

DIRECT TESTIMONY
OF
CHRISTOPHER L. GRAVES
TELECOMMUNICATIONS DIVISION
ILLINOIS COMMERCE COMMISSION
PUBLIC VERSION

DOCKET NO. 00-0700

March 6, 2001

1 **Q. Please state your name, occupation and business address.**

2 A. My name is Christopher L. Graves. I am employed by the Illinois Commerce
3 Commission as a Policy Analyst in the Telecommunications Division. My business
4 address is 527 East Capitol Avenue, Springfield, Illinois 62794.

5

6 **Q. Please state your educational background.**

7 A. I received a Bachelor of Arts degree in Economics from Illinois State University in
8 1990. Also, I hold a Master of Arts Degree in Economics from Southern Illinois
9 University at Edwardsville, which I received in November of 1997.

10

11 **Q. Please state your professional experience.**

12 A. While studying for my masters degree, I interned with the economics group of the
13 Revenue and Public Affairs Division of Southwestern Bell Telephone Company in
14 St. Louis. As an intern, I researched topics relating to telecommunications
15 economics and pricing for the staff economists. During the summer of 1996, I
16 worked briefly for INDETEC International as a litigation support analyst. INDETEC
17 is a consulting firm specializing in telecommunications and utilities economics and
18 costing practices.

19

1 **Q. When did you join the Illinois Commerce Commission?**

2 A. I joined the Commission in October of 1996.

3

4 **Q. Please briefly describe your work duties with the Commission.**

5 A. My responsibilities include reviewing tariff documents and cost studies submitted to
6 the Commission by telecommunications carriers and making recommendations to
7 the Commission regarding those filings; providing economic analysis on pricing and
8 cost issues in dockets before the Commission; and answering inquiries regarding
9 wholesale pricing policies of the Commission. I have provided testimony in the
10 following docketed proceedings: Docket No. 99-0593, Special Construction;
11 Docket No. 00-0027, Focal Communications Corporation Arbitration; Docket No.
12 99-0525, McLeodUSA Telecommunications Service, Inc. (McLeod) complaint
13 against Illinois Bell Telephone Company (Ameritech Illinois); Docket No. 98-0866,
14 Bell Atlantic Corporation's proposed merger with GTE Corporation (GTE); Docket
15 No. 98-0555, SBC Communications Corp. proposed merger with Ameritech Corp.;
16 Docket No. 96-0503, the investigation into GTE's wholesale prices ; Docket No. 96-
17 0404, Ameritech Illinois' Section 271 compliance Docket; Docket No. 96-0486, the
18 investigation into Ameritech Illinois' unbundled network element (UNE) offering;
19 Docket No. 97-0344, the Cable Companies' complaint against Ameritech's use of
20 "Americhecks"; Docket Nos. 97-0552 and 97-0553, the investigation of Ameritech
21 Illinois' wholesale tariff; and Docket No. 98-0860 regarding the reclassification of

1 Ameritech services as competitive.

2

3 **Q. Have you had any training that is relevant to the topics at issue in this case?**

4 A. Yes. I have attended several workshops regarding the methodologies Ameritech
5 used to develop long run service incremental cost (LRSIC) and total element long
6 run incremental cost (TELRIC). On January 23 and 24, 1997, representatives from
7 Ameritech, Bellcore, and Arthur Andersen instructed Commission Staff (Staff) on
8 how Ameritech developed its TELRIC rates. I also attended similar meetings with
9 GTE (now Verizon), Central Telephone Co. (Sprint Local Services), and
10 Consolidated Communicatians regarding their cost study methodologies.

11

12 **Purpose of Testimony**

13 **Q. What is the purpose of your testimony?**

14 A. The purpose of my testimony is to give the Commission an understanding of the
15 issues regarding the provision of shared transport and the UNE-Platform (UNE-P). I
16 will address the issues laid out in the Commission's Initiating Order, specifically:

- 17 1. Whether the costs and rates [in Ameritech's tariff] comply with prior
18 Commission and FCC Orders;
- 19 2. Whether Ameritech's restriction of the shared transport offering to local
20 exchange traffic is appropriate and should be maintained, specifically,
21 whether shared transport should be available for use by CLECs in
22 transporting their intraLATA toll traffic; and

1 3. Whether Ameritech's restriction on ordering new and additional (i.e. second
2 line) loops in combination with unbundled switching and shared transport is
3 appropriate and should be maintained.

4 I will also address the testimony by Ameritech witnesses Scott Alexander, Jerry
5 Hampton, and William Palmer.

6 **Q. How is your testimony structured?**

7 A. First, I will provide a short history of the issue of Shared Transport and the UNE-
8 Platform that will summarize Ameritech's duties and obligations concerning these
9 elements required by the Commission, the Telecommunications Act of 1996, and
10 the Federal Communications Commission (FCC). I will draw some conclusions
11 from the history of the issue that the Commission should use in crafting an order in
12 this docket. Second, I will address the costs and rates for shared transport and
13 unbundled local switching, issue one in the Initiating Order, as well as the rates
14 structure. Third, I will address whether shared transport should be allowed to be
15 used by CLECs in transporting intraLATA traffic, issue two in the Initiating Order.
16 Fourth, I will address Ameritech's restriction on ordering new and additional loops in
17 combination with unbundled local switching and shared transport ULS-ST, issue
18 three in the Initiating Order.

