d. Ameritech Illinois amounts.

In 1999, the Company recorded $98.6 million in net pension settlement gains (a reduction to pension cost) as a result of applying Statement of Financial Accounting Standard Nos. 87 and 88 (FAS 87 and FAS88). GCI/City Ex. 6.2 at 25. Pension settlement gains refer to the decreased expense the Company achieves as a result of employees accepting retirement packages in a lump sums rather than drawing pension benefits over a period of years. Because these settlement gains (reductions to pension costs) were unusually high for the 1999 year, the Company proposed a pro forma adjustment that removes entirely the impact of the $98.6 million pension settlement gain as part of its adjustment to add $117.902 million to 1999 Corporate Operations Expense in Column B, Schedule 1 of AI Exhibit 7.0, Schedule 1. (Dominak).

As discussed by Mr. Smith, the $98.6 million should not be removed, as Ameritech Illinois has done, but rather should be amortized over a representative period, such as five years.[73] The adjustment to amortize this over five years would reduce Ameritech Illinois' proposed intrastate operating expense by $13.238 million. GCI/City Ex. 6.0 at 31, GCI/City 6.6, p. 3. This adjustment is reflected on GCI/City Ex. 6.5, Schedule E-3 Revised.

In response to this adjustment, AI witness Dominak claims that is not appropriate to consider the pension settlement gains as a current period gain. AI Ex. 7.2 at 32. Mr. Dominak's complaint, however, is groundless. As pointed out by Mr. Smith, the amount recorded in the 1999 test year for the pension settlement is a current period expense for

[73] See, e.g., Commission Order in Docket Nos. 92-0448/93-0239, at page 109, where the Commission concluded that IBT's workforce resizing expenses should be amortized over a five-year period, which was the projected life of rates. The Commission also stated that this was consistent with its treatment of similar expenses in past orders.

1999, and does not relate back to any prior period items. GCI/City Ex. 6.2 at 25. During cross-examination, Mr. Dominak confirmed that, in fact, these gains were attributable to people who elected to retire in 1999. Tr. 989-990. Because it is a negative item (i.e., the result of a net gain) in this instance, it is a current period expense *credit*, or reduction to pension cost, in the current period that should be reflected in the test year, but amortized to reflect a normalized level of pension settlement gains. Mr. Smith's five-year amortization adjustment accomplishes that ratemaking goal.

The Company's response to data request BLV-041 shows that the Company recorded net pension settlement gains for 1999 in December 1999 of $98,633,840. GCI/City Ex. 6.2 at 27. That response also shows that the Company recorded net pension settlement gains for 2000 of $34 million in March 2000 and $50.639 million in June 2000 for IBT employees, and net pension settlement gains of $13,449,953 for the Illinois portion of ASI pension settlement gains for the first and second quarters of 2000. Id. Thus, for the first half of 2000 alone, IBT has recorded approximately $98 million of additional pension gains. Id. Moreover, these gains recorded in 2000 relate to employees who retired in 1999. Thus the pension settlement gains IBT recorded in 1999 and 2000 relate to retirements in the 1999 test year, and should properly be included to some extent in the test year with a normalizing adjustment to address the unusually large amounts recorded in 1999 and 2000 relating to 1999 retirements. Clearly, wholesale removal of the amount, as the Company proposes, is not appropriate and does not reflect a normalized level of pension expense.

Mr. Dominak also objects to Mr. Smith's selection of a five-year amortization period. AI Ex. 7.2 at 36. He claims that if the gains are to be amortized, an 11.4

amortization period should be used for pension settlement gains related to retiring management employees and a 16-year period for gains related to retiring nonmanagement workers. Tr. at 1005.

Mr. Dominak's proposal should be rejected for a few reasons. First, these periods relate to the estimated remaining working lifetimes of employees who have *not* yet retired. Consequently, neither period is appropriate for an amortization of pension settlement gains for employees who *have* retired (i.e., are no longer employees and have a zero level remaining working expectation at AI.) Second, the retirements which generated the pension settlement gains recorded by IBT in 1999 were part of the work force changes experienced by Ameritech, and the cost reduction impacts of such known changes, should be recognized for ratemaking purposes. In Docket 92-0448/93-0239, the Commission determined that the Company's work force resizing expenses should be amortized over a five-year period, which was based on the projected life of rates. Price Cap Order at 109. In reflecting this amortization, the Commission stated that "such treatment is consistent with the Commission's treatment of similar expenses in past orders." Id. The Commission also concluded that management audit expenses should be amortized over a five-year period, the projected life of the rates, and stated that such treatment is consistent with the Commission's treatment of such expenses in past orders. Price Cap Order at 129.

Third, Staff witness Dianna Hathhorn, who also proposes a similar pension settlement gain adjustment, likewise selected a five-year amortization period. Staff Ex. 6.0, at 8. Third, Mr. Dominak confirmed during cross-examination that neither FAS 87 nor Generally Accepted Accounting Principles require that an amortization be based on a future working lifetime calculation. Tr. at 1008. Because the settlement gains relate to employees who already retired in 1999, their future working lifetime is zero. Accordingly, Mr. Dominak's criticisms of Mr. Smith's proposed amortization period should be rejected. A five-year amortization period is reasonable and appropriate under such circumstances, and is consistent with prior Commission treatment of similar cost impacts which are normalized for ratemaking purposes.

e. Pension Settlement Gains –Ameritech Services

In his rebuttal testimony, Mr. Dominak proposed several pro forma adjustments to the Company's 1999 income statement for "known and measureable changes which became known after that Exhibit (AI Ex. 7.0) was filed." AI Ex. 7.1 at 2. Among the changes to the test year proposed by the Company is an adjustment to again remove the impact of pension settlement gains – this time relating to amounts charged from Ameritech Services Inc. ("ASI") to AI in 1999. AI holds a one-third equity interest in ASI, which provides centralize services on behalf of the five Ameritech Operating Companies. AI's adjustment results in a decrease in the intrastate balance available for return of $11.18 million. Id.

