Date Field	State	Proceeding Number	Subjects Addressed
8/94 2/95	California	A.93-12-005 I.94-02-020	Citizens Utilities General Rate Case, Access Pricing, Price Cap, IntraLATA Equal Access, Imputation
4/93	California	A.92-05-002 A.92-05-004 I.87-11-033	First Price Cap Review, productivity factors, sharing
6/92	California	I.87-11-033	Centrex and PBX trunk Pricing
10/91	California	I.87-11-033	Competitive entry issues
1/91	California	A.85-01-034	High Cost Funding
10/90	California	I.87-11-033	Expansion of Local Calling Areas, Touch Tone

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the matter of	)	
Application by SBC Communications, Inc.	)	
For Authorization Under Section 271 of the	)	
Communications Act To Provide In-Region	)	**CC Docket**
InterLATA Service in the State of Oklahoma	)	**No. 97-121**

AFFIDAVIT

OF

STEVEN E. TURNER

ON BEHALF OF

AT&T CORP.

AT&T EXHIBIT M

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AFFIDAVIT OF STEVEN E. TURNER
ON BEHALF OF AT&T CORP.

I. INTRODUCTION AND PURPOSE

1. My name is Steven E. Turner. I head my own telecommunications and financial consulting firm, Kaleo Consulting.

2. I hold a Bachelor of Science degree in Electrical Engineering from Auburn University in Auburn, Alabama. I also hold a Masters of Business Administration in Finance from Georgia State University in Atlanta, Georgia.

3. From 1986 through 1987, I was employed by General Electric in their Advanced Technologies Department as a Research Engineer developing high speed graphics simulators. I joined AT&T in 1987 and, during my career there, held a variety of engineering, operations, and management positions. These positions covered the switching, transport, and signaling disciplines within AT&T. From 1995 until 1997, I worked in the Local Infrastructure and Access Management organization within AT&T. It was during this

tenure that I became familiar with the many regulatory issues surrounding AT&T's local market entry, and with issues regarding the unbundling of incumbent local exchange company ("ILEC") networks.

4. I formed Kaleo Consulting in January 1997. I consult primarily on regulatory issues related to entry into local exchange service markets and, using financial models, advise companies on how and where to enter such markets.

II. PURPOSE AND SUMMARY OF STATEMENT

5. Southwestern Bell Telephone Company ("SWBT") has filed an application, pursuant to Section 271 of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 ("Act"), alleging that in Oklahoma it has satisfied the requirements of (i) Track A, by virtue of its access and interconnection agreement with Brooks Communications of Tulsa, Inc. and Brooks Communications of Oklahoma, Inc. ("Brooks"), and (ii) Track B, by virtue of its Statement of Generally Available Terms and Conditions ("SGAT").

6. As is explained at greater length in AT&T's Comments, in order for SWBT's access and interconnection agreement with Brooks to serve as the basis for a successful Track A application, SWBT must meet two requirements. First, it must demonstrate that it is providing access and interconnection to one or more competitors that are furnishing local exchange service to business and residential customers exclusively or predominantly over their own facilities. Second, SWBT must demonstrate that it is actually providing the checklist items of Section 271(c)(2)(B) of the Act pursuant to one or more approved interconnection and access agreements.

7. As an initial matter, this Affidavit will set forth facts demonstrating that SWBT's application must be governed by Track A, not Track B. As to the first requirement of Track A, there is only one competing local exchange carrier ("CLEC") even offering local services in Oklahoma -- Brooks. Brooks serves only twenty (20) business customers -- eight (8) "on net,"[1] eleven (11) through DS1 circuits leased from SWBT, and one (1) through resold ISDN service.[2] Even as to this limited number of business customers, Brooks serves more of these customers through resale of SWBT's DS1 circuits than through exclusive use of Brooks' own facilities.[3] Moreover, Brooks is not now offering, nor has it ever offered, residential service in Oklahoma.[4] AT&T's Comments explain that these facts alone are fatal to SWBT's Track A application.[5]

8. As to the second Track A requirement, which is checklist compliance, I will demonstrate through illustrative examples that SWBT is not meeting the requirements of the competitive checklist. Further, the affidavit will show that because of SWBT's non-

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[1] The term "on net" means that Brooks provides the facilities for the entire path from the switch to the customer's premises.

[2] Initial Comments of Brooks, filed on March 11, 1997; and Reply Comments of Brooks, filed on March 25, 1997, both in OCC Docket PUD 9700000064. See also Motion to Dismiss, filed by The Association for Local Telecommunications Services, April 23, 1997, in FCC Docket No. 97-121.

[3] See footnote 2, supra. See also ALTS' Motion to Dismiss, at p. 8, n.8.

[4] See footnote 2, supra. See also ALTS' Motion to Dismiss; Affidavit of John C. Shapleigh.

[5] Although SWBT's Track A application is predicated solely upon its interconnection agreement with Brooks, SWBT's other approved interconnection agreements cannot properly be relied on by SWBT to show compliance with Track A because these other companies have yet to interconnect with SWBT's local exchange network.

compliance with the checklist requirements, facilities-based competition is not imminent in Oklahoma.

9. SWBT's application points to numerous resale agreements that have been approved by the Oklahoma Corporation Commission ("OCC"), are pending approval, or are in the process of being negotiated, as supposed evidence of effective competition in Oklahoma. But not even SWBT claims that any of these resellers is actually providing local exchange service in Oklahoma. In any event, even if some resellers were providing local exchange service in Oklahoma, resellers do not provide the facilities-based competition required to demonstrate Track A compliance. Indeed, as I will explain, resale agreements offer only very limited forms of competition. For this reason, facilities-based competition is critically important if there is to be any real challenge to SWBT's local exchange service monopoly, and unbundled network elements ("UNEs") are crucial to the development of such facilities-based competition. SWBT's pricing of UNEs, however, threatens to be a major barrier to the development of facilities-based competition in Oklahoma.

III. THERE IS ONLY LIMITED FACILITIES-BASED COMPETITION FOR A FEW BUSINESS CUSTOMERS IN OKLAHOMA

A. Track A Has Been Triggered By Requests For Access And Interconnection

10. AT&T, Brooks, and U.S. Long Distance ("USLD") requested interconnection with SWBT prior to September 1996.[6] Cox Cable requested access and interconnection on

[6] AT&T requested interconnection with SWBT in Oklahoma on March 14, 1996 (Affidavit of Rian Wren, ¶ 21). The Interconnection Agreement between U.S. Long Distance and SWBT was executed on September 5, 1996 after "weeks" of negotiations. (See Application of Southwestern Bell Telephone Company For Approval of Interconnection Agreement with U.S. Long Distance, Inc., p. 2, filed 9/9/96). Brooks filed its Interconnection Agreement on August 30, 1996.

October 23, 1996.[7] ICG Telecom Group, Inc. ("ICG") and Intermedia Communications, Inc. ("ICI") filed their interconnection agreements in December 1996 and January 1996, respectively, also after "weeks" of negotiations.[8] The agreements between SWBT and Brooks, USLD, ICG, and ICI expressly acknowledge that the access and interconnection that are the subject of those agreements are for the purpose of providing facilities-based competition in the local exchange services market.[9] Thus, unaffiliated providers of local exchange services have clearly requested access and interconnection, as contemplated by Track A.

B. Facilities-Based Competition For Business Customers In Oklahoma Is Almost