19 **HISTORY**

1 **Q. Please provide your understanding of the history of the shared transport**
2 **and the UNE Platform.**

3 A. On October 19, 1995, LDDS WorldCom filed a petition with the Commission for a
4 “total wholesale network service.”¹ In June of 1996, the Commission granted
5 LDDS’s petition under Section 13-505.5 of the Public Utilities Act, which required
6 Ameritech to provide the local loop, unbundled switching, and “inter office transport”²
7 or “local service platform”. The Commission expressly recognized that a
8 competitive local exchange carrier (CLEC) could combine network elements to
9 provide end-to-end telecommunications service, thus, furthering the Commission’s
10 goal of promoting competition in the local exchange market³. In its order, the
11 Commission rejected Ameritech’s arguments that bundling UNEs end-to-end was
12 redundant in light of Ameritech’s wholesale obligations, and also rejected
13 Ameritech’s argument that CLECs should not retain revenues from exchange
14 access provided through leased UNEs. The Commission’s order took into account
15 the Federal Telecommunications Act of 1996 (TA 96) enacted in February of 1996.
16 The Commission found its order was consistent with the Federal Act.⁴ While
17 Ameritech urged the Commission to defer its ruling until the FCC interpreted the

¹ Order, AT&T Communications of Illinois, Inc. Petition for a total local exchange wholesale service tariff from Illinois Bell Telephone Company d/b/a Ameritech Illinois and Central Telephone Company pursuant to Section 13-505.5 of the Illinois Public Utilities Act. Docket 95-0458/95-0531 consolidated, (June 26, 1996), at p. 2.

² *Ibid.* pp. 63-66 and 77.

³ *Ibid.* pp. 64-65.

⁴ *Ibid.* pp. 63-64.

1 Federal Act, the Commission rejected this proposal, citing LDDS's right to a
2 determination pursuant to the PUA. The final determination on the pricing of the
3 UNE-P and shared transport were deferred to an investigation of the compliance
4 tariffs filed pursuant to the Commission's Order. That investigation was docketed
5 as 96-0486 in September of 1996.

6
7 In August of 1996, the FCC issued its First Report and Order Implementing Local
8 Competition portion of Telecommunications Act of 1996 (FCC Docket 96-98). The
9 FCC ordered the incumbent local exchange carriers to provide unbundled loops,
10 switching, and shared transport.⁵ The FCC relied on the comments of the Illinois
11 Commerce Commission in setting its policies on local switching and transport. The
12 FCC interpreted section 251(c)(3) of TA 96 to "require incumbent LECs, if
13 necessary, to perform the functions necessary to combine requested elements in
14 any technically feasible manner either with other elements from the incumbent's
15 network, or with elements possessed by the new entrants, subject to the technical
16 feasibility restrictions...⁶". This section of the FCC's rules was overturned by the
17 United States Court of Appeals for the Eighth Circuit in its decision on July 18, 1997
18 which stated:

19 While the Act requires incumbent LECs to provide elements in a manner that

⁵ First Report and Order, In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, FCC 96-365, (released August 8, 1996), ¶¶ 377-396, 410-427, and 439-451.

⁶ *Ibid.* ¶ 293

1 enables the competing carriers to combine them, unlike the [Federal
2 Communications] Commission, we do not believe that this language can be
3 read to levy a duty on the incumbent LECs to do the actual combining of
4 elements.⁷
5

6 The Eighth Circuit issued another order on rehearing in this case that released
7 ILECs from the obligation to sell bundled elements.⁸ This portion of the Eighth
8 Circuit's decision was later overturned by the Supreme Court.⁹
9

10 In Docket 96-0486, the Commission established pricing for various unbundled
11 elements for Ameritech and further addressed the provision of shared transport¹⁰.
12 Ameritech's tariff filing for "shared transport" proposed that CLECs purchase
13 dedicated transport facilities which CLECs could share with each other, but it would
14 not allow CLECs to "share" transport facilities with Ameritech. This was clearly
15 contrary to how the Commission intended Ameritech to charge for transport in its
16 Wholesale Order. The Commission stated: "[the local switching platform (LSP) and
17 transport] tariffs shall be filed by Ameritech and Centel within 30 and 90 days,
18 respectively, consistent with Staff's local switch platform proposal." The Staff
19 pricing proposal was explained by Staff witness Jake Jennings in Docket 95-0548

⁷ Opinion, Iowa Utilities Board v. Federal Communications Commission, et al, On Petitions for Review of and Order on the Federal Communications Commission, (filed July 18, 1997), Part II (G)(1)(f).