Similar to the treatment of the Ameritech Illinois pension settlement gains and curtailment losses, the Ameritech Services 1999 pension settlement gains should be amortized over a five-year period, rather than being excluded from the test year results entirely, as Mr. Dominak proposes in his rebuttal testimony. The five-year amortization is necessary for the same reasons the pension settlement gain amounts stemming from AI employee retirements should be amortized, and not ignored entirely as AI proposes. GCI/City Ex. 6.2 at 14. Consequently, rather than reflect the total removal of the

Ameritech Services 1999 pension settlement gains and curtailment losses as Mr. Dominak proposes on IBT Exhibit 7.1, Schedule 1, Column D, the Commission should reflect a five-year amortization of such gains and losses, as shown on GCI/City Exhibit 6.3, Schedule E-15. This adjustment increases intrastate operating expense before taxes by approximately $14.829 million. It is $3.7 million less than the Company's adjustment to Corporate Operations Expense.

f. Pension Settlement Gains – Known 2000 Amounts

Mr. Smith also made an adjustment to amortize over a five-year period the impact of $98 million in known pension settlement gains recorded by IBT in 2000 for retirements that occurred during the 1999 test year. These pension settlement gains were discussed by AI witness Dominak at pages 28-29 of his rebuttal testimony (AI Ex. 7.1) and were documented in information provided to the Commission Staff and Mr. Smith. GCI/City Ex. 6.2 at 22. During cross-examination, Mr. Dominak confirmed that these amounts, although recorded in 2000, related back to personnel who elected to retire in 1999, but did not receive the lump sum cash payout from the pension plan until 2000. Tr. at 996; AI Ex. 7.2 at 12. The five-year amortization period is consistent with Mr. Smith's other recommendations concerning the treatment of the similar 1999 pension settlement gains. This adjustment decreases intrastate expense by $13.169 million, and is reflected in Mr. Smith's Ex. 6.5, Schedule E-19.[74]

The Company objects to Mr. Smith's additional adjustment for the pension settlement gains recorded in 2000 in surrebuttal testimony. Mr. Dominak argues that Mr. Smith's

[74] An alternative calculation shown on Schedule E-19 shows what the impact of this adjustment would be if the Commission adopts the Company's recommendation to revise the nonregulated factor applied to Corporate Operaitons expense from 13 percent to 4.63 percent. GCI/City Ex. 6.2 at 22.

adjustment to amortize over a five-year period the impact of known pension settlement gains recorded by IBT in 2000 amounts to a "double-counting". AI Ex. 7.2 at 17. Mr. Dominak is wrong. Mr. Dominak confirmed during cross-examination that when the Company recorded the approximately $98 million of pension settlement gains on its books in the first half of 2000, it did not double count the amount of pension settlement gains that it recorded in 1999. Tr. at 1030. This $98 million was a separate amount, distinct from the $98.6 million in pension settlement gains recorded by the Company in 1999. Id. However, the $98 million in pension settlement gains recorded in 2000 does *relate back to employees who actually retired in 1999 and received their lump sum payments in 1999.* Tr. 1031. The Company simply recorded in 2000 these additional amounts that relate to retirements that occurred during the 1999 test year. Accordingly, it is appropriate to amortize these additional 2000 amounts in order to reflect a normalized level of expense for the 1999 test year. Moreover, it should be noted that the Company's objection to amortizing gains recorded in 2000 is inconsistent with the Company's own pro forma proposed adjustments to its 1999 operating income statement for "known and measureable changes" associated with AI tariff changes made in 2000. AI Ex. 7.1, Schedule 1, Tr. at 1030.[75]

For all of the reasons stated above, the Commission should adopt Mr. Smith's proposed pension settlement gain adjustments that are reflected in his Ex. 6.5, Schedules E-3 (AI Pension Settlement Gain), E-15 (Ameritech Services Pension Settlement Gain) and E-19 (AI Pension Settlement Gain – Known 2000 Amounts).

[75] In that pro forma adjustment, shown on AI Ex. 7.1, Schedule 1, Column F, Mr. Dominak reflects and adjustment to increase intrastate revenue by $38.272 million and to increase Uncollectibles by $872,000 for the impact of additional 2000 tariff filings by the Company. Mr. Smith reflected the $38.272 million adjustment to increase revenue on GCI Ex. 6.3, Schedule E-16. Mr. Smith disagreed with the Company's computation of the Uncollectibles expense associated with the tariff changes, as discussed below in the section in this Brief on Uncollectibles.

g. Revenues Associated With AI's Failure to Meet Service Quality Standards

An adjustment to increase AI's reported level of revenues is needed to reflect the revenue foregone as a result of Ameritech Illinois' failure to meet the OOS>24 Hours service quality standards. GCI/City Ex. 6.0 at 36, GCI/City Ex. 6.2 at 46. As noted in Part IV of this Brief, because the Company failed to meet the OOS>24 Hours service quality standard in each year of the plan except one, its intrastate revenue on an annual basis was reduced, as shown in detail in GCI Ex. 6.5, Schedule E-8.9. The Company's response to data request CUB 5.40 states that only one-half of the $2.6 million 1999 amount is included on Dominak Schedule 1, columns A, D, F and M. Id. Apparently, the $2.6 million is an annual 1999 amount, and the Company's response to data request CUB 5.40 suggests that half of this annual impact would have been reflected in its operating results for the 1999 test year. GCI/City Ex. 6.0 at 36.

The foregone revenue associated with the Company's failure to meet service quality standards is similar to a cost incurred by IBT associated with the failure to meet acceptable service quality standards, and should not be charged to customers. Id. at 37. By failing to include the full amount of service quality penalty amounts as revenues, the Company has done just that for ratemaking purposes. Ratepayers should not be forced to pay extra when the Company fails to meet minimum acceptable service quality standards. Consequently, reflecting the level of pro forma revenue as if the Company had fully met service quality standards is necessary so that ratepayers do not subsidize or pay for poor quality service. Id.

Mr. Smith first recommended in his Direct testimony that one-half of the annual 1998 amount of reduced annual revenue from IBT's failure to fully meet quality of service standards also needed to be reflected as revenues for ratemaking purposes. In response to data request CUB 17.26, however, the Company provided information showing the annual amounts of foregone revenue IBT's incurred associated with its failure to meet service quality standards, and the cumulative effect on 1999 test year intrastate revenues associated with its incurrence of such penalties for inadequate service quality. GCI/City Ex. 6.2 at 46. Mr. Smith accordingly revised his Schedule E-8 to reflect the cumulative effect on the 1999 test year, as quantified by IBT in that data response. This adjustment restores $29.579 million of foregone revenue to the test year for the cumulative impact on the 1999 test year for IBT's failure to provide adequate service.[76]

In response to this well-reasoned adjustment, AI witness Dominak argued the adjustment is not appropriate because it imputes revenues that AI did not receive, and the revenue reduction associated with the penalty continues to be reflected in rates on an ongoing basis. AI Ex. 7.1 at 31.

