

**ILLINOIS COMMERCE COMMISSION
DOCKET 03-0239**

**REPLY TESTIMONY OF DANIEL P. RHINEHART
ON BEHALF OF
AT&T COMMUNICATIONS OF ILLINOIS, INC.
TCG ILLINOIS AND TCG CHICAGO**

AT&T EXHIBIT 4.4

ISSUES:

**INTERCARRIER COMPENSATION (IC) 1
UNE 27, 29
PRICING 4**

JUNE 11, 2003

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1 **I. WITNESS IDENTIFICATION**

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3 **1. Q. PLEASE STATE YOUR NAME.**

4 **A.** My name is Daniel P. Rhinehart.

5 **2. Q. ARE YOU THE SAME DANIEL P. RHINEHART WHO**
6 **SUBMITTED DIRECT TESTIMONY DATED MAY 2, 2003 IN**
7 **THIS DOCKET?**

8 **A.** Yes, I am.

9 **3. Q. WHAT IS THE SUBJECT OF YOUR REPLY TESTIMONY?**

10 **A.** My reply testimony will address the positions taken by Dr. James
11 Zolnierек on behalf of the Policy Department of the Telecommunications
12 Division of the Illinois Commerce Commission with respect to Issue
13 Intercarrier Compensation (IC) 1 (applicability of the reciprocal
14 compensation provisions of the agreement where ATTCI is using
15 unbundled local switching with shared transport (ULS-ST)); Issues UNE
16 27 (applicability of the reciprocal compensation provisions of the
17 agreement where ATTCI is using ULS-ST) and 29 (the structure of
18 reciprocal compensation rate elements); and Issue Pricing 4 (the proper
19 rate for reciprocal compensation associated with ULS-ST). These issues
20 are either identical or closely related to each other, and Dr. Zolnierек
21 treats them together at pages 53-58 of his Verified Statement. I will

22 discuss the substance of my response to Dr. Zolnierек on these issues in
23 Section II of this reply testimony, under Issue IC 1.

24 **II. INTERCARRIER COMPENSATION ISSUES**

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Issue IC 1 – Should the terms of Article 21 apply to traffic where AT&T is using ULS-ST provided by SBC Illinois?

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4. Q. PLEASE SUMMARIZE YOUR POSITION WITH RESPECT TO THE APPLICABILITY OF ARTICLE 21 TO TRAFFIC WHERE AT&T IS USING ULS-ST PROVIDED BY SBC-ILLINOIS.

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A. Since the time my direct testimony was filed ATTЦИ and SBC have continued to negotiate with respect to this issue. ATTЦИ and SBC have reached agreement that Article 21 will apply to ULS-ST traffic. However, what remains in dispute is revised language in paragraph 21.4 which indicates that the standard rates and rate structure for reciprocal compensation do not apply where ATTЦИ is using ULS-ST. Instead, distinct ULS-ST reciprocal compensation rates identified at section 9.2.7.4.1 to 9.2.7.4.4 of Schedule 9.2.7 and in the Pricing Schedule apply.

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5. Q. PLEASE IDENTIFY THE LATEST REVISED VERSION OF THE LANGUAGE IN PARAGRAPH 21.4 OF ARTICLE 21, INTERCARRIER COMPENSATION.

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43 A. The current version of paragraph 21.4 of Article 21, which was filed as
44 part of the Third Joint Notice of Settled Issues, dated May 23, 2003 reads
45 as follows: ¹