⁸ Order on Petitions for Rehearing, Iowa Utilities Board v. Federal Communications Commission, et al, On Petitions for Review of and Order on the Federal Communications Commission, (filed October 14, 1997), at ¶ 3.

⁹ AT&T Corp. v. Iowa Utilities Bd., 525 U.S. 366 (1999).

¹⁰ Second Interim Order, Investigation into forward looking cost studies and rates of Ameritech Illinois for interconnection, network elements, transport and termination of traffic. Docket 96-0486 and 96-0569

1 as follows: “. . . transport would be priced in the same manner as a la carte usage
2 (wholesale LRSIC plus a pro rata share of contribution).”¹¹ Staff and intervenors in
3 the Docket 96-0486 took the position that Ameritech’s rate structure made the
4 provision of the UNE-Platform uneconomical. The Commission in its order in
5 Docket 96-0486 found: “This Commission agrees with WorldCom, AT&T, MCI and
6 Staff and finds that Ameritech Illinois’ position on shared transport is inconsistent
7 with the FCC’s Order and the common understanding of shared transport, and
8 would raise yet another barrier to entry by new competitors.”¹² Because Ameritech
9 did not provide cost studies for shared transport, interim prices for shared transport
10 were set with the expectation that final prices would be established in a subsequent
11 docket. The Commission ordered an interim rate for shared transport to be set at
12 \$0.0134 per minute. The Commission also set an interim rate for unbundled local
13 switching at a flat rate of \$5.01.

14 The Commission initiated Docket 98-0396 to establish permanent prices and
15 investigate compliance with the Commission’s Order in Docket 96-0486.

16 Subsequently, the schedule of Docket 98-0396 was suspended as a result of the
17 SBC/Ameritech merger proceeding.

18 During the proceedings in Docket 96-0486, August 17, 1997, the FCC issued its
19 Third Order on Reconsideration and Further Notice of Proposed Rulemaking in CC

consolidated, (February 17, 1998) at pp. 104-107, and 136.

¹¹ Surrebuttal Testimony of Jake Jennings, Staff Exhibit 1.02, ICC Docket 95-0458, January 19, 1996, p. 31.

¹² Second Interim Order, ICC Docket No. 96-0486, (February 17, 1998), at 105.

1 Docket No. 96-98. This order ruled on matters regarding shared transport. The
2 FCC interpretation of shared transport was the same as that of the ICC, as stated in
3 the order in Docket 96-0486. Specifically, the FCC and FCC concur the shared
4 transport and common transport are synonymous. The FCC also rejected
5 Ameritech's arguments that by definition, network elements must be partly or wholly
6 dedicated to a customer.¹³ The FCC also "rejected Ameritech and Bell South's
7 contention that, because WorldCom and other requesting carriers seek access to
8 an element –shared transport—that cannot be effectively disassociated from
9 another element – local switching, the requesting carriers are in fact seeking access
10 to a bundled service rather than to transport as a network element unbundled from
11 switching."¹⁴ The FCC also reaffirmed its decision that CLECs utilizing shared
12 transport are entitled to originating and terminating access. The Commission noted
13 in its order in Docket 96-0486:

14 In its Brief on Exceptions Ameritech Illinois indicated its intention to abide by the
15 FCC's Third Order on Reconsideration's finding on access charges, although it
16 intends to challenge the legality of that Order.¹⁵
17
18

19 On July 24, 1998, Ameritech and SBC Communications filed a joint motion for
20 approval of their reorganization under Section 7-204 of the Public Utilities Act (the

¹³ Third Order on Reconsideration and Further Notice of Proposed Rulemaking, In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, FCC 97-295, (released August 18, 1997), at ¶ 41.

¹⁴ *Ibid.* ¶ 42.

¹⁵ *Supra.* Note 12, at 115.

1 case was docketed 98-0555). Ameritech's provision of shared transport became
2 an issue in those proceedings. Ameritech claimed that it did not provide unbundled
3 local switching and local transport because: 1) Shared transport could not be
4 unbundled from local switching¹⁶; 2) the sole legal basis for the shared transport
5 requirement in the TELRIC case was FCC Rule 319(d) which had been vacated by
6 the Supreme Court¹⁷; 3) measurement and recording problems with respect to the
7 identity of originating carriers sending traffic through common trunk ports and with
8 respect to terminating call data.¹⁸

9 In an effort to accelerate the deployment of shared transport and the UNE-Platform,
10 the Commission ordered the Company to offer an interim version of unbundled local
11 switching and shared transport as was offered in Texas (that utilized a number of
12 factors to estimate access charges). The Commission also required a permanent
13 shared transport utilizing Advanced Intelligent Network (AIN) capabilities to allow
14 CLECs to bill for access. It ordered that this permanent offering should be
15 implemented by August 8, 2000. The tariff filing at issue here purports to comply
16 with that directive.

17 In November 5, 1999, the FCC released its UNE Remand Order that restated
18 ILECs obligations to provide unbundled local switching and shared transport.

