DIRECT TESTIMONY OF SHERRY LICHTENBERG
ON BEHALF OF MCI WORLDCOM, INC.
WorldCom Ex. 1.0

ICC DOCKET NO. 00-0700

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Sherry Lichtenberg, and my business address is 701 South 12th Street, Arlington, VA 22202.

Q. PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE.

A. I have eighteen years experience in the telecommunications field -- three years with WorldCom in Mass Markets, Local Product Development and Marketing, and fifteen years at AT&T. My AT&T experience includes working on the development of the System 85 and System 75 (major Private Branch Exchanges ("PBXs")), product marketing and product management in both the large business and federal areas. My special expertise is in testing and requirements analysis. My WorldCom experience includes conducting market entry testing for New York, Texas and other states, as well as representing WorldCom in the Texas, New York, Pennsylvania, Georgia and California third party Operations Support Systems ("OSS") testing efforts.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I work for WorldCom in the local division of WorldCom's Mass Markets business unit. The Mass Markets business unit is the entity that provides long distance, Internet, and local service to all residential and small business customers. I am the Senior Manager for Operations Support System Interfaces and Facilities Testing and Development. My current job is to get the incumbent local exchange companies ("ILECs") to establish commercially viable OSS. In addition, I oversee WorldCom's commercial relationship with the ILECs from the business perspective. My responsibilities also include designing and implementing local service testing (including data services such as xDSL) prior to state entry.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to the testimony of Ameritech Illinois witness Scott Alexander. I address Mr. Alexander's contention that it is not unreasonable for Ameritech Illinois place certain restrictions on Competitive Local Exchange Carriers ("CLECs") use of combinations of Unbundled Network Elements ("UNEs") -- including the Unbundled Network Element Platform ("UNE-P" or "UNE Platform"). Specifically, I discuss why Ameritech's refusal to combine UNEs at the request of CLECs for the purpose of providing service to new and additional lines unreasonably and unnecessarily hinders the ability of CLECs like WorldCom to provide service to a critical piece of the local residential and small business customer market. I recommend that the Illinois Commerce Commission ("Commission") determine that the limitations on Ameritech's UNE-P offering in Illinois are unreasonable and a barrier to the introduction of competition in the local market in Illinois. The Commission should order Ameritech to affirmatively combine UNEs that are ordinarily combined in Ameritech's network to provide service to Ameritech's retail customers – including new lines and additional lines. This will allow CLECs such as WorldCom to offer their customers service on an equivalent basis with AIT.

Q. HAVE YOU REVIEWED AMERITECH WITNESS ALEXANDER'S TESTIMONY REGARDING COMBINATIONS OF UNES, INCLUDING THE UNE PLATFORM OFFERING?

A. Yes, I have. In his prefiled testimony, Mr. Alexander discusses what he believes Ameritech's "legal" obligations are to provide combinations of UNEs. Mr. Alexander distinguishes between "existing UNE-P" and "new UNE-P," explaining that Ameritech's tariff allows CLECs to obtain UNEs in combination but only if those UNEs are "currently combined" (existing UNE-P). Mr. Alexander acknowledges that Ameritech is compelled by law to provide existing UNE-P. On the other hand, if the UNEs that are necessary to provide service to a customer are not "currently combined," Ameritech refuses to affirmatively combine those UNEs so that a CLEC can use them to provide service (new UNE-P). According to Mr. Alexadner, Ameritech's refusal to combine UNEs that are ordinarily combined in Ameritech's network (i.e., new UNE-P) is not unreasonable because Ameritech is not legally obligated to do so. If a CLEC wants to provide service to a customer who wants service where the UNEs necessary to provide service are not currently combined, Mr. Alexander suggests that the CLEC can combine the UNEs for itself. Alternatively, Mr. Alexander contends that Ameritech will affirmatively combine the UNEs for the CLEC, but only pursuant to a "promotional UNE-P" offer that Ameritech is required to make pursuant to a condition imposed upon it by the Federal Communications Commission ("FCC") as a part of the FCC's conditional approval of the SBC/Ameritech merger.

Q. DO YOU AGREE WITH MR. ALEXANDER'S ASSESSMENT THAT RESTRICTIONS AMERITECH PLACES ON THE AVAILABILITY OF UNE-P ARE REASONABLE?

A. No. Mr. Alexander's reasoning hinges on the presumption that there is no existing legal obligation that requires Ameritech to affirmatively combine UNEs for CLECs and, absent any such legal obligation, it is not unreasonable for Ameritech to refuse to do so. That rationale does not hold water. First, I do not agree that Ameritech is not currently obligated to provide UNE-P for new and second lines. Second, whether or not Ameritech is under a current legal obligation to provide UNE-P for new and second lines, Ameritech's self-imposed limitation on the availability of UNE-P is unreasonable. Ameritech can and will serve customers who request a new line or additional line whether or not the UNEs that are necessary to provide such service are actually, physically combined at the time the customer requests service. That is, in the ordinary course of business, Ameritech combines UNEs to provide new or second lines Ameritech's end user customers. Yet Ameritech will refuse to combine those same UNEs so that a CLEC can provide service to those same customers. The result is that CLECs are effectively frozen out of the market for new and additional lines. In my view, that is unreasonable.