46 **21.4 Reciprocal Compensation** - Reciprocal Compensation
47 pursuant to this Article applies for the transport and termination of
48 local traffic billable by SBC-Illinois or AT&T for Local Calls
49 terminated on their respective networks when both Parties are
50 facilities-based providers **However, the rates and rate structure**
51 **identified in Sections 21.4.1 to 21.4.5 of this Article do not**
52 **apply to traffic exchanged where AT&T is using unbundled**
53 **local switching with shared transport (ULS-ST) provided by**
54 **SBC-Illinois. Compensation applicable to ULS-ST is described**
55 **at section 9.2.7.4.1 to 9.2.7.4.4 of Schedule 9.2.7 and the**
56 **compensation rates applicable to ULS-ST traffic are identified**
57 **in the Pricing Schedule.** The rate elements described in Sections
58 21.4.1 – 21.4.4 below are applicable **by SBC-Illinois** for Local
59 Calls originated on **AT&T's one Party's** network and terminated
60 on **SBC-Illinois's the other Party's** network. SBC Illinois has
61 four applicable reciprocal compensation rate elements, i.e., End
62 Office Local Termination, Tandem Switching, Tandem Transport
63 Termination and Tandem Transport Facility Mileage. **The rate**
64 **element applicability by AT&T for Local Calls originated on**
65 **SBC-Illinois's network and terminated on AT&T's network is**
66 **as described in Section 21.4.5 below.** The compensation set
67 forth below will also apply to all Local Calls as defined in
68 section 21.2.7 of this Article, depending on whether the call is
69 terminated directly to an End Office or through a Tandem.

70
71 The focus of my reply testimony is on the first bolded and underlined text.

72 6. Q. **BASED ON YOUR READING OF STAFF WITNESS JAMES**
73 **ZOLNIEREK'S TESTIMONY REGARDING INTERCARRIER**
74 **COMPENSATION, WHAT IS YOUR UNDERSTANDING OF**

¹ As indicated in the filed arbitration petition, **Bold & Underline [ICA text] represents language proposed by AT&T and opposed by SBC Illinois**, while **Bold language represents language proposed by SBC Illinois and opposed by ATTCL**. Text that is neither bolded nor underlined is text that has been agreed to by both ATTCL and SBC Illinois.

75 **STAFF’S POSITION WITH RESPECT TO THE**
76 **ESTABLISHMENT OF DISTINCT RECIPROCAL**
77 **COMPENSATION RATE STRUCTURES THAT DEPEND ON**
78 **WHETHER ATTCI IS UTILIZING ULS-ST?**

79 **A.** My understanding is that Dr. Zolnierек recommends that there be only one
80 set of reciprocal compensation rates, based on his interpretation of
81 paragraph 90 of the Commission’s July 10, 2002 Order in Docket
82 No. 00-0700. He concludes that SBC was correct in August, 2002 when it
83 eliminated the distinct rate for ULS-ST reciprocal compensation from its
84 tariff, ILL. C.C. No. 20, Part 19, Section 21, Sheet 45.

85 **7. Q. ON WHAT LANGUAGE FROM THE JULY 10, 2002 ORDER**
86 **FROM DOCKET NO. 00-0700 DOES DR. ZOLNIERЕК RELY?**

87 **A.** At page 56 of his testimony, Dr. Zolnierек quotes the following language
88 from paragraph 90 of the July 10, 2002 Order in Docket No. 00-0700:

89 Based upon the record before us, we reject Ameritech’s
90 inclusion of reciprocal compensation terms in its ULS-ST
91 tariff.

92 **8. Q. DO YOU AGREE WITH DR. ZOLNIERЕК’S RELIANCE ON THE**
93 **QUOTED SENTENCE?**

94 **A.** No. Dr. Zolnierек takes the quoted sentence out of the context of both the
95 Commission’s order and of the case history in reaching his conclusion.