¹⁶ Docket 12.1, Rebuttal Testimony on Reopening of Terry Appenzeller on Behalf of Ameritech Illinois, SBC/Ameritech Exhibit 12.1, (July 9, 1999), at p. 5.

¹⁷ *Ibid.* at p. 5.

¹⁸ Docket 98-0555, Gebhardt Rebuttal, SBC/Ameritech Exhibit 3.1 at 33-34.

1 With the completion of the Ameritech merger case investigation, Docket 98-0396,
2 investigating Ameritech's compliance with the Commission's Order in Docket 96-
3 0486, was resumed. That case, which addresses Ameritech's interim shared
4 transport as well as associated non-recurring charges, currently is awaiting a
5 Proposed Order from the Hearing Examiner.

6 **Q. To summarize, why is Ameritech required to provide the UNEs "unbundled**
7 **local switching" and "shared transport"?**

8 A. In Docket 95-0458, the Commission found that requiring Ameritech to provision
9 shared transport and unbundled local switching was in the in the public interest and
10 would further competition. The Telecommunications Act of 1996, the FCC's First
11 Report and Order, Third Report and Order, and UNE Remand Order (as well as the
12 Merger Orders of the ICC and the FCC), all require Ameritech to provide shared
13 transport and unbundled switched transport. During that time, the FCC's rules have
14 been review by the Eighth Circuit and the US Supreme Court. Ameritech's
15 obligation to provide shared transport, however, has, in all cases, been sustained at
16 each level.

17
18 **Q. Because there have been so many orders and rules regarding unbundled**
19 **local switching shared transport and the UNE-Platform where should the**
20 **Commission look for the definitive rules regarding these issues?**

1 A. While I am not a lawyer, it is my opinion that Ameritech's obligation to provide
2 shared transport, unbundled switching, and the UNE-Platform is rooted in state law.
3 Rules regarding the definitions of these elements fall clearly within the purview of the
4 FCC's rules and orders. The pricing of elements is a matter to be decided by this
5 Commission. With respect to shared transport, Ameritech agreed to special
6 conditions set forth in the FCC's and the ICC's merger orders.

7

8 **Q. What lessons should the Commission draw from this history of shared**
9 **transport and unbundled switching?**

10 A. Ameritech has resisted the implementation of the UNE-Platform since 1996 when
11 the Commission and the FCC first ordered Ameritech to provide it. In light of this,
12 any order that addresses the issues of provisioning shared transport should contain
13 detailed instructions describing how Ameritech should implement such provisions.
14 Such an order should include specific tariff language and rates to be utilized. In past
15 dockets, where Ameritech was ordered to file tariffs, Ameritech's filings invariably
16 required further investigation, and thus delayed implementation.

17 **Q. What are the benefits of tariffing changes?**

18 A. Tariffing the provisions of the order has several benefits: (1) It allows CLECs to take
19 advantage of the UNE-Platform immediately without having to negotiate an
20 interconnection agreement; (2) it gives Ameritech and CLECs certainty in the
21 pricing and terms under which the platform would be purchased; (3) it would avoid

1 the need for a follow-up investigation; and (4) it would allow any disputes over
2 Ameritech's implementation of the platform to be brought as a complaint under
3 Section 13-514 of the PUA and allow the commission to enforce compliance with its
4 order under Section 13-515 of the PUA.

5 **Q. Are you prepared at this time to propose tariff language and prices?**

6 A. No. I hope to be able to provide a detailed proposed tariff in my rebuttal testimony
7 in this docket, after reviewing the CLECs' testimony and Ameritech's response to
8 that testimony. I encourage CLECs to provide specific tariff language that would
9 achieve their objectives. Having clear specific language will aid the Commission in
10 crafting a clear and specific order.

11 **COST AND RATE STRUCTURE ISSUES**

12 **Q. What is the relevant costing standard for setting the prices for UNEs?**

13 A. In Docket 96-0486, the Commission decided that TELRIC was the correct standard
14 for setting prices of UNEs. The Commission in that order set specific rates for cost
15 of capital, fill factors, and depreciation rates to be used in TELRIC studies. I am not
16 aware of Ameritech proposing any changes to those inputs.

17 **Q. Are you aware of any changes that may be appropriate in those inputs?**

1 A. Yes. In the TELRIC docket the Commission set depreciation lives for Ameritech's
2 equipment at the rates approved by the in FCC 96-22 (adopted January 25, 1996)¹⁹.
3 In December of 1999, the FCC adopted an order that changed the range of
4 allowable depreciation rates for digital switching²⁰. If Ameritech has made changes
5 to its depreciation rates as a result of this order, the Commission may want to
6 consider using the new depreciation rate as being more forward looking.

7 The Northern Telecom contract contains provisions concerning the "Contract Fill
8 Level" (Attachment 11 of Amendment One). The contract is structured to penalize
9 Ameritech for dropping below an agreed contract fill level. Presumably, Ameritech
10 acts rationally to avoid paying those penalties, and keeps its fill level at or above the
11 "contract fill level". Thus it would seem that the appropriate forward-looking fill factor
12 for ULS would be the "contract fill rate".

