

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

ILLINOIS BELL TELEPHONE COMPANY (Ameritech Illinois))
and 2nd CENTURY COMMUNICATIONS, INC)
) **00-0363**
Joint Petition for Approval of Negotiated Interconnection)
Agreement dated March 8, 2000, pursuant to 47 U.S.C. § 252)

VERIFIED STATEMENT OF CHRISTOPHER L. GRAVES

My name is Christopher L. Graves and I am employed by the Illinois Commerce Commission as a Policy Analyst in the Telecommunications Division. I received a Bachelor of Arts degree in Economics from Illinois State University in 1990. Also, I hold a Master of Arts Degree in Economics from Southern Illinois University at Edwardsville which I received in November of 1997. Among my duties as a Policy Analyst is to review tariff documents and cost studies submitted to the Commission by telecommunications carriers and make recommendations to the Commission regarding those filings; provide economic analysis on pricing and cost issues in dockets before the Commission; and answer inquiries regarding wholesale pricing policies of the Commission.

SYNOPSIS OF THE AGREEMENT

The instant agreement between ILLINOIS BELL TELEPHONE COMPANY (“AMERITECH ILLINOIS” or “Carrier”) and 2nd CENTURY COMMUNICATIONS, INC (“2nd CENTURY” or “Requesting Carrier”), dated March 8, 2000, expires August 17, 2001. It shall continue in effect for one (1) year periods unless either party gives the other party at least one hundred twenty (120) days written notice of termination. Also, the existing agreement establishes

the financial and operational terms for: the physical interconnection between AMERITECH ILLINOIS and 2nd CENTURY networks based on mutual and reciprocal compensation; unbundled access to Ameritech's network elements, including Ameritech's operations support systems functions; physical collocation; number portability; resale; and a variety of other business relationships.

The purpose of my verified statement is to examine the agreement based on the standards enunciated in section 252(e)(2)(A) of the 1996 Act. Specifically, this section states:

The State commission may only reject an agreement (or any portion thereof) adopted by negotiation under subsection (a) if it finds that :

- (i) the agreement (or portion thereof) discriminates against a telecommunications carrier not a part to the agreement; or
- (ii) the implementation of such agreement or portion is not consistent with the public interest, convenience, and necessity.

I APPROVAL UNDER SECTION 252(e)

A. DISCRIMINATION

The first issue that must be addressed by the Commission in approving or rejecting a negotiated agreement under Section 252(e)(2)(A) is whether it discriminates against a telecommunications carrier that is not a party to the agreement. Discrimination is generally defined as giving preferential treatment. In previous dockets, Staff has taken the position that in order to determine if a negotiated agreement is discriminatory, the Commission should determine if all similarly situated carriers are allowed to purchase the service under the same terms and conditions as provided in the agreement. I recommend that the Commission use the same approach when evaluating this negotiated agreement.

A carrier should be deemed to be a similarly situated carrier for purposes of this agreement if telecommunications traffic is exchanged between itself and AMERITECH ILLINOIS termination on each other's networks and if it imposes costs on AMERITECH ILLINOIS that are no higher than the costs imposed by 2nd CENTURY. If a similarly situated carrier is allowed to purchase the service(s) under the same terms and conditions as provided in this contract, then this contract should not be considered discriminatory. Evaluating the term discrimination in this manner is consistent with the economic theory of discrimination. Economic theory defines discrimination as the practice of charging different prices (or the same prices) for various units of a single product when the price differences (or same prices) are not justified by cost. See, Dolan, Edwin G. and David E. Lindsey, Microeconomics, 6th Edition, The Dryden Press, Orlando, FL (1991) at pg. 586. Since Section 252(i) of the 1996 Act allows similarly situated carriers to enter into essentially the same contract, this agreement should not be deemed discriminatory.

B. PUBLIC INTEREST

The second issue that needs to be addressed by the Commission in approving or rejecting a negotiated agreement under Section 252(e)(2)(A) is whether it is contrary to the public interest, convenience, and necessity. I recommend that the Commission examine the agreement on the basis of economic efficiency, equity, past Commission orders, and state and federal law to determine if the agreement is consistent with the public interest.

In previous dockets, Staff took the position that negotiated agreements should be considered economically efficient if the services are priced at or above their Long Run Service Incremental Costs ("LRSICs"). Requiring that a service be priced at or above its LRSIC ensures that the service is not being subsidized and complies with the

Commission's pricing policy. All of the services in this agreement are priced at or above their respective LRSICs. Some resale prices may fall below the LRSIC due to the wholesale formula, this Commission and the FCC have found such pricing to be in the public interest. Therefore, this agreement should not be considered economically inefficient.

Nothing in this agreement leads me to the conclusion that the agreement is inequitable, inconsistent with past Commission Orders, or in violation of state or federal law. Therefore, I recommend that the Commission approve this agreement if Ameritech replaces the interim rates in the agreement with its tariffed rates.

II IMPLEMENTATION

In order to implement the AMERITECH ILLINOIS-2nd CENTURY agreement, the Commission should require AMERITECH ILLINOIS to, within five days from the date the agreement is approved, modify its tariffs to reference the negotiated agreement for each service. Such a requirement is consistent with the Commission's Orders in previous negotiated agreement dockets and allows interested parties access to the agreement. The following sections of AMERITECH ILLINOIS' tariffs should reference the AMERITECH ILLINOIS-2ND CENTURY: Agreements with Telecommunications Carriers (ICC No. 21 Section 19.15).

Furthermore, the Commission should require AMERITECH ILLINOIS to file a copy of the approved agreement with the Chief Clerk's Office, within five days from the date the agreement is approved. The Chief Clerk should be directed to place the agreement in a separate binder. Such a requirement is also consistent with the Commission's Orders in

previous negotiated agreement dockets. For the reasons enumerated above, I recommend that the Commission approve this agreement pursuant to Section 252(e) of the Telecommunications Act of 1996.