96 **9. Q. WHAT DOES THE FULL TEXT OF PARAGRAPH 90 OF THE**
97 **COMMISSION'S DOCKET NO. 00-0700 ORDER STATE?**

98 **A.** The full paragraph states as follows:

99 The final matter to be addressed involves the issue of
100 reciprocal compensation for terminating access of calls
101 originated through ULS-ST. Ameritech urges the
102 Commission to adopt reciprocal provisions calling for it to
103 pay to terminating CLECs the same charges (on a MOU)
104 basis, that CLECs would pay to Ameritech when
105 Ameritech terminates a ULS-ST call on its network. The
106 issue is complicated by two factors. First, the Commission
107 has previously decided that ULS-ST should be provided on
108 a flat rate basis, while Ameritech's proposal is predicated
109 on an MOU charge. Second, the CLECs did not respond to
110 this proposal in their reply brief, although Dr. Ankum
111 addressed the issue at length in his rebuttal testimony and
112 the CLECs inserted a brief passage into a draft order
113 rejecting any consideration of this issue in this docket.
114 Based upon the record before us, we reject Ameritech's
115 inclusion of reciprocal compensation terms in its ULS-ST
116 tariff. That said, we do believe that Ameritech's
117 fundamental position, that it should pay terminating access
118 at the same rate as is paid by CLECs has merit.
119 Nonetheless, our review of Dr. Ankum's testimony
120 suggests that issues of reciprocal compensation are better
121 addressed elsewhere. Specifically, Dr. Ankum suggests,
122 and we agree, that reciprocal compensation decisions,
123 require extensive cost studies, that are not present in this
124 docket. Faced with a dearth of evidence on the issue, we
125 decline to reach a decision on the issue at this time.

126 **10. Q. WERE ULS-ST RECIPROCAL COMPENSATION PROVISIONS**
127 **AND RATES IN PLACE BEFORE DOCKET NO. 00-0700 BEGAN?**

128 **A.** Yes. As discussed in my direct testimony, SBC filed its permanent ULS-
129 ST offering in October of 2000. That ULS-ST tariff included a rate for
130 reciprocal compensation that applied when a CLEC purchased ULS-ST.

131 Docket No. 00-0700 was not initiated until November 1, 2000. The tariff
132 sheet showing the permanent ULS-ST rates from SBC Illinois' Tariff ILL.
133 C.C. No. 20, Part 19, Section 21 was provided with my direct testimony as
134 AT&T Exhibit 4.2.

135 **11. Q. WHAT ARE THE CORRECT CONCLUSIONS TO DRAW FROM**
136 **THE COMMISSION'S JULY 2002 ORDER IN DOCKET NO.**
137 **00-0700 WITH RESPECT TO ISSUE IC 1?**

138 **A.** First, the Docket No. 00-0700 Order clearly indicates that SBC Illinois
139 made proposals related to ULS-ST reciprocal compensation in Docket No.
140 00-0700 after permanent rates had been established. Thus, SBC Illinois'
141 proposals were designed to alter the status quo. Second, the Commission
142 clearly acknowledged that it had previously decided that ULS-ST should
143 be provided on a flat rate basis, not on the minutes-of-use basis proposed
144 by SBC Illinois. Thus, SBC's fundamental proposal to modify the
145 ULS-ST tariff with respect to reciprocal compensation was at odds with
146 previous determinations of the Commission. Therefore, the Commission's
147 rejection of SBC Illinois' "inclusion of reciprocal compensation terms in
148 its ULS-ST tariff" must be seen as a rejection of SBC Illinois'
149 modifications to the then-existing tariff. In sum, the Commission's Order
150 in Docket 00-0700 preserved the status quo for ULS-ST reciprocal
151 compensation, stating that it did not have an adequate record before it to
152 make any revisions to the reciprocal compensation rate or rate structure

153 that would apply to ULS-ST. That includes, of course, rejection of SBC
154 Illinois' proposed elimination of the reciprocal compensation rate element
155 for ULS-ST.