13 **Q. Has the Commission addressed how ULS prices should be developed?**

14 A. Yes. In Docket 96-0486 the Commission found:

15 Because Ameritech incurs switching costs on a predominantly per-line basis, we
16 find it consistent with the fundamental principles of cost causation that the ULS
17 subscriber should also pay the ULS element primarily on a per line basis,
18 without a usage charge. However, as Staff noted, this does not totally preclude
19 a minimal per-minute charge each time a particular line is accessed in order for
20 Ameritech Illinois to recover actual costs incurred whenever the switch is
21 activated.

¹⁹ TELRIC Order at p. 28.

²⁰ Report and Order in CC Docket No. 98-137, 1998 Biennial Regulatory Review – Review of Depreciation Requirements for Incumbent Local Exchange Carriers, (released Dec. 30, 1999), Appendix B.

1 . . . Therefore, we require Ameritech to file a new ULS cost study which
2 establishes prices primarily based on the flat-rate terms of its vendor contracts.
3 The cost study should delineate the usage costs incurred whenever a portion of
4 the switch is activated, and Ameritech Illinois should be allowed to recover this
5 incremental cost from the CLEC either as a portion of the per-line charge, or
6 through a small charge per minute.²¹

7 **Q. Does Ameritech's filing comport with the Commission's order?**

8 A. No. First, Mr. Palmer's testimony computes a per minute of use rate for ULS
9 switching (see Palmer Schedule WCP-2), but does not calculate a new flat rate for
10 the ULS port. It is unclear if Mr. Palmer is proposing that the Commission approve
11 the interim rate of \$5.01 as a permanent rate or if Ameritech has declined to file
12 such a calculation. In either case Ameritech should produce a cost estimate for the
13 ULS port to be in compliance with the Commission Order. Mr. Jerry Hampton does
14 not provide a price for the port in his tariff attached to his testimony.

15 **Q. Please provide your understanding of the usage sensitive costs that Staff**
16 **contemplated in Docket 96-0486.**

17 A. When the Commission cited Staff's opinion that some usage charges might be
18 appropriate, see TELRIC Order at 59, it was referring to points Staff raised in its
19 Reply Brief in Docket 96-0486 at 53. However, in that pleading, Staff indicated that
20 such usage charges would be proper to recover the costs of billing. Because
21 Ameritech has implemented a billing development fee and daily usage fee to
22 recover for billing related costs, Ameritech should not be allowed to recover any
23 further usage sensitive costs until it can prove that those costs are caused by

²¹ TELRIC Order at p. 59.

1 CLECs.

2

3 **Q. Are Ameritech's switches still purchased on a per line basis?.**

4 R. Yes. While I have not examined Ameritech's newest switch contract, which went into
5 effect on January 1st of this year, the contracts that the ARPSM model is based on are
6 on a per line basis. These contracts are structured to include quality of service
7 requirements and capacity forecasts. It is not clear to me which charges Ameritech
8 would have to pay the switch vendor if usage on the switch increases. Further capacity
9 utilization of the switch is measured on a per switch basis, so it is not clear how any
10 increases in capacity could be tied to a particular port.

11 **Q. How does Mr. Palmer compute a usage sensitive cost for the ULS?**

12 A. It appears that the usage rate is calculated using the implicit centum call seconds
13 (CCS²²), allocated to each line port. This does not appear to be a cost causative
14 relationship. By purchasing a ULS line port, the CLEC is neither necessarily nor
15 directly increasing the need for switch processing power beyond what Ameritech
16 contracted with its vendors to supply. Under the existing contract Ameritech will not
17 pay a different price for line ports that are constantly in use as opposed to those that
18 are never used to make calls. Mr. Palmer has not provided an economically
19 acceptable justification for the proposed ULS usage rates, and they appear not to
20 comply with the Commission order.

²² CCS or hundred call second is a unit of traffic usage used in network optimization and design.

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Q. What is your recommendation regarding ULS switching?

A. Ameritech should provide a flat rate per line price for line ports that its model purports to provide (see Schedule WCP-6 p. 4 under Output). The fill factor used in that model should be the “contract fill level” found in Attachment 11 of Amendment One to the Northern Telecom Inc. contract. If Ameritech has filed new depreciation rates for digital switching since the FCC 96-22, those new depreciation rates should be considered.

USING SHARED TRANSPORT FOR INTRA-LATA TOLL USAGE

Q. Do you believe that CLECs should be able to use Ameritech’s shared transport offering to provide intraLATA toll service?

A. Yes. First, the FCC’s rules allow CLECs to use all the features and functionalities of shared transport, including providing intraLATA toll service. Moreover, the ICC’s Merger Order requires Ameritech to provide to CLECs in Illinois the most favorable terms for shared transport provided in Texas. Finally, it would put CLECs at a significant cost and possible quality disadvantage to route traffic in the manner that Ameritech suggests.