Mr. Dominak's arguments miss the mark and should be rejected. It is correct that Mr. Smith's recommended adjustment imputes revenues to the 1999 test year that IBT did not receive because of its failure to meet Illinois service quality standards. However, such imputation is necessary in order that the 1999 test year revenues reflect, for ratemaking purposes, an appropriate level of revenues as if the Company had provided an adequate level of service to customers. GCI/City Ex. 6.2 at 44. The foregone revenue associated with the Company's failure to meet service quality standards is a penalty that

[76] Pro forma Uncollectibles for the test year increase $494,000.

should not be charged to customers. By excluding these foregone revenues from the 1999 test year, the Company seeks to ensure that any going-forward revenue requirement established by the Commission would recoup these lost revenues. Consequently, reflecting the level of pro forma revenue for the 1999 test year as if the Company had fully met service quality standards is necessary so that ratepayers do not subsidize or pay for poor quality service. Id. . The 1999 test year revenues that IBT has lost or foregone because of its failure to meet minimum service quality standards in the state must be added back, or imputed to IBT, in the determination of the 1999 test year revenue requirement, so they can be counted by the Commission in resetting IBT's intrastate rates in this proceeding.

Failure to impute these foregone revenues lowers the Company's reported level of revenues, and causes the Company to report a lower earned return. The way to remove the impact of this penalty upon IBT's 1999 test year results is to restore, or impute, the revenues to the test year as if IBT had been providing at least a minimally acceptable level of service quality, and correspondingly did not incur the service quality penalties. This is what Mr. Smith's recommended adjustment accomplishes. Id. at 45.

As shown on Schedule E-8, Mr. Smith's well-reasoned adjustment increases revenue by $2.450 million, and increases Uncollectibles expense by $41,000. Id. The increase to Uncollectibles is calculated by applying Mr. Smith's recommended Uncollectibles factor of 1.67% (as discussed in the next section) to the $2.45 million of revenues. The derivation of the 1.67% is shown on Schedule A-1.

h. Uncollectibles

The Company recorded an increase of $18.685 million on an intrastate basis for a change in estimating Uncollectibles in its 1999 Operating Income Statement. GCI/City Ex. 6.0 at 38. In response to discovery, Mr. Smith learned that this additional amount was related to a change in AI's uncollectibles-estimation method, due to its merger with SBC Communications. The SBC method produced a higher Uncollectibles estimate by applying different, generally higher, percentages to over-due account balances. Mr. Smith determined, however, that the entry AI made in October 1999 to increase Uncollectibles was a one-time catch-up item, and should be removed. His proposed adjustment, shown on Schedule E-9, reflects the removal of this expense and increases intrastate income before income taxes by $18.534 million. Staff witness Bill Voss proposes a similar adjustment. Staff Ex. 5.0 at 13.

As shown on Schedule E-9, the $18.534 million net adjustment to Uncollectibles reflects a decrease of $18.685 million to remove the October 1999 entry, and an increase of $151,000 for the recalculation of Uncollectibles relating to IBT's revenue adjustments shown on its Exhibit 7.0, Schedule 1, Columns I through L.

It should be noted that the Uncollectibles adjustment affects the computation of the Gross Revenue Conversion Factor. GCI/City Ex. 6.0 at 39. Consequently, an adjustment to the GRCF should also be made, and is shown on Schedule A-1.[77] As noted above, there is also an impact on the Uncollectibles portion of the Company's pro forma

[77] The Gross Revenue Conversion Factor ("GRCF") is a factor used to convert amounts of net income into revenue requirement amounts. It incorporates a factor for income taxes and Uncollectibles. To achieve a certain level of net income, the Company must collect an amount of revenue that is determined by multiplying the net income amount by the GRCF. This application of the GRCF recognizes that certain costs such as Uncollectibles and income taxes vary when the amount of intrastate revenue changes. GCI/City Ex. 6.0 at 18. The Uncollectibles factor used by Mr. Smith of 1.67% in deriving the GRCF shown on GCI/City Ex. 6.5, Schedule A-1is higher than the Uncollectibles factor of 1.39% used by the Commission in its Price Cap Order, shown on Appendix B, Schedule 6 of that Order. Id.

adjustments for revenue changes on Ameritech Illinois Exhibit 7.0, Schedule 1, Columns I through L. This adjustment is reflected on Schedule E-9, line 2.

The Company accepted Mr. Smith's and Staff's Uncollectibles adjustment, as shown on AI Ex. 7.1, Schedule 1, Column L. However, in his computation of the effect on Uncollectibles of the AI 2000 tariff changes, Mr. Dominak used an Uncollectibles factor of 2.28% to compute the impact, as shown in Column F of IBT Exhibit 7.1, Schedule 1. This is inconsistent with Mr. Smith's recommended Uncollectibles factor of 1.67%, shown on GCI Ex. 6.1, Schedule A-1 and filed with Mr. Smith's direct testimony, and is inconsistent with Mr. Dominak's use of the revised Uncollectibles amount that both Mr. Smith and Staff witness Voss recommended. GCI/City Ex. 6.2 at 17.

The Uncollectibles factor of 1.67% shown on GCI/City Ex. 6.2, Schedule A-1 should be used to calculate the impact on Uncollectibles of the $38.272 million increase to revenues associated with the Company's pro forma adjustment for known 2000 tariff changes. GCI/City Exhibit 6.3, Schedule E-16, shows the appropriate Uncollectibles factor of 1.67% used to calculate the increase to Uncollectibles associated with this adjustment, which is $639,000. ($38.272 million x 1.67% = $639,000). Id. at 18.

i. Non-Product Corporate Image-Building Advertising

Both Staff witness Mary Everson and Mr. Smith agreed that an adjustment to remove the expense associated with non-product, corporate-image advertising should be removed.[78] Unlike product advertising, which is intended to sell specific products in order to increase regulated revenue, corporate-image advertising is of little or no benefit

[78] Ms. Everson also removed other "external relations" expenses related to review of pending legislation, public relations and investor relations activities. Staff Ex. 7.0 at 9. Her adjustment totaled $20.4 million. Id., Schedule 7.05.

to Illinois jurisdictional ratepayers because its purpose is to promote the image of Ameritech, now SBC. GCI/City Ex. 6.0 at 35. While the Company may argue that it is appropriate to promote the corporate or Company image, the link between non-product advertising and increased sales of regulated services in Illinois is remote and not quantifiable. Therefore, it is appropriate to remove from the test year revenue requirement any non-product/image advertising expenses. The intrastate expense amount of $6.807 million identified in data request CUB 5.36 should be removed. Id.

In the Price Cap Order of Docket Nos. 92-0488/93-0239, the Commission disallowed such expense. Price Cap Order at 106-107. In that proceeding, both Staff and CUB/Cook witnesses proposed to disallow IBT's corporate image/goodwill advertising. At page 107 of its Order, the Commission stated that:

> The Commission agrees with Staff and CUB/Cook that the purpose of the advertising in question is to promote the Company's corporate image and goodwill. Accordingly, the Commission does not find this advertising to be a reasonable expense for the ratepayers to bear.

Id.