Q. IF AMERITECH IS ALLOWED TO CONTINUE IMPOSING SUCH A RESTRICTION ON THE USE OF UNE-P, WILL THAT IMPAIR THE ABILITY OF CLECS LIKE WORLDCOM TO PROVIDE SERVICE IN ILLINOIS?

A. Yes. Such a restriction if allowed to stand would in effect protect Ameritech from competition for new customers and customers seeking second lines. That market segment is significant. For example, in Ameritech's Annual report issued in 1998, Ameritech reported that local service revenues increased 8.6% in 1996, "due to increased calling volumes, which resulted primarily from 3.4% growth in the number of access lines in service, attributable to residential second line additions as well as increased business usage."[1] That same report noted that Ameritech's "higher network usage volumes, resulting primarily from access line growth, also contributed to the increase.

[1] Ameritech Annual Report for calendar year 1998, p. 25. The relevant pages from the Ameritech Annual Report are attached to this testimony and designated as Schedule SL-1.

Second line additions by residential and small business customers contributed to access line growth, due to continuing demand for Internet access and data transport capabilities." The market for new customers and additional lines -- as Ameritech itself acknowledges -- is significant. Therefore, restrictions on CLECs' abilities to serve new customers or provide additional lines to existing customers via UNE Platform is unreasonable, unwarranted and would materially diminish a CLEC's ability to provide service to residential and small business customers.

The strong growth of the important market for new lines and second lines has continued and there is no reason to think it will cease anytime soon. The SBC 10-K Report filed March 10, 2000 with the United States Securities and Exchange Commission ("SEC") boasted a growth in access lines in SBC's 13-state service area of 3.1%, with the total number of residential lines within that area being approximately 37.2 million and the total number of business lines within that area being approximately 22.7 million. Of that growth in 1999, 9% was attributable to access line growth in Illinois. Moreover, my understanding is that document shows that SBC's total access line growth for 1998 was 3.9%, with 12% of that growth attributable to the growth of access lines in Illinois. Of the 13 states in which SBC provides local service, three – including Illinois -- accounted for 60% of SBC's total access lines in 1998 and 1999. Given Ameritech and SBCs public pronouncements, there is no question that the market for new lines and second lines is significant and important.[2]

[2] Relevant pages from SBC's 10-K Report are attached to this testimony and designated as Schedule SL-2.

Q. TO YOUR KNOWLEDGE, ARE THERE ANY TECHNICAL REASONS THAT PREVENT AMERITECH FROM PROVIDING UNE-P FOR NEW AND SECOND LINES?

A. No. My understanding is that the sole reason that Ameritech refuses to provide UNE-P for new and second lines is its belief that it is under no legal obligation to do so. Certainly, Mr. Alexander does not claim that it is technically infeasible to provide UNE-P for new and second lines.

Q. TO YOUR KNOWLEDGE, ARE THERE ANY LEGAL REASONS THAT PREVENT THE COMMISSION FROM REQUIRING AMERITECH TO AFFIRMATIVELY COMBINE UNES FOR CLECS THAT AMERITECH ORDINARILY COMBINES FOR ITS END USER CUSTOMERS?

A. No. There are numerous state commissions that have required Incumbent Local Exchange Carriers ("ILECs") to combine UNEs for CLECs, just as those ILECs combine UNEs to provide service to their own end user customers. In fact, it is my understanding that the commissions in Wisconsin, Indiana and Michigan have all required Ameritech to affirmatively combine UNEs at the request of CLECs – and those commissions did so after reviewing and weighing the same legal arguments that Ameritech appears to be relying on here. In other words, three of the five state commissions in the Ameritech region have consider and rejected Ameritech's legal arguments that state commissions are preempted by federal law from imposing such a requirement. I understand that commissions in other states have rejected similar arguments and that at least two different United States Courts of Appeal (Fifth and Ninth Circuits) have upheld decisions of state commissions that required ILECs to affirmatively combine UNEs under state law. While I am not an attorney, I am aware that three state commissions have weighed Ameritech's legal arguments and the legal arguments made by CLECs and decided that Ameritech should be required to affirmatively combine UNEs that are ordinarily combined in Ameritech's network. I believe that the Illinois Commission should join the many other state commissions that have required ILECs to do just that.

Q. DO YOU KNOW WHETHER OF ANY AMERITECH AFFILIATE THAT OPERATES AS A CLEC OUTSIDE OF SBC/AMERITECH TERRITORY AND IS ABLE OBTAIN UNE-P FOR NEW LINES AND SECOND LINES?

A. Yes. It is my understanding that SBC's CLEC affiliate that operates in markets outside of SBC/Ameritech territory has opted into MCImetro Access Transmission Services, Inc.'s interconnection agreements with Bell Atlantic (n/k/a Verizon) in New York and Pennsylvania. The SBC Telecom, Inc./BellAtlantic New York interconnection agreement was approved by the New York commission on July 19, 2000 in Case No. 00-C-0755 and the Pennsylvania commission approved the SBC Telecom, Inc./Bell Atlantic Pennsylvania interconnection agreement on September 15, 2000 in Case No. A-310894F0002.[3] The contracts SBC Telecom, Inc. opted into in New York and Pennsylvania are the same contracts under which WorldCom obtains UNE-P for new and second lines from Bell Atlantic. SBC Telecom, Inc. is therefore able to able to obtain UNE-P for new and second lines in New York and Pennsylvania.