Q. What obligations does Ameritech have under the merger order Docket 98-0555?

1 A. The Order states:

2 Joint Applicants will offer such shared transport in Illinois, under the terms and
3 conditions (other than rate structure and price) that are substantially similar to the
4 most favorable terms offered by SBC to CLECs in Texas as of the merger
5 closing date [October8, 1999].²³

6 **Q. Are there terms in the Texas interconnection agreements that allow CLECs**
7 **to use shared transport to provide intraLATA toll service?**

8 A. Yes. It is my understanding from my review of the documents in Texas PUC Docket
9 No. 20755, that sections 2.4 in Attachment 6 of the Sage Telecom interconnection
10 agreement requires Southwestern Bell Telephone to provide Sage access to UNEs,
11 including combinations of UNEs, without restrictions. A Texas Arbitration Award
12 found that this language allows Sage to provide toll service using the shared
13 transport UNE. Thus in my opinion, CLECs in Illinois should be able to avail
14 themselves, pursuant to the ICC's Merger Order to provide intraLATA toll service
15 using shared transport.

16 **Q. If the Commission disagrees with your analysis that this Texas term could**
17 **be imported into Illinois, is there still justification for allowing CLECs to use**
18 **shared transport to provide intraLATA toll service?**

19 A. Yes. The Texas Arbitration Award provides several compelling reasons to allow
20 CLECs to use shared transport to provide intraLATA toll service, based on federal

1 rules, equity, costs, and efficiency. Rather than restating those reasons, I have
2 attached the Texas Arbitration Award to my testimony as Attachment 1.

3 **SECOND AND ADDITIONAL LINES**

4 **Q. In Docket 98-0396 you testified that Ameritech should provide “new and**
5 **additional lines” to CLECs ordering the UNE platform. Is that still your**
6 **position?**

7 A. Yes. The reasons for that recommendation were outlined in the Staff Initial Brief in
8 that docket, which stated:

9 Finally, in this context, the Commission must grapple with the
10 contentious issue of the UNE Platform, or Combined Platform Offering,
11 known colloquially as UNE-P. The CLEC parties to this proceeding are
12 concerned, with reason, that Ameritech will not permit them to provision
13 service to new customers, and to second lines requested by existing
14 customers, using UNE-P, on the theory that the combinations of elements
15 necessary to provision such service do not currently exist, thereby relieving
16 Ameritech of any duty to provide CLECs with UNE-P to provision such
17 service. See, e.g., AT&T/Z-Tel Exhibit No. 1.0 at 37-8.

18 In this context, the Staff notes that, until well into these proceedings,
19 Ameritech’s TCNet website, used to make service offerings known and
20 available to CLECs, contained service offerings which indicated that
21 Ameritech offered UNE-P to CLECs seeking to provision new and second
22 lines. Staff Exhibit No. 2.1P at 2-3. Ameritech deleted these offerings after
23 the Staff prefiled Staff Exhibit No. 2.1P²⁴. Staff Exhibit No. 2.2 at 5. Since
24 Ameritech authorized the dissemination of this ordering guide on its TCNet
25 website, the ordering guide may be considered probative of Ameritech’s

²³ Merger Order at 252-3.

²⁴ The Staff does not mean to imply that there is necessarily any causal relationship between the two events. It appears in any case that nearly identical provisions can be found in Section 3.2 of Ameritech’s Combined Platform Offering tariff.

1 understanding of whether it should properly offer UNE-P to CLECs which
2 wish to provision new or additional lines. See, generally, Staff Exhibit No.
3 2.1P.

4 In addition, the Staff has learned of arbitration awards issued in
5 arbitration proceedings undertaken before the Indiana Utility Regulatory
6 Commission and Wisconsin Public Service Commission which appear to
7 support the proposition that ILECs are obligated to offer UNE-P for
8 provisioning of new and second lines. See, generally, Petition for Arbitration
9 to Establish an Interconnection Agreement Between Two AT&T
10 Subsidiaries, AT&T Communications of Wisconsin, Inc. and TCG
11 Milwaukee, and Wisconsin Bell, Inc., 05-MA-120, Arbitration Award (Oct. 12,
12 2000); AT&T Communications of Indiana, Inc./Ameritech Indiana Arbitration,
13 IURC Cause No. 40571-INT-03, Order (November 21, 2000). Pursuant to
14 each of these awards, ILECs were required to offer CLECs new UNE
15 combinations. Id.