In opposition to this adjustment, the Company vaguely argues that non-product "brand" advertising benefits AI customers, without providing any specific examples of how this has occurred. AI Ex. 7.1 at 22. Conspicuously absent from the Company's discussion on this point is the identification of any particular service promoted or revenues collected as a result of these image-building ads. Consistent with the Commission's findings in Docket 92-0448, advertising to promote the Company's image and goodwill should be disallowed

j. Asset Disposition Accruals

The term "asset disposition accruals" refer to estimated expense amounts associated with the cost of disposing of certain properties. AI Ex. 7.1 at 37. The Company's 1999 Operating Income Statement included an adjustment to remove in its entirety a $5.518 million credit to expense associated with "asset disposition accruals." AI Ex. 7.0, Schedule 1. The effect of this adjustment was to increase the test year level of expense, thereby increasing the Company's revenue requirement. In discovery, the Company revealed that the $5.518 million related to the costs AI accrued over a number of years as the result of the sale of land and buildings that occurred in 1994, and that all transactions for land and buildings that were placed for sale in 1994 were completed. GCI/City Ex. 6.0 at 33.

Mr. Smith noted that if the $5.518 million is to reverse expense over-accruals that built up over a period of several prior years, then a more appropriate ratemaking treatment would be to amortize the credit over a similar period, rather than remove it in its entirety as the Company's adjustment does. Consequently, an adjustment to amortize $5.518 million over a representative period should be made. For the amortization period, Mr. Smith again used a five-year period, which is the approximate period associated with the build-up of this item. The adjustment reduces Ameritech Illinois' proposed intrastate operating expense by $.741 million, as shown in the table on page 34 of GCI/City Ex.6.0 and on Schedule E-5.

In response to this adjustment, AI witness Dominak claims that there is no basis for "giving credit for prior period accruals in 1999 results." AI Ex. 7.1 at 38. Mr. Dominak's criticisms miss the mark. As explained by Mr. Smith, the basis for reflecting this credit in 1999 results is that the Company actually recorded it in its 1999 results. The basis for amortizing the 1999 recorded amount over five years is that it relates back to 1994, approximately a five year period, and the Commission has used a five-year amortization period for other costs where the impact on the test year of an item is being normalized.

In sum, Mr. Smith's reasonable adjustment to amortize the credit for asset disposition accruals over the same time period the accruals occurred, rather than pluck the entire amount of the credit from the test year, as the Company has done, reflects a normalized level of the impact of this credit, and should be adopted.

k. Revised Non-Regulated Factor for IBT's "Out-of-Period Adjustment

4. Among the new adjustments to the Company's 1999 Intrastate Operating Income made by AI witness Dominak in his rebuttal testimony was his proposed revision for the nonregulated factor applied to the Company's proposed $117.902 million of so-called "prior period" expense. This adjustment should be rejected for two reasons: (1) the 13% factor was adequately documented as being appropriate in IBT's responses to data requests, and thus does not require revision, and (2) the Company's latest calculation is inconsistent with its own original filing in Exhibit 7.0, Schedule 1, is inconsistent with GCI's filing (Exhibit GCI 6.1), and is internally inconsistent with the derivation of other adjustments on IBT Exhibit 7.1, Schedule 1, such as the $9.253 million reduction to expense for Merger Costs shown in Column J.

l. AI's Income Tax Expense Correction

At page 38 of his direct testimony (GCI/City Ex. 6.0), Mr. Smith discussed the need for making an adjustment to reduce income tax expense in the Company's test year Operating Income Statement on a total Company basis. In his rebuttal testimony, Mr. Dominak makes this correction to the income tax expense, as shown on AI Ex. 7.1, Schedule 3, which is incorporated in the "Prior Period Taxes & Nonregulated" amount in

Mr. Dominak's Exhibit 7.1, Schedule 1, Column B. Mr. Smith reflected this correction to income tax expense on GCI Exhibit 6.5, Schedule E-14. A discussion of the rationale behind this agreed-upon adjustment can be found at page 11 of GCI/City Ex. 6.2.

m. Merger Cost Exclusion

In his direct testimony, Mr. Smith discussed the need for an adjustment to the Company's 1999 Intrastate Operating Income statement to reflect the removal from expense of $13.874 million in merger costs. GCI/City Ex. 6.0 at 32. Per IBT's response to data request DLH-042, the previously reported amounts for merger costs recorded in 1999 were all recorded below-the-line by IBT. Id. Per IBT's response to data request DLH-027, the $13.784 million was not booked by or billed to IBT until 2000. Id. As explained by Mr. Smith, the $13.784 million is not a 1999 expense, is similar to other merger costs that IBT recorded below-the-line, and should be removed from expenses for the 1999 test year. Staff concurred and proposed an identical adjustment. The adjustment reduces Ameritech Illinois' proposed intrastate operating expense by $9.253 million.

In his rebuttal schedules and testimony, IBT witness Dominak reflected Mr. Smith's and Staff witness Hathhorn's adjustment for merger related costs. AI Ex. 7.1, Schedule 1, Column J. However, as noted by Mr. Smith in his rebuttal testimony, the amount Mr. Dominak used is internally inconsistent with the remainder of his adjusted intrastate expense calculations shown on his Exhibit 7.1, Schedule 1. GCI/City Ex. 6.2 at 8. The calculation of the $9.253 million amount is shown on GCI Exhibit 6.5, Schedule E-4. Referring to line 2 of Schedule E-4, the nonregulated portion is calculated using 13%, based on the Company's calculation of the corresponding item on IBT Exhibit 7.0, Schedule 1, Column B, and details provided by IBT in response to data requests.

Recall that the merger costs are one of three components of the Company's proposed $117.902 million of so-called "prior period" expense additions in IBT Exhibit 7.0, Schedule 1, Column B, as detailed in IBT's response to data request DLH-005 and described on page 31 of GCI/City Ex. 6.0 (Smith Direct). On IBT Exhibit 7.1, Schedule 3, Mr. Dominak attempted to decrease the 13% nonregulated factor for the $117.902 million that he had previously applied on IBT Exhibit 7.0, Schedule 1, to 4.63%, thereby allocating more expense to regulated operations. This change in the nonregulated factor is insupportable, as discussed below.