Q. DOES THE FACT THAT BELL ATLANTIC MUST COMBINE UNES NECESSARY FOR SBC TELECOM, INC. TO SERVE NEW AND SECOND LINES HAVE ANY SIGNIFICANCE FOR ILLINOIS?

[3] The commission orders and the agreements they approve can be accessed and downloaded from SBC's website: for the New York agreement and for the Pennsylvania agreement.

A. Yes. First, the fact that an SBC affiliate is able to require other ILECs outside of Illinois to do for it what CLECs are asking Ameritech to do for them in Illinois illustrates that Ameritech's restrictions on its UNE-P offering are artificial and unreasonable. Second, it is my understanding that because an SBC affiliate was able to obtain that arrangement (i.e., combinations for new and second lines), Ameritech is obligated to provide that same arrangement to CLECs in Illinois as a result of the Commission's order conditionally approving the SBC/Ameritech merger. That particular requirement, as I understand it, is described as "Interconnection Condition D" and is set out at page 250 of the Commission's SBC/Ameritech merger order issued on September 23, 1999. I believe there is a similar requirement contained in the order of the Federal Communications Commission ("FCC") approving, subject to conditions, the SBC/Ameritech merger. For these reasons, the Commission should direct Ameritech to immediately begin combining UNEs that are ordinarily combined in its network.

Q. MR. ALEXANDER CLAIMS THAT AMERITECH WILL ALLOW CLECS TO COBMINE ELEMENTS THEMSELVES. DOES THIS ASSERTION CHANGE YOUR VIEW THAT AMERITECH'S REFUSAL TO COMBINE ELEMENTS FOR CLECS IS UNREASONABLE?

A. No. Mr. Alexander's assertion is wholly untested and riddled with problems. Mr. Alexander claims that in order to be able to combine UNEs a CLEC must utilize physical collocation or one of the options that he claims is encompassed by a document that appears to be the January 1, 2001 version of Ameritech's 13 state generic interconnection agreement. Mr. Alexander doesn't bother to explain in any detail the collocation option, but it appears that his proposal would be to allow a CLEC to combine all the UNE-P elements in its collocation cage. While it may be feasible to provide all elements of the

UNE-P to a collocation cage so that a CLEC can combine them, that kind of "technical feasibility" does not demonstrate that the solution is economic, practical or legal.

For example, Mr. Alexander completely fails to explain how Ameritech combines similar elements in its network to provide service to its end user customers. If the manner in which Ameritech combines elements for itself and its end user customers is not the same as the manner in which it forces CLECs to combine such elements, Ameritech would not be fulfilling its obligation to provide nondiscriminatory access to unbundled network elements. In addition, by forcing a CLEC to combine UNEs in the manner suggested by Mr. Alexander, it seems to me that the CLECs customer might be subjected to unnecessary service outages due to additional connection activity that would not exist were Ameritech to combine the UNEs for the CLEC. Forcing CLECs to collocate to be able to combine elements unnecessarily raises costs for CLECs – Ameritech's collocation rates are significant and would require a carrier to incur such expenses for the hundreds of central offices which Ameritech has in Illinois – and there is no explanation what a CLEC is expected to do if the collocation space in a particular central office is exhausted. Also, by imposing such a requirement Ameritech may effectively be introducing points of failure into the CLEC's leased network that do not exist in Ameritech's network.

In short, Mr. Alexander has not demonstrated how Ameritech will allow CLECs to combine elements themselves in a manner that is nondiscriminatory. Mr. Alexander's claim is nothing more than an eleventh hour attempt to divert attention from the unreasonable restrictions that Ameritech places on its UNE-P tariff offering.

Q. WHAT SOLUTION DO YOU PROPOSE TO ENSURE THAT ILECS CANNOT PLACE UNREASONABLE RESTRICTIONS ON UNE COMBINATIONS?

A. I recommend that the Commission require Ameritech to amend its Combinations Tariff to plainly state that Ameritech must at the request of CLECs combine UNEs that are ordinarily combined in Ameritech's network. The Commission should direct Ameritech to remove language from its Combinations Tariff that Ameritech could point to as a basis for claiming its obligation to provide combinations is limited -- including the word "existing" in the description of "Provision of Existing Combinations of Network Elements" and the word "currently" where the tariff states that Ameritech "provides currently combined Unbundled Local Loop and Unbundled Local Switching. . ." Given Ameritech's recalcitrance to provide any meaningful UNE-P product, the Commission should further require that the tariff specify that Ameritech shall provide UNE combinations and individual UNEs that Ameritech ordinarily provides to itself and its end user customers as a matter of course.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes it does.