156 **12. Q. WHAT RECIPROCAL COMPENSATION RATE SHOULD APPLY**
157 **WHERE ATTCI IS USING ULS-ST PROVIDED BY SBC**
158 **ILLINOIS?**

159 **A.** As I stated in my direct testimony, the distinct rates for reciprocal
160 compensation over ULS-ST previously tariffed by SBC Illinois correctly
161 reflect appropriate and very distinct cost recovery for traffic termination in
162 the environment established in Docket No. 00-0700 wherein ULS-ST
163 switch port prices were set to recover costs of the end office switch and all
164 originating traffic on a flat-rate basis. Thus, reciprocal compensation
165 associated with ULS-ST traffic should be charged at \$0.001100 per MOU
166 as set forth in ILL. C.C. No. 20, Part 19, Section 21 Sheet 45, as in effect
167 prior to the latest revisions issued on August 21 and August 27, 2002.
168 This is the rate last established and approved by this Commission for
169 ULS-ST reciprocal compensation and it is reflected in ATTCI's proposed
170 Pricing Schedule to the new Agreement.

171 **III. UNE ISSUES**

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173 **A. Issue UNE 27 – Should the reciprocal compensation terms and conditions**
174 **contained in Article 21 apply to ULS-ST reciprocal compensation?**

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176 **13. Q. PLEASE DESCRIBE ISSUE UNE 27.**

177 A. This issue is the same issue I addressed in Section II of my reply
178 testimony (i.e., Issue IC 1). ATTCI’s position is that the facilities-based
179 reciprocal compensation rates contained in SBC Illinois’ Tariff ILL. C.C.
180 No. 20, Part 23, Section 2 do not apply to traffic exchanged where ATTCI
181 is purchasing ULS-ST provided by SBC Illinois. Instead, the specific
182 unbundled network element ULS-ST reciprocal compensation rate
183 proposed by ATTCI and shown in ATTCI’s Pricing Schedule should
184 apply for traffic exchanged between ATTCI and SBC Illinois where
185 ATTCI is purchasing SBC Illinois-provided ULS-ST. Article 21
186 reciprocal compensation rates will apply when traffic is exchanged
187 between ATTCI and SBC Illinois when ATTCI provides its own
188 switching functionality via an ATTCI-owned switch. Therefore, Dr.
189 Zolnierek’s position notwithstanding, I continue to recommend adoption
190 of the relevant ATTCI interconnection agreement language proposed for
191 Schedule 9.2.7, sections 9.2.7.4.2 and 9.2.7.4.3 as discussed in my direct
192 testimony.

193 B. **Issue UNE 29 – How should reciprocal compensation rate elements be**
194 **structured?**

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196 14. Q. **IN YOUR DIRECT TESTIMONY YOU INDICATE THAT ISSUE**
197 **UNE 29 IS RELATED TO ISSUE INTERCARRIER**
198 **COMPENSATION (IC) 8A, WHICH HAS BEEN SETTLED. HAS**
199 **ISSUE UNE 29 BEEN SETTLED?**

200 A. No. As outlined in my direct testimony, ATTCI proposes language in the
201 interconnection agreement, Schedule 9.2.7, section 9.2.7.5 which includes
202 a reference to ULS-ST Reciprocal Compensation. Consistent with my
203 discussion above regarding Issue IC 1 and Issue UNE 27, the reference to
204 ULS-ST Reciprocal Compensation remains necessary.

205 **IV. PRICING ISSUES**

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207 **Issue Pricing 4 – What is the proper rate for reciprocal compensation**
208 **associated with ULS-ST?**

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210 **15. Q. PLEASE DESCRIBE ISSUE PRICING 4 RELATED TO THE**
211 **PROPER RATE FOR RECIPROCAL COMPENSATION**
212 **ASSOCIATED WITH ULS-ST.**

213 A. As I discussed extensively in Section II.A of my direct and this reply
214 testimony, with respect to Issue IC 1, the reciprocal compensation
215 associated with ULS-ST traffic should be charged at \$0.001100 per MOU
216 as set forth in ILL C.C. No. 20, Part 19, Section 21, sheet 45, prior to the
217 latest revision issued August 27, 2002. The \$0.001100 rate is the last rate
218 set by the Commission to be uniquely associated with providing
219 compensation in a ULS-ST environment.

220 **16. Q. DOES THIS CONCLUDE YOUR REPLY TESTIMONY?**

221 A. Yes.