The $9.253 million amount reflected on IBT Exhibit 7.1, Schedule 1, Column J, is consistent with the Company's original filing (IBT Exhibit 7.0, Schedule 1) and with the GCI adjustment calculations, both of which used the 13% nonregulated factor for Corporate Operations Expense. However, the $9.253 million amount reflected on IBT Exhibit 7.1, Schedule 1, Column J, is internally inconsistent with the attempted revision of the nonregulated factor by Mr. Dominak on IBT Exhibit 7.1, Schedule 3. A consistent calculation of those amounts would require either (1) rejecting the expense increase associated with IBT's belated attempt to revise the nonregulated factor on its Exhibit 7.1, Schedule 3, or (2) recalculating the merger expense adjustment to reflect the consistent use of a 4.63% nonregulated factor, which would increase the $9.253 million amount to $10.143 million, as shown in the following table:

Line	Description	Amount	Reference
1	Merger costs from SBC	$ 13,784	DHL-038
2	Non-regulated portion	4.63%	IBT Ex.7.1, Sch.3
3	Regulated portion	95.37%	1 - Line 2
4	Intrastate factor	0.771601	Dominak Sch.1, Col.E
5	Intrastate amount	$ 10,143	L.1 x L.3 x L.4
6	Adjustment to intrastate expense	$ (10,143)	- (Line 5)

GCI/City Ex. 6.2 at 10.

If the Commission was to determine that a 4.63% allocation to nonregulated amounts, rather than the 13% previously used by IBT, should have been applied to the $117.902 million in prior period expense additions on IBT Exhibit 7.0, Column B, this change would affect the calculations of the adjustments described in Mr. Smith's direct testimony for the other components of the $117.902 million. Id. The adjustments on GCI Exhibit 6.1, Schedule E-3, for the amortization of the IBT pension settlement gain; Schedule E-4 for the merger costs billed in 2000 by SBC; and on Schedule E-5, for the amortization of asset disposition accrual amounts, would need to be adjusted to reflect the use of the lower nonregulated allocation factor. Other things being equal, the use of a lower nonregulated allocation factor would increase the amount of each of those adjustments by a similar ratio to the merger cost adjustment impact noted above, i.e., by approximately 9.62%. (Merger cost adjustment is $10.143 million using a 4.63% nonregulated factor versus $9.253 million using a 13% nonregulated allocation factor. $10.143M / $9.253M = 1.0962.) Id.

However, such machinations are unnecessary if the Commission appropriately incorporates the consistent use of a 13% nonregulated factor in the computation of the Merger Cost Exclusion and the other adjustments listed above.

n. Software Cost Capitalization

In his direct testimony, Mr. Smith recommended an adjustment to correct the Company's failure to reflect in its 1999 test year filing the impact of an American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") No. 98-1, which addresses the capitalization of software costs. In general, this SOP requires that software costs be capitalized. Prior to the adoption of SOP 98-1 many companies, including AI, had been expensing internally developed software costs, which now must be capitalized in compliance with GAAP. Mr. Smith explained that, for ratemaking purposes, it was necessary to reflect the amortization into expense of software costs. The effect of the adjustment, as shown in GCI/City Ex. 6.5, Schedule E-10, decreases intrastate operating expense by $1.319.

In his rebuttal testimony, Mr. Dominak accepted this adjustment, but insisted that Mr. Smith used the wrong intrastate factor for purposes of calculating the adjustment. AI Ex. 7.1 at 9. Mr. Smith agreed that the "Plant Specific Operations" factor should be used, but noted that Mr. Dominak had not followed his own advice. GCI/City Ex. 6.2 at 12. Mr. Smith corrected that mistake, as shown in GCI/City Ex. 6.5, Schedule E-10, line 4. In his surrebuttal testimony, Mr. Dominak concurred with Mr. Smith AI Ex. 7.2 at 3) and made that correction.

Accordingly, the agreed-upon $1.3 million reduction to the 1999 intrastate expense level should be adopted.

o. Sports Team Sponsorship

AI responses to CUB data requests revealed that AI included $96,000 in intrastate expense associated with sports team sponsorship in the 1999 test year.

GCI/City Ex. 6.0 at 36. Similar to the adjustment for non-product advertising, Mr. Smith proposed an adjustment to 1999 test year expense to remove the cost of sports team sponsorship. Id. Sports team sponsorship is not a cost of providing telephone service and represents costs incurred to promote goodwill toward the Ameritech name. Id.

In his rebuttal testimony, Mr. Dominak adopted this adjustment. AI Ex. 7.1 at 6-7. Mr. Smith's adjustment is reflected on Schedule E-7, and should be adopted by the Commission.

p. Interest Synchronization

The interest synchronization adjustment synchronizes the rate base and cost of capital with the tax calculation. GCI/City Ex. 6.0 at 41. It is calculated by applying the weighted cost of debt to the recommended rate base to obtain a synchronized interest deduction for use in the calculation of test year income tax expense. GCI/City Ex. 6.5, Schedule E-11 presents the calculation of the interest synchronization adjustment. It applies the weighted cost of debt, which can be found on Schedule D, to the adjusted rate base amount from Schedule B in order to determine the interest deduction. The state and federal income tax rates are applied to the resulting interest deduction difference to determine the decrease in income tax expense. Id.

The Company's response to data request SDR-036 did not provide the requested information on the amounts of Interest Expense the Company used to calculate its Income Tax Expense. Id. The amount Mr. Smith used for intrastate booked interest expense of $55.595 million on Schedule E-11 was from BLV-Verbal-10/26/00, which had followed-through on the Company's response to data request SDR-036. Id.

Commission precedent for adopting an interest synchronization adjustment is long-standing. The interest synchronization adjustment has been consistently used by the Commission in determining revenue requirements for the utilities it regulates. At pages 103-104 of its Price Cap Order, for example, the Commission stated:

> The Commission consistently has ruled that the interest expense tax benefits that accrue to customers should be based on the product of the Company's approved rate base and its weighted cost of debt.

Schedule E-11 Revised shows the calculation of the interest synchronization adjustment based on the product of Mr. Smith's recommended intrastate rate base and the weighted cost of debt Mr. Smith shows for IBT on Schedule D. The amount of this adjustment will vary if a different weighted cost of debt or intrastate rate base is used. Id. at 42. The adjustment should ultimately be adjusted to correspond with the intrastate rate base and weighted cost of debt adopted by the Commission in this proceeding. Id.

B. Rate Base Adjustments

1. Materials and Supplies

Ameritech Illinois Exhibit 7.0, Schedule 2 (Dominak) reflects $1.680 million of intrastate Materials and Supplies (M&S). As reflected on Schedule E-12 in GCI/City Ex. 6.5, Mr. Smith adjusted the intrastate Materials and Supplies amount upward to reflect a more appropriate balance. The year-end amount used by Ameritech Illinois is lower than the monthly balances listed in response to data request SDR-017, on Schedule B-8.1. GCI/City Ex. 6.0 at 43. A significant decrease occurred in October 1999 after the Company reflected an accounting policy change. The Company's response to data request CUB 13.3(c) stated that IBT anticipates an M&S balance of between $3.5-to-$4 million over the next 12 to 18 months. Schedule E-12.1 analyzes the monthly balances of M&S after the Company accounting change. During this post-accounting change period, the monthly M&S balances ranged from $2.258 million to $4.645 million, and averaged $3.16 million. On Schedule E-12, Mr. Smith used $3.5 million to derive the rate base allowance for M&S, prior to non-regulated and intrastate allocations. The net result of the adjustment is an increase to intrastate rate base of $924,000 to reflect the current ongoing level of Materials and Supplies.