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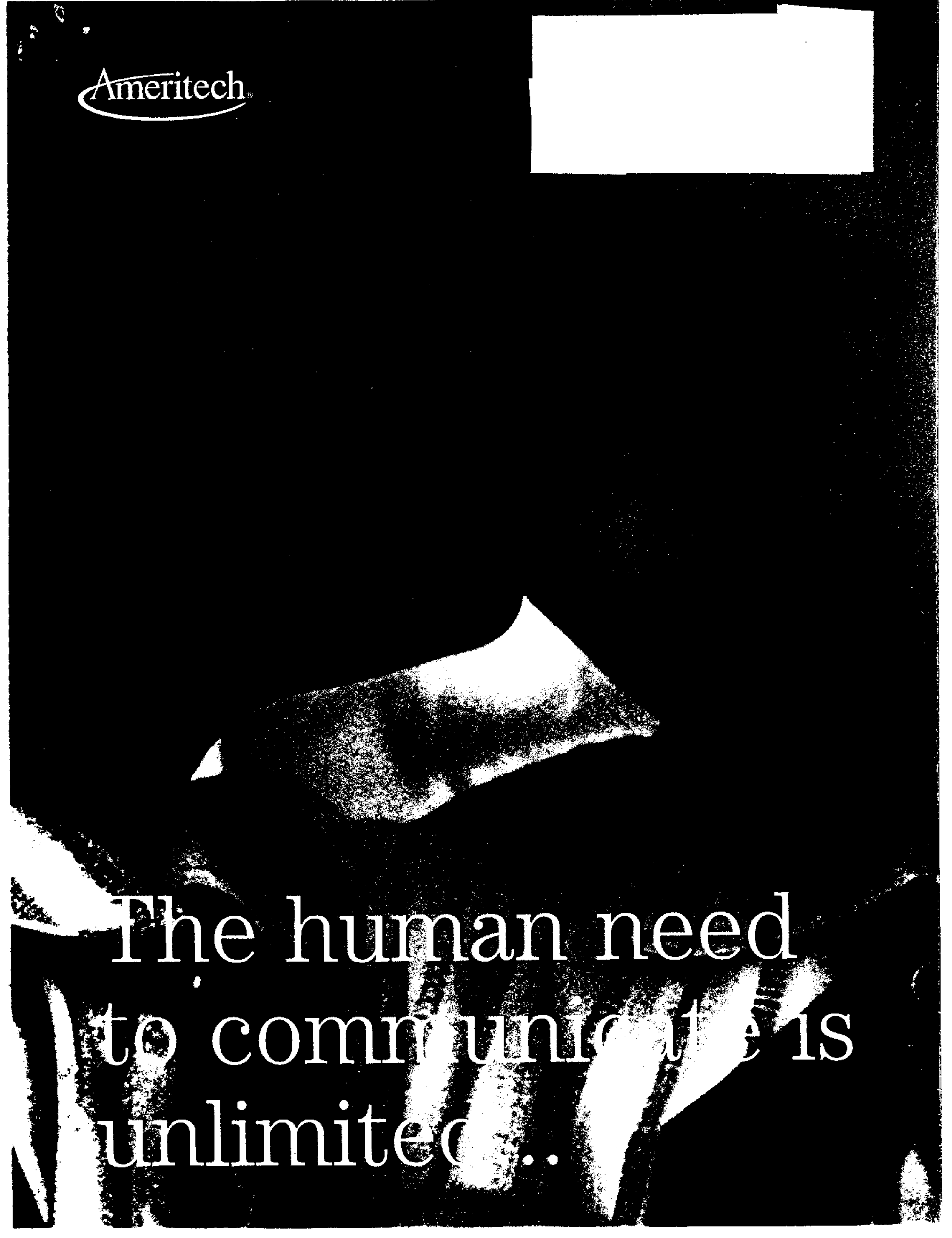

Ameritech
The human need
to communicate is
unlimited...

Such demand creates a feverish pace of change in the communications industry, as providers scramble to find the most successful combination of partners, strategies and lines of business. But Ameritech stays firmly on course—a course that has doubled our total market value in the past three years.

Ameritech's core strengths position us ideally for continued success. These include outstanding employees, world-class marketplace execution, the discipline to adhere to our strategies and a single-minded focus on shareowner return.

Our people represent a powerful combination of highly skilled career employees and proven professionals recruited from world-class corporations. This diversity of experience binds our traditional expertise with the critical marketplace skills demanded by a competitive environment. As we have learned from one another, we also have learned to see the world through the eyes of our customers. Now our companywide emphasis on attentiveness to customer needs further strengthens our highly regarded brand.

Again in 1997, Ameritech employees led the industry in productivity. And three of every four employees are Ameritech shareowners—creating added incentives to grow the value of our business.

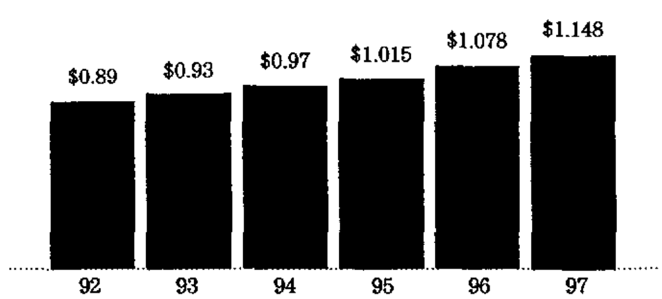
Such value growth is, in fact, the basis of Ameritech's three-part strategy. Let me share a few of the results generated by this simple but compelling approach.

Strategy 1: Speed growth in our core communications business.

While others may consider local telephony a "mature" market, Ameritech recognizes significant untapped growth potential in our core business. By capitalizing on our marketing expertise, additional lines rose 12% in 1997, while high-capacity data services grew 20%, paging increased 31% and ISDN lines grew 71%.