16
17 The Staff is of the opinion that Ameritech should be required to offer
18 UNE-P to CLECs seeking to provision service to new customers and
19 additional lines. Apart from Ameritech's tacit belief, as evidenced in its
20 ordering guides, that it must do so, and the fact that other state Commissions
21 have required it, SBC offers it in Texas. Staff Exhibit No. 2.1 at 6.
22 Accordingly, the Staff recommends that this Commission require Ameritech
23 to offer UNE-P to CLECs seeking to provision service to new customers and
24 additional lines.²⁵

25
26
27 **Q. Are there other reasons that lead you to believe Ameritech should permit**
28 **CLECs to provision New and Additional lines using its UNE-P offering?**

29 A. Yes, I have several reasons. First, Ameritech's proposed options for connecting the
30 loop and the port require collocation. This leads to inefficient use of scarce
31 collocation and main distribution frame (MDF) space, and makes CLEC
32 connections of loops and line ports less efficient than ILEC connections. In addition,

²⁵ Staff Initial Brief, Docket 98-0396, (December 5, 2000), at pp. 23-26.

1 it slows the deployment of UNE-P to new and additional line customers, and makes
2 it cost prohibitive to offer new and additional lines over the UNE-P.

3 Second, in paying the cross-connection charge in Ameritech's tariff, CLECs pay
4 Ameritech to connect the loop and port. It seems incongruous that, for "already
5 connected" loops and ports, Ameritech would charge CLECs the cost of connecting
6 these elements while at the same time it would refuse to connect those elements
7 when they are not connected. Finally, new and additional lines are significant
8 markets that UNE-P CLECs would be excluded from if Ameritech is permitted to
9 maintain its current restrictions. It is worth noting that Ameritech's CLEC affiliate,
10 SBC Telecom, is able to serve new and additional line customers through UNE-P in
11 New York and Pennsylvania²⁶.

12 **Q. Please explain your understanding of Ameritech's proposed bundling**
13 **options.**

14 A. As I understand schedule SJA-1 to Scott Alexander's testimony, Ameritech
15 provides three options to allow CLECs to re-bundle the loop and the switch port.
16 Attachment 2 to my testimony, is a simple diagram illustrating how I understand
17 Method 1 of Mr. Alexander's schedule SJA-1 to work. End-user 1 in the diagram
18 is served via the UNE-P and the loop and switch combination already exist. End-
19 user 2 is served by the UNE-P but the CLEC must access the loop and switch at its

1 collocation area in order to combine the elements. In order to combine these
2 elements the CLEC will have to: (1) purchase collocation space; (2) contract with a
3 vendor to install two tie cables from the MDF to the collocation space; (3) pay
4 Ameritech the recurring monthly fee for 2 cross-connect jumpers on the MDF; and
5 (4) cross-connect the switch port and line termination on it own frame. The only
6 practical difference between Method 1, 2 and 3, is the location of the CLEC's
7 frame²⁷.

8 **Q. How would these methods of interconnection handicap CLECs in**
9 **competing with Ameritech?**

10 A. The requirement to have collocation will slow deployments of UNE-P to new and
11 additional lines. It will also discourage the use of UNE-P on a ubiquitous basis. It
12 is my understanding that Ameritech is required to provision collocation space within
13 104 days of receipt of an order. The provisioning interval is further lengthened if a
14 significant number of orders are submitted at the same time. Thus, if a CLEC
15 requested collocation in the approximately 280 Ameritech central office in the state
16 or the 170 central offices in the Chicago LATA, it may take as much as a year to
17 provision all collocation spaces.

²⁶ See response to Staff data request CLG 1.04.

²⁷ Method 2 requires collocation in a "common room space" within the Central Office and Method 3 requires adjacent collocation outside the Ameritech Central Office.

1 Moreover, the costs of provisioning collocation in every office in order to provide
2 new and additional lines would be prohibitive. The central office build out charge for
3 physical collocation is \$28,522.15 per initial 50 square feet. That would mean an
4 out lay of nearly \$8 million just to build out collocation space in every office. I doubt
5 that CLECs would find it economical to serve new and additional line customers
6 under these conditions.

7 In addition to these collocation costs and time delays, CLECs would also have to
8 provision tie-cables, their own frame, and terminations on the frame. On top of all
9 this, the CLEC would pay for two cross-connection jumpers on the MDF. The
10 forward looking cost for Ameritech to connect the switch port and a loop is the price
11 of one cross-connection. It is hard to see how or why a CLECs could compete with
12 Ameritech for new and additional lines under Ameritech's proposal.

13 **Q. One goal of competition is to promote efficiency. Does this access to UNEs**
14 **help to promote greater efficiency?**

15 A. No. As my diagram in Attachment 2 shows, Ameritech's method of combining
16 elements requires greater resources than simply cross-connecting the loop and the
17 port as was done in the case of end user one. It also increases the cost to CLECs
18 of providing service without any corresponding enhancement to the service they
19 provide. In fact, it could diminish the quality of the service CLECs provide. The
20 lengths of wire running from the switch to the customer premise is longer and

1 contains more splices under Ameritech's element access scheme, which could
2 degrade the quality of the signal.