In his rebuttal testimony, Mr. Dominak agreed that Mr. Smith's 1.242 million adjustment to the amount of materials and supplies included in intrastate rate base is appropriate. AI Ex. 7.1 at 8. This amount should be incorporated in the Commission's revenue requirements calculation.

2. Telephone Plant Under Construction

On AI Exhibit 7.0, Schedule 2, IBT reflected Telephone Plant Under Construction (TPUC) of $79.525 million on a total Company basis and $59.034 million on an intrastate basis. The Company's rate base amount is based on its December 31, 1999 balance. Mr. Smith testified that it does not appear that AI reflected any amount for Interest During Construction ("IDC"). GCI/City Ex. 6.0 at 43-44.

Both Mr. Smith and Staff witness Hathhorn proposed an adjustment to reduce the intrastate TPUC amount. Mr. Smith's adjustment reduces the TPUC amount by $13.130 million to reflect a normal level in this account based on a 36-month average, as shown in GCI/City Ex. 6.5, Schedule E-13. Staff witness Hathhorn first normalized the TPUC amount using a 13-month average, but on rebuttal adopted Mr. Smith's 36-month methodology. Staff Ex. 6.0 at 5; Staff Ex. 20.0 at 5.

As shown on Schedule E-13.1, the TPUC amount used by IBT on its Exhibit 7.0, Schedule 2, Column A of $79.525 million exceeds the twelve-month average TPUC balance significantly for all such periods from November 30, 1996 through August 31, 2000. This indicates that the amount used by the Company is too high and is unrepresentative of normal conditions. To reflect a more normal level of TPUC, Mr. Smith used a 36-month average balance for the period ending August 31, 2000, of $61.838 million. The 36-month averages are more stable, i.e., subject to less fluctuation, than corresponding 12-month balances. Consequently, in Mr. Smith's judgment, the use of a 36-month average in this instance produces an appropriate normalized TPUC balance for the use in determining IBT's intrastate rate base.

As shown on Schedule E-13, after non-regulated and intrastate allocations, this produced an adjustment to decrease intrastate rate base by $13.130 million.[79]

On rebuttal, Staff witness Hathhorn agreed that an adjustment is needed to prevent the double-recovery of Interest During Construction ("IDC", otherwise known as Allowance for Funds Used During Construction ("AFUDC")). Staff Ex. 20.0 at 5. As explained by Mr. Smith and shown on Schedule E-13.2, each year during the period 1996 through 1999, AI recorded IDC. For 1999, the Company recorded $2.472 million for IDC. GCI/City Ex. 6.0 at 44-45. IDC is shown in the Company's income statement; however, the Company apparently failed to reflect any IDC in its determination of

[79] Schedule E-13.3 provides a graphic depiction of the Company's TPUC balances, along with a comparison of the Company-proposed and Mr. Smith-proposed TPUC amounts. The 36-month average TPUC balance (on a Total Company basis) is shown for all periods for which information was available, i.e., for all of the 36-month periods ending November 30, 1998 through August 31, 2000. The two right-most columns show, for comparative purposes, the IBT proposed level of $79.525 million and the $61.810 million that Mr. Smith recommends be used. As shown in graphic format on Schedule E-13.3, the 36-month averages have been relatively stable, i.e., indicative of a normal level for the TPUC balance. Mr. Smith's recommendation is in line with such a normal level. In contrast, the Company's proposed amount significantly exceeds a normal level for the TPUC balance.

intrastate net operating income on Ameritech Illinois Exhibit 7.0, Schedule 1. As shown on Schedule E-13.2, Mr. Smith calculated the average relationship between the amount of IDC recorded each year, and the average balance of TPUC, and applied the average to the normalized intrastate level of TPUC. This produced the intrastate IDC expense adjustment of $2.245 million.

The Commission has allowed plant under construction in rate base in other rate cases. For example, in its Price Cap Order, in Appendix B, Schedule 4, the Commission included $43.369 million in intrastate rate base for AI. GCI/City Ex. 6.0 at 45.

If plant under construction is included in rate base, and the utility is recording interest during construction on such plant, there is a need to reflect the IDC in the determination of net operating income. Id. Mr. Smith explains that this is necessary for two reasons: (1) to be consistent with the standards for accounting and ratemaking for telephone companies described in the Uniform System of Accounts and the FCC's Order on TPUC and IDC in CC Docket No. 93-50, and (2) to prevent a double recovery of the IDC. Id.

The accounting of Telephone Plant Under Construction (TPUC) and the related IDC provides that IDC should be calculated on short-term and long-term TPUC using a capitalization rate based on the telephone company's actual average cost of debt. The accounting for TPUC and IDC is specified in the Uniform System of Accounts, Part 32.2000 as amended in CC Docket No. 93-50. Id. at 46. This specifies the accounting for IDC.

A double recovery of IDC would occur because the Company is receiving a cash return on the TPUC from its inclusion in rate base, and recovers the IDC it records by recording it in the Plant in Service account and depreciating it. The double recovery of construction period financing costs can be prevented for ratemaking purposes in three different ways. One way is to prohibit the utility from recording IDC on amounts of TPUC that are included in rate base. Id. A second way is to remove the TPUC balance from rate base; this eliminates the cash return. A third way to address this issue for ratemaking purposes is to reflect the IDC (sometimes referred to as Allowance for Funds Used During Construction, or AFUDC) as an item of income in determining the utility's net operating income for ratemaking purposes. Because the Commission has included TPUC in the rate base for AI in prior proceedings, Mr. Smith applied the latter remedy method to address the double recovery of IDC issue in this proceeding. Id.

Even the IDC rate Mr. Smith used does not totally prevent an over-recovery of IDC by AI. As shown on Schedule E-13.2, Mr. Smith applied an IDC rate of only 4.89%, and based it on an average relationship of the Company's recorded IDC and TPUC. Id. at 47. The Company's interest cost for long-term debt in the capital structure is higher than this. For ratemaking purposes, Mr. Smith explained that the cost of debt being used for IDC should be coordinated with the cost of debt being used for the return requirement. If such an adjustment is not made, over-recovery would result because of an internal inconsistency in the filing. A pro forma adjustment to the cost of debt used to compute IDC may be necessary to correct for this and achieve proper coordination of these elements in the ratemaking process.