We have long maintained that vigorous competition would spur vigorous growth—and furthermore, that Ameritech would do exceedingly well in a competitive market. Now that our core communication services are fully open to competition, that hypothesis is proving to be exactly on target.

For example, Ameritech cellular in Chicago now faces four strong competitors vying for wireless service customers. Each is a well-funded, national player, and each is doing a brisk business. But Ameritech's cellular business continues to thrive. In fact, our overall cellular growth rate is a phenomenal 27%!



Dividend Growth

(dividends declared in dollars, adjusted for stock splits)

Our 6.2% dividend increase, announced in December 1997, was the largest from any major U.S. communications company for the third consecutive year. We've raised our dividend every year we've been in business.

Strategy 3: Connect customers around the world. By exporting what we already do exceptionally well, Ameritech offers new customers more communications options—and secures new growth opportunities for shareowners.

With last October's agreement to become a strategic partner in Tele Danmark, Ameritech became the largest U.S. investor in the growth-oriented European telecommunications market. In the months ahead, we will work to make Tele Danmark a strong competitor, using lessons we applied at Belgacom in Belgium and MATÁV in Hungary. Through both those partnerships, Ameritech has helped to achieve impressive results. Belgacom reported profit growth of 20% last year, and MATÁV not only eliminated its 13-year telephone waiting list, it also became the first Central European company to be listed on the New York Stock Exchange.

Ameritech's strengths and strategies have resulted in the best financial performance of any major communications company. Since 1992, Ameritech has led all large local service providers in percentage revenue growth, and we have increased our dividend every year since 1984. In addition, we're the only one of our peers to achieve a positive total return in each of the past five years. In fact, since Ameritech stock began trading in late 1983, our total return has been 1,463%, compared with 840% for our peer companies and 819% for the S&P 500.

Ameritech has delivered double-digit profit growth before one-time items for each of the past five years—and it is our firm intention to duplicate that performance over the next five years. To deliver that value to our shareowners, our board of directors concluded 1997 with a two-for-one stock split—our fourth in 11 years—as well as the authorization to repurchase $2 billion of Ameritech stock. In addition, our board approved a 6.2% dividend increase—the largest from any U.S. communications company for the third consecutive year.

Resources. Strategy. Execution. Clearly this combination of competencies has vaulted Ameritech ahead of the pack. Are we gratified? Of course. Are we satisfied? Absolutely not.

Our focus is squarely on the future—and frankly, we like what we see. Ameritech's resources have never been stronger. Our strategies have never been more germane. And our financial strength has never offered us such flexibility to pursue business opportunities that offer exceptional value for our shareowners.

We appreciate your interest in our progress toward these ends. And we invite you to stay tuned for great things to come.

Sincerely,

Richard C. Notebaert

Richard C. Notebaert
Chairman and Chief Executive Officer
January 31, 1998

our request for authority to enter the interLATA long distance market in Michigan.

In August 1997, the FCC denied our application to provide long distance service in Michigan. We are working with the courts, the FCC and state commissions toward full long distance entry consistent with the 1996 Act and under terms and conditions that make economic sense for the company.

In addition, several industry participants, including Ameritech, have challenged the FCC's orders implementing portions of the 1996 Act. In two separate rulings the Federal Circuit Court of Appeals in St. Louis struck down several provisions of an August 1996 FCC order designed to implement the interconnection provisions of the 1996 Act and an FCC order that required Ameritech and other incumbent local exchange carriers to resell bundled network services at unbundled discounted rates. These rulings, along with other related rulings, are scheduled to be reviewed by the United States Supreme Court in October 1998, with a decision expected late this year or the beginning of next year.

Results of operations

Several one-time items impacted reported income in 1997 and in 1996. Results of operations for 1997 compared with the prior year were as follows:

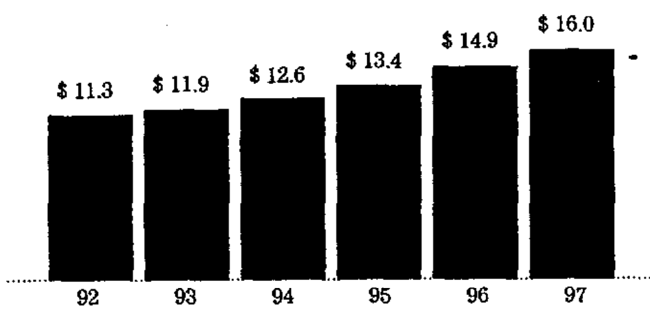
	1997	1996	Increase (Decrease)	Percent Change
Income before one-time items	$ 2,346	$ 2,116	$ 230	10.9
One-time items	(50)	18	(68)	n/a
Net income	2,296	2,134	162	7.6
EPS before one-time items				
Basic	$ 2.14	$ 1.91	$ 0.23	12.0
Diluted	2.12	1.91	0.21	11.0
Earnings per share				
Basic	$ 2.09	$ 1.93	$ 0.16	8.3
Diluted	2.08	1.92	0.16	8.3
Average common shares (millions)	1,098.7	1,103.8	(5.1)	(0.5)

One-time items and basic per-share amounts in 1997 included:

- an after-tax charge of $87 million, or $0.08 a share, related to our share of the costs of a work force restructuring at Belgacom, the telecommunications provider in Belgium;
- a pretax gain of $52 million ($37 million after-tax, or $0.03 a share) resulting from the sale of our 12.5% interest in Sky Network Television of New Zealand Limited;
- a pretax charge of $69 million ($42 million after-tax, or $0.04 a share) resulting from our agreement to settle lawsuits related to our inside wire maintenance services;
- a pretax gain of $42 million ($25 million after-tax, or $0.02 a share) resulting from the sale of our 14.3% share of Bell Communications Research (Bellcore);
- a pretax gain of $43 million ($27 million after-tax, or $0.03 a share) resulting from the sale in an initial public offering of a portion of our stake in MATÁV, the telecommunications provider in Hungary; and
- a pretax charge of $16 million ($10 million after-tax or $0.01 a share) resulting from a currency-related fair-value adjustment in connection with our investment in Tele Danmark.