3 Ameritech's scheme also wastes valuable space in the central office and on the
4 main distribution frame. In the Covad/Rhythms line sharing arbitration (Docket 00-
5 0312/0313), Ameritech contended that extra blocks on the frame used for line
6 sharing would lead to frame exhaust.²⁸ It is hard to see how its proposal in this
7 proceeding would not cause premature frame exhaust also. Ameritech's scheme, if
8 utilized by CLECs, could increase the number of offices closed to collocation
9 because of lack of space.

10 **Q. Do you have any further concerns about Ameritech's UNE access**
11 **proposal?**

12 A. Yes. It is unclear how lines provisioned over an integrated digital loop carrier would
13 be unbundled in order for the CLEC to bundle them again. This could be very
14 difficult under Ameritech's scheme because loops are not terminated on a MDF.
15 Ameritech's rebuttal testimony should address this issue.

16 **Q. How important is the market for new and additional lines to CLECs?**

²⁸ Arbitration Decision, Covad Communications and Rhythms Links Petition for Arbitration, Docket 00-0312 and 00-0313 Consolidated, (August 17, 2000), at p. 15.

1 A. It is a very important market. Ameritech provided data regarding the number of new
2 and additional line customers it has in its response to Staff data request CLG 2.01.
3 The size of the market for Ameritech customer's needing new and additional lines
4 appears to be slightly larger XXXXXXXXXXXXXXXXXXXX Proprietary XXXXXXXX
5 XXXXXXXXXXXXXXXXXXXX. Local Telephone Competition: Status as of June 30,
6 2000. FCC Industry Analysis Division Common Carrier Bureau, Report dated
7 December 2000. New customers are an important market for CLECs because
8 these customers will probably have more information about new CLEC options
9 could be more likely to choose a CLEC for local exchange service.

10 **Q. What remedies are available to the Commission?**

11 A. In Docket 98-0396 it was the Staff recommendation that the ordering language in
12 the in the original combine platform offering (CPO) ordering guide, that describes
13 order types, be inserted into the tariff. Specifically that language would read:

14 XXXXXXXXXXXXXXXXXXXXXXXXXXXX Proprietary XXXXXXXXXXXXXXXXXXXXXXXXXXXX.

15 XXXXXXXX

16 • XXX

17 • XXX

18 • XXXX

19 • XXXX

20 XXXXXXXXXXXXXXXX.

21 XXXX

1 XXX
2 X
3 XXX
4 X
5 XXX
6 X XXXXXXXX.

7 XXX
8 X
9 XXX
10 X
11 XXX
12 X XXXXXXXXXXXXXXXXXXXXXXX

13 XXXXX

14 |
15 XXX
16 XXXXXXX
17 XXX
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31 XXX

1 XXX
2 XXX
3 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
4 XXX
5 XXX
6 XXX.
7 XXX
8 XXX
9 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.
10 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
11 XXX
12 XXX
13 XXX
14 XXX **(emphasis**
15 **added)**²⁹

16 The Commission could also find that the service of Ameritech combining network
17 elements is in the public interest, and order Ameritech to provide the service under
18 Section 13-505.5 of the Public Utilities Act.

19 A third alternative, if the Commission decided it did not want to order Ameritech to
20 combine elements, would be to allow CLECs to order “new” lines through the
21 wholesale tariff and convert those lines immediately to UNE-P service. In response
22 to Staff data request CLG 1.05 and CLG 1.06, Ameritech verified that it permits

²⁹Combined Platform Offering Illinois Tariffed Offering,

1 CLECs to provide service to resale service to new customers and that there are no
2 restriction for converting resale line to UNE-P lines. This solution would only
3 address new line and not additional line. It could also involve a CLEC paying
4 multiple service order charges.

5 **CONCLUSIONS AND RECOMMENDATIONS**

6 **Q. What recommendations are you prepared to make at this time?**

7 A. My recommendations are as follows:

- 8 • The Commission should, in its Order in this Docket, supply Ameritech with clear and
9 specific tariff language and rates to be used for shared transport, unbundled
10 switching and the combined UNE platform.
- 11 • CLECs should file proposed tariffs with their rebuttal testimony.
- 12 • Ameritech should use the standards and inputs developed in Docket 98-0486 to set
13 prices for UNEs.
- 14 • If Ameritech's depreciation life for digital switches that it filed with the FCC has
15 changes since Docket 98-0486 was decided, Ameritech should present those rates
16 in this case for Commission consideration.

- 1 • Ameritech should explain how the “contract fill level” is set, and why that rate should
2 or should not be used in setting the price for unbundled local switching.

- 3 • Ameritech should develop a flat-rated ULS rate, as it was directed to do by the
4 Commission.

- 5 • Ameritech should allow CLECs to use shared transport to provide intraLATA toll
6 service.

- 7 • Ameritech should allow CLECs to purchase new and additional lines in its
8 Combined Platform Tariff and Ameritech should be required to combine those
9 elements.

- 10 • Ameritech should explain how it would allow CLECs to recombine loops and
11 switching elements when the loop is served by a integrated digital loop carrier.

12 **Q. Does this conclude your testimony?**

13 A. Yes

14
15