Mr. Dominak, on the other hand, has been inconsistent on his Exhibit 7.1 with respect to the amounts he has reflected for TPUC and IDC. Id. at 51. As explained by Mr. Smith, Mr. Dominak reflected Mr. Smith's recommended IDC amount of $2.244

million[80]. The use of that amount would be consistent with Mr. Smith's recommended intrastate rate base amount for TPUC, as shown on GCI Ex. 6.1, Schedules E-13 and E-13.2, of $45.833 million. The $2.244 million of IDC on Ameritech Illinois Ex. 7.1 Schedule 1, however, is inconsistent with his proposed use of an intrastate balance of $59.034 million for TPUC on Ameritech Illinois Ex.7.1, Schedule 2.

In order to correct this mismatch, the intrastate balance of $59.034 million for TPUC on Ameritech Illinois Ex.7.1, Schedule 2, should be reduced by $13.151 million, as shown on GCI Ex.6.5, Schedule E-13, to reflect the normalized intrastate TPUC balance of $45.833 million that corresponds with the $2.244 million intrastate IDC amount. GCI/City Ex. 6.2 at 57.

3. Accumulated Deferred Income Taxes

For 1999, AI subtracted $97.616 million for "Merger Issues" from the ADIT balance used as a rate base offset. Responses to discovery and discussions with Company representatives revealed that the two major components of this item are (1) approximately $60 million relating to a "competitive declaration" and (2) approximately $21 million for a methodology change in the way AI estimated Uncollectibles. GCI/City Ex. 6.2 at 51.

The $60 million ADIT debit balance item for "competitive declaration" related to an accrual IBT made for the possible loss of revenues at risk relating to its declaration of services to be competitive that were not competitive. This item was removed by IBT in the derivation of its intrastate rate base. Id.

The other item of approximately $21 million for the Uncollectibles estimation method change, however, was not removed by AI and remains in the rate base. Based on

[80] IBT Ex. 7.1, Schedule 1, Column K reflects intrastate AFUDC of $2.245 million.

discussions with AI representatives, it was estimated that approximately $1 million of this was allocated to nonregulated operations, and at most approximately 3% is interstate. Id. The AI representatives indicated that approximately $19 to $20 million of this ADIT debit balance had been included in the $281.084 million intrastate ADIT balance shown on Company Exhibit 7.0, Schedule 2, Column E.

The impact of the Uncollectibles methodology change should be removed from the test year. Recall that the Company has agreed that the approximately $18.7 million impact associated with the changeover to SBC's methodology for computing Uncollectibles should be removed from the test year, as recommended by Mr. Smith and Staff. AI reflected that adjustment on IBT Ex.7.1, Schedule 1, Column L. The related ADIT debit balance item of approximately $19 to $20 million for Uncollectibles should also be removed from rate base. GCI/City Ex. 6.2 at 19. Schedule E-17, shows the adjustment to remove $19 million from rate base for the ADIT debit balance relating to the Uncollectibles change. This decreases intrastate rate base by $19 million.

C. Cost of Capital

As noted earlier in this Brief, the revenue requirement calculation performed by GCI/City witness Smith incorporates an 11.8% cost of equity figure. This number represents the low end of the common equity recommendation made by Staff in this proceeding. Staff Ex. 11.0 at 29.

Adoption of the low end of Staff's proposed return on equity recommendation is appropriate for several reasons. First, in the Price Cap Order, the Commission selected the low end of Staff's proposed return on equity range. Price Cap Order at 174. In doing so, the Commission determined:

In order to ensure a benefit to ratepayers from alternative regulation as required by the Act, the Commission adopts a return on equity of 11.36% based on the low end of Staff's CAPM and DCF calculations. Choosing the low end of the return on equity range is reasonable given the change in circumstances under alternative regulation. The Company will no longer face the constraints that it did under traditional rate of return regulation. For example, the Company will be allowed to set its own depreciation schedules (except for LRSIC studies, aggregate revenue tests and imputation studies) and will be allowed some price flexibility. Furthermore, the Company will benefit from the significant potential increase in earnings that it can obtain under alternative regulation. Hence, using the low end of a reasonable range of return on equity is appropriate.

Price Cap Order at 174. Should the Commission adopt another alternative regulation plan, the advantages to the Company that the Commission described as being present under alternative regulation in 1994 will likely still apply here. For example, the Company will have some degree of pricing flexibility and will be permitted to retain some level of earnings above the level authorized for purposes of setting the going-forward rates should some form of alternative regulation be approved.

Second, as discussed by GCI/City witness Smith, the 11.8% appears reasonable in comparison to the cost rate for common equity for intrastate telephone operations in other recent cases in which Mr. Smith participated as a witness, as summarized in the following table:

Case	Party	Recom-mended Cost of Equity	Order or Stipulation and Date	Adopted Cost of Equity
Matanuska Telephone Association	Company	11.00%		
Local Revenue Requirements	Staff	11.00%		
Rate Case, U-00-28			Order 11/29/00	11.00%
US West Communications	Company	14.00%		
(now Qwest)	Staff	11.75%		
Arizona Rate Case	RUCO	11.50%		
T-01051B-99-0105	DOD/FEA	11.50%		
			Stip.10/20/00	11.75%
US West Communications	Company	12.39%		
(now Qwest) North Dakota	Staff	11.25%		
Residence Service Cost Study			Order 9/20/00	11.25%

Accordingly, CUB urges the Commission to adopt an 11.8% cost of equity, which represents Staff's low end of its recommended return on equity range for purposes of computing AI's revenue requirement for the reinitialization of AI's rates.

VI. COST OF SERVICE/RATE DESIGN

As discussed in Part I of this Brief, the Company is proposing to increase residential network access lines by $2.00 to offset lost revenues associated with Commission-ordered decreases in carrier access charges. AI Ex. 1.2 at 24-25. In support of this rate increase, the Company argues that residential network access line charges fail to cover their costs and provide a contribution toward other costs of the business. AI Ex. 1.2 at 17. The Company also proposes to decrease residential new-service order charges, a decrease in the rate for Band B usage and a decrease in the per-occasion rates for three vertical features. Id.

As thoroughly discussed in the testimony of William Dunkel, the Company's proposal to increase residential NAL rates should be denied. Mr. Dunkel provided persuasive evidence that the NAL and EUCL rate elements by themselves contribute more than 100% of the loop and port facility cost. GCI/City Ex. 8.0 at 4. Mr. Dunkel testified that the Company's calculation of the cost of the loop and port facilities contains numerous errors that overstate the properly calculated costs, as shown on GCI/City Ex. 8.15. He noted that it is reasonable to price services that share the loop facility above their properly calculated LRSIC to provide a contribution to the loop facilities which they share with other services. AI however, has assigned 100% of the loop and port facility costs to to NAL.