Results in 1996 included an after-tax gain of $18 million, or $0.02 a share, resulting from the sale of our interest in Centertel, a cellular telephone company in Poland.

Excluding the effects of these one-time items, 1997 net income increased $230 million, or 10.9%, and basic earnings per share increased $0.23, or 12.0% over the comparable prior year period.



Revenues
(in billions)

Revenues grew to a record $16 billion in 1997, up from $14.9 billion in 1996.

Reported income for 1996 was $2,134 million, or $1.93 per share. Excluding the effects of the gain on the sale of our interest in Centertel, income was $2,116 million or $1.91 per share. Normalized income for 1996 represents an increase of $228 million, or 12.1%, over normalized 1995 earnings and an increase in basic earnings per share of $0.21, or 12.3%.

The following sections provide a more detailed discussion of our results of operations and financial condition over the past three years.

Revenues Total revenues increased by 7.2% to $16.0 billion in 1997. Overall growth in the communications market continued, driven by increased demand for a wide array of voice and data transmission services. Cellular, paging and security services revenues continued to grow at a solid pace, fueled by increases in the number of subscribers to these services. Telephone network revenues also increased, due to increases in network access lines and network usage volumes, as well as higher sales of call management features and increased usage of pay-per-use services. Rate reductions resulting from various federal and state regulatory agreements for landline communications services partially offset these increases.

Total revenues increased by 11.1% to $14.9 billion in 1996. This increase was primarily attributable to increases in the number of cellular and paging subscribers, growth in access lines and call management services, higher network usage volumes and increased security services revenues. Rate reductions partially offset these increases.

	1997	1996	Increase (Decrease)	Percent Change
Local service	$ 6,413	$ 6,068	$ 345	5.7

Local service Local service revenues include basic monthly service fees and usage charges, fees for call management services, public phone revenues and installation and connection charges. Local service rates generally have been regulated by the state public service commissions. In each state of our five-state region, we entered into price cap plans, beginning in 1994 and fully reflected in revenues for the three-year period.

Local service revenues increased in 1997 due largely to increased sales of call management services. These increases resulted from growth in the number of features in service, which users subscribe to on a monthly basis, as well as higher usage of pay-per-use services, under which users pay a fee for each activation of a call management feature. Higher network usage volumes, resulting primarily from access line growth, also contributed to the increase. Second line additions by residential and small business customers contributed to access line growth, due to continuing demand for Internet access and data transport capabilities.

We had 20,544,000 access lines in service as of December 31, 1997, compared with 19,704,000 as of December 31, 1996. Our 4.3% access line growth was enhanced by 133,000 lines added on November 1, 1997, from the acquisition of certain assets from Sprint (discussed on page 29). Excluding the assets acquired from Sprint, access line growth was 3.6%.

In 1996, local service revenues increased $482 million, or 8.6%, due to increased calling volumes, which resulted primarily from 3.4% growth in the number of access lines in service, attributable to residential second line additions as well as increased business usage. Greater demand for call management services also contributed to the increase. These increases were partially offset by rate reductions agreed to under price regulation, as discussed above.

	1997	1996	Increase (Decrease)	Percent Change
Network access				
Interstate access	$ 2,485	$ 2,365	$ 120	5.1
Intrastate access	619	573	46	8.0

Network access Network access revenues are fees charged to interexchange carriers, such as AT&T and MCI, that use our local landline communications network to connect customers to their long distance networks. In addition, end users pay flat rate access fees to connect to the long distance networks. These revenues are generated from both interstate and intrastate services.

Interstate network access revenues increased in 1997 due primarily to higher network usage volumes. The volume of calls that we handled for interexchange carriers increased, and demand for dedicated services grew as Internet service providers and other high-capacity users increased their utilization of our network. Rate reductions partially offset these revenue increases. Minutes of use related to interstate calls increased by 6.1% in 1997.

Interstate network access revenues increased $111 million, or 4.9%, in 1996, due primarily to increases in network minutes of use. This increase was partially offset by rate reductions resulting primarily from the FCC's approval in 1995 of our request for price regulation without sharing of earnings. Minutes of use related to interstate calls increased by 7.1% in 1996.

Intrastate network access revenues increased in 1997 reflecting greater use of our network by alternative providers of intraLATA toll service in Illinois, Michigan and Wisconsin. Rate reductions partially offset these volume increases. Minutes of use related to intrastate calls increased by 15.4%.

+12%

Increase in Earnings Per Share

Basic earnings per share before one-time items rose 12% to $2.14.

