiency, smoother
3 implementation, and better overall understanding of the product offering.
4 Accordingly, the Commission should avoid prejudging the issues in this
5 matter before the FCC rules are released.

6 **Q. Does this conclude your surrebuttal testimony on rehearing?**
7 A. Yes.