In accordance with Mr. Smith's test year operating income and rate base adjustments, and his own recalculation of a proper level of depreciation expense, Mr. Dunkel proposes to reduce residence and business NAL rates by $1.30 per line, as shown on page 4 of his Ex. 8.0. In addition, Mr. Dunkel proposes reducing virtually all of the business and residential usage rates, which are currently producing significant contributions over LRSIC. Id. at 5. In addition, Mr. Dunkel proposes 1) reductions in the major residential and business vertical feature rates, 2) to eliminate the charge for residential and business non-published service, and 3) various changes to miscellaneous listing services. All of Mr. Dunkel's rate design proposals and the associated revenue impact can be found in GCI/City Ex. 8.5.

In support of these proposals and the analysis they are based upon, CUB incorporates by reference the arguments on Cost of Service and Rate Design presented in the Brief of the City of Chicago.

VII. CONCLUSION

In accordance with the arguments presented above, the Citizens Utility Board urges the Commission to grant the relief requested in the CUB/AG Complaint for Rate Reduction and enter an Order consistent with the recommendations provided in this Brief.

Respectfully submitted,

CITIZENS UTILITY BOARD

By: Karen Lusson -AB
Karen L. Lusson
One of CUB's attorneys

CITIZENS UTILITY BOARD
Karen L. Lusson
349 S. Kensington Av.
LaGrange, IL 60525
(708) 579-9656
e-mail: klusson@cuboard.org

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Bell Telephone Company Application for review of alternative regulation plan.	ICC Docket No.: 98-0252

NOTICE OF FILING

Please take note that on March 22, 2001 the Citizens Utility Board ("CUB") mailed one original and eight copies of its Initial Brief to Donna Caton, the Chief Clerk of the Illinois Commerce Commission.

Dated: March 22, 2001

Karen L. Lusson

CERTIFICATE OF SERVICE

I, Karen L. Lusson, certify that the foregoing documents, together with a notice of filing, were sent to all parties of record listed on the attached service list by United Parcel Service – overnight delivery for receipt on March 22, 2001 or by hand delivery, United States mail proper postage prepaid, electronic mail or facsimile on March 22, 2001.

Karen L. Lusson

Citizens Utility Board
349 S. Kensington Ave.
LaGrange, IL 60525
(708) 579-9656
Fax: (708) 579-1529

Judith D. Angentieri
AT&T Communications of Illinois, Inc.
913 South Sixth Street, 3rd. Fl.
Springfield, Illinois 62703

Edward A. Butts
Attorney for IBT
1800 W. Hawthorne Lane, Rm. 102
West Chicago, IL 60185

Phillip Casey
Illinois Commerce Commission
160 N. LaSalle Street, Ste. C-800
Chicago, IL 60601

Donna Caton
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

Janice A. Dale
Chief, Public Utilities Bureau
Assistant Attorney General
100 W. Randolph St., 11th Floor
Chicago, IL 60601

Joseph Donovan
O'Keefe, Asheden, Lyons & Ward
Attorney for IL Telecommunications Assoc.
30 N. LaSalle, Ste. 4100
Chicago, IL 60602

William Dunkel
Dunkel & assoc.
8625 Farmington Cemetery Road
Pleasant Plains, IL 62677

David H Gebhardt
Illinois Bell Telephone Company l d/b/a Ameritech
555 E. Cook St., FL 1E
Springfield, IL 62721

Patrick N. Giordano
Giordano & Associates
Attorney for Nextlink Illinois, Inc.
55 E. Monroe St., Suite 3040
Chicago, IL 60603

Cheryl Hamill
AT&T Communications
222 W. Adams St., Ste. 1500
Chicago, IL 60606

Matthew L Harvey
Illinois Commerce Commission
Office of General Counsel
160 N. LaSalle Street, Suite C-800
Chicago, IL 60601-3140

Richard Heatter
MGC Communications
3301 N. Buffalo Dr.
Las Vegas, NV 89129

Carrie Hightman
Schiff, Hardin & waite
233 S. Wacker Dr.
6600 Sears Tower
Chicago, IL 60606

Mark A. Kerber
Ameritech
225 W. Randolf, Floor 29B
Chicago, Illinois 60604

Ross E. Kimbarovsky
Foley & Lardner
Three First National Plaza, Ste. 4100
Chicago, IL 60602

Clyde Kurlander
Lindenbaum, Coffman, Kurlander & Brisky
Three First National Plaza, Ste. 2315
Chicago, IL 60602

Theresa P. Larkin
Illinois Bell Telephone Company
555 E. Cook Street, Fl. 1E
Springfield, IL 62721

Karen L. Lusson
Citizens Utility Board
349 S. Kensington Ave.
LaGrange, IL 60525

Calvin K Manshio
Manshio & Walace
4753 N. Broadway Ave., Suite 732
Chicago, IL 60640

Daniel E. Meldazis
Focal Communications
200 N. LaSalle St.
Chicago, IL 60601

Eve Moran
Illinois Commerce Commission
Hearing Examiner
160 N. LaSalle St., Suite C-800
Chicago, IL 60601

Jack Pace
City of Chicago
30 N. LaSalle St., Suite 900
Chicago, IL 60602

Brian A. Rankin
Rankin & Assoc.
810 Jorie Boulevard, Suite 200
Oakbrook, IL 60523

G. Darryl Reed
Illinois Commerce Commission
160 N. LaSalle St., Suite C-800
Chicago, IL 60601

Richard M Rindler
Swidler, Berlin, Shereff & Friedman
3000 K. Street, N.W. Ste. 300
Washington, DC 20007-5116

John E. Rooney
Sonnenschein, Nath & Rosenthal
8000 Sears Tower
233 S. Wacker Drive, Ste. 7800
Chicago, IL 60606

Sue L Satter
Illinois Attorney General's Office
100 W. Randolph, 11th. Fl.
Chicago, IL 60601

Kenneth A. Schifman
Sprint Communications Co., L.P.
8140 Ward Parkway
Kansas City, MO 64114

Gregory D. Smith
Verison North, Verison South, Inc.
1312 E. Empire Street
Bloomington, IL 61701

Julian Solotorovsky
Kelley, Drye & Warrem, L.L.P.
303 W. Madison St., Ste. 1400
Chicago, IL 60606

Marie Spicuzza
Assistant Attorney General
Cook County State's Attorney's Office
Environment and Energy Division
69 W. Washington, Ste. 700
Chicago, IL 60602

Thomas R. Stanton
Illinois Commerce Commission
160 N. LaSalle Street, C-800
Chicago, IL 60601-3104

Louise Sunderland
Ameritech
225 W. Randolph, Suite 25D
Chicago, IL 60601

Darrell S. Townsley
MCI
205 N. Michigan Ave., Suite 3700
Chicago, IL 60601