Intrastate network access revenues increased $11 million, or 2.0%, in 1996 due primarily to volume increases resulting from overall growth in call volume. This increase was partially offset by rate reductions, largely resulting from regulatory proceedings as discussed above. In addition, revenues were reduced by a refund to interexchange carriers in Illinois related to certain pay phone use fees and a reclassification in Michigan of certain revenues from the intrastate access category to the long distance service category. Minutes of use related to intrastate access increased by 15.0% in 1996.

	1997	1996	Increase (Decrease)	Percent Change
Long distance	$ 1,384	$ 1,491	$ (107)	(7.2)

Long distance Our current long distance service revenues are derived from customer calls to locations outside of the customer's local calling areas but within the same local access and transport area (LATA).

ICC Docket No. 00-0700
Direct Testimony of Sherry Lichtenberg
WorldCom Ex. 1.0
Schedule SL-2

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	FORMER COMPANY:
		FORMER CONFORMED NAME:	SOUTHWESTERN BELL CORP
		DATE OF NAME CHANGE:	19920703
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FORM 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For fiscal year ended December 31, 1999

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BUSINESS OPERATIONS

Operating Segments

As a result of the merger with Ameritech and to better reflect the broadened scope of its operations, SBC adjusted its segment reporting structure. SBC now has four reportable segments that reflect the current management of its business: Wireline, Wireless, Information and Entertainment, and International. The Information and Entertainment segment expands on what was previously the Directory segment, and includes all directory operations and Ameritech's electronic security and cable television operations. All international investment operations have been removed from the Other segment and are shown separately in the International segment. The miscellaneous items that formerly were included in the Other segment are immaterial and have been moved to Corporate, Adjustments, and Eliminations. SBC evaluates performance based on income before income taxes adjusted for normalized (i.e. one-time) items.

Financial information about reportable segments is included in Note 7 of the 1999 SBC Annual Report to Shareowners, and are incorporated herein by reference pursuant to General Instruction G(2).

Wireline

Wireline is SBC's largest operating segment, providing approximately 77 percent of SBC's normalized operating revenues in 1999. The Wireline segment provides landline telecommunications services, including local, network access and long distance services, messaging, Internet services and sells customer premises and private branch exchange (PBX) equipment, and markets satellite television services. The Wireline segment provides its services to residential and business customers through SBC's wireline telecommunications subsidiaries. The wireline telecommunications subsidiaries provide services to approximately 37.2 million residential and 22.7 million business access lines in the 13-state area. During 1999 total access lines grew by 3.1 percent, of which 33 percent of the increase was due to growth in California, 19 percent in Texas and 9 percent in Illinois. Access lines in California, Texas and Illinois account for approximately 60 percent of SBC's access lines.

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<!--StartFragment-->Wireline

Wireline normalized operating revenues increased $2,157, or 6.1%, in 1999 and $1,763, or 5.2%, in 1998. Components of wireline operating revenues for 1999, 1998 and 1997 are as follows:
<TABLE>

				Percent Change	
	1999	1998	1997	1999 vs. 1998	1998 vs. 1997
<S>	<C>	<C>	<C>	<C>	<C>
Local service	$ 19,126	$ 17,239	$ 15,864	10.9%	8.7%
Network access:					
Interstate	7,544	6,960	6,939	8.4	0.3
Intrastate	2,645	2,717	2,762	(2.6)	(1.6)
Long distance service	3,471	3,679	3,616	(5.7)	1.7
Other	4,790	4,824	4,475	(0.7)	7.8
Total Wireline Revenues	$ 37,576	$ 35,419	$ 33,656	6.1%	5.2%

</TABLE>

Local service revenues increased $1,887, or 10.9%, in 1999 and $1,375, or 8.7%, in 1998 due primarily to increases in demand, which totaled approximately $1,245 in 1999 and $1,270 in 1998, including increases in access lines, vertical services and data-related services revenues. In addition, revenues from two network integration companies acquired by SBC in the fourth quarter of 1998 and the second quarter of 1999 contributed approximately $578 to the increase in 1999 and $25 in 1998. The number of access lines increased by 3.1% in 1999 and by 3.9% in 1998. Approximately 39% of access line growth in 1999 and 35% in 1998 was due to sales of additional access lines to existing residential customers. In 1999 and 1998, approximately 33% and 31% of the access line growth was in California, ~~19% and 23% was in Texas and 9% and 12%~~ was in Illinois. Access lines in California, Texas and Illinois account for approximately 60% of SBC's access lines in both 1999 and 1998. Vertical services revenues, which include custom calling services, such as Caller ID, Call Waiting, voice mail and other enhanced services, increased by approximately 14% and totaled more than $3.3 billion in 1999 and increased by approximately 20% and totaled more than $2.9 billion in 1998.

Local service revenues also increased as a result of regulatory actions that decreased one or more other types of operating revenues. In 1999, the introduction of extended area service plans, the introduction of the California High Cost Fund (CHCF) and the September 1999 Texas Universal Service Fund (TUSF) rate rebalancing collectively increased local service revenues by approximately $185 and decreased long distance revenues by approximately $112 and intrastate network access revenues by approximately $87, with a net decrease on wireline operating revenues of approximately $14. In 1998, the introduction of extended area service plans and the CHCF increased local service revenues by approximately $73 and decreased long distance revenues by approximately $43 and intrastate network access revenues by approximately $24, with a net increase on wireline operating revenues of approximately $6. The state public utility commissions (PUCs) have stated that the CHCF and the TUSF are intended to directly subsidize the provision of service to high-cost areas and allow Pacific Bell Telephone Company (PacBell) and Southwestern Bell Telephone Company (SWBell) to set competitive rates for other services. The increases in local service revenues were partially offset by decreases due to rate reductions under various PUC price cap orders of approximately $194 in 1999 and $53 in 1998.

Network access Interstate network access revenues increased $584, or 8.4%, in 1999 and $21, or 0.3%, in 1998. Included in the results is a decrease of approximately $66 due to a conforming item related to costs routinely deferred by Ameritech (see discussion under Segment Results above for further information on the effect of these conforming items). Excluding this conforming item, interstate network access revenues increased $650, or 9.3%, in 1999 and $21, or 0.3%, in 1998 due largely to increases in special access, demand for access services by interexchange carriers and growth in revenues from end-user charges attributable to an increasing access line base, which collectively resulted in an increase of approximately $795 in 1999 and $521 in 1998. In addition, customer number portability cost recovery, net of a Federal Communications Commission (FCC) retroactive rate decrease in the second quarter of 1999, contributed approximately $183 in 1999. Partially offsetting these increases were the effects of rate reductions of approximately $296 in 1999 and $336 in 1998 related to the FCC's productivity factor adjustment and access reform. Additional decreases in 1998 totaling approximately $114 resulted from an increase in universal service fund net payments implemented in the first quarter of 1998 that exceeded the 1997 net payments of long-term support. The net federal universal fund payments and receipts will be exogenous factors in future federal price cap filings.

Intrastate network access revenues decreased $72, or 2.6%, in 1999 and $45, or 1.6%, in 1998. These decreases were due largely to state regulatory rate reductions, including reduction of cellular interconnection rates and the intrastate rate reduction by the Texas legislature as discussed under Regulatory Environment, of approximately $144 in 1999 and $105 in 1998 and the effects of the TUSF and CHCF described in local service above totaling approximately $87 in 1999 and $24 in 1998. These decreases were partially offset by increases in demand, including usage by alternative intraLATA, toll carriers of approximately $200 in 1999 and $179 in 1998.

Long distance service revenues decreased $208, or 5.7%, in 1999 and increased $63, or 1.7%, in 1998. Long distance service revenues decreased in 1999 and 1998 by approximately $202 and $36 due to price competition from alternative intraLATA toll carriers and the effects of implementing dialing parity. Decreases also resulted from the effects of regulatory shifts of approximately $112 in 1999 and approximately $43 in 1998 discussed in local service above related to the TUSF, CHCF and introduction of extended area service plans and rate reductions in Kansas and California of approximately $24 in 1999. These decreases were partially offset by approximately $128 in 1999 and $133 in 1998 due to increased demand at Ameritech's long distance unit, certified to provide long distance service outside SBC's region, increased demand and toll messages for SNET All Distance and increased demand at PacBell in 1998.

Other operating revenues decreased $34, or 0.7%, in 1999 and increased $349, or 7.8%, in 1998. Other operating revenues increased due to sales from nonregulated products and services, including customer premise equipment and network integration sales totaling approximately $91 in 1999 and $263 in 1998 and revenues from other wireline business initiatives, primarily Internet services totaling approximately $59 in 1999 and $83 in 1998. These increases were offset in 1999 and partially offset in 1998 by a decline in the public telephone business totaling approximately $133 in 1999 and $36 in 1998. In addition, 1999 results include a decrease for the shift of certain directory revenues to the information and entertainment segment in the first quarter of 1999 totaling approximately $30.

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STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission On Its Own Motion	)	
vs.	)	
Illinois Bell Telephone Company	)	Docket No. 00-0700
Investigation into tariff providing unbundled local switching with shared transport	)	

AFFIDAVIT OF SHERRY LICHTENBERG

DISTRICT OF COLUMBIA)) SS

I, Sherry Lichtenberg, being first duly sworn on oath, state as follows:

1. My name is Sherry Lichtenberg and I am employed by WorldCom, Inc. as a Senior Manager for Operations Support System Interfaces and Facilities Testing and Development in WorldCom's Mass Markets business unit.

2. Accompanying this affidavit are the following documents: (a) the Direct Testimony of Sherry Lichtenberg on Behalf of WorldCom, Inc., including two schedules marked as SL-1 and SL-2; and (b) the Rebuttal Testimony of Sherry Lichtenberg on behalf of WorldCom, Inc.; and five schedules marked as Rebuttal Schedules SL-1 through SL-5. The aforementioned documents were served on all active parties and were "pre-filed" in the above-captioned docket.

3. The aforementioned documents were prepared by me or under my direction and control, and if I were asked at hearing the same questions contained therein, my answers would be the same as those set forth in my written pre-filed testimony. I hereby swear and affirm that the statements contained in this affidavit and in my written pre-filed direct and rebuttal testimony are true and correct, to the best of my knowledge, information and belief.

Sherry Lichtenberg

Sherry Lichtenberg

SUBSCRIBED AND SWORN to
before me this 25th day of June, 2001.

Linda D Clonts

Notary Public

My commission expires on May 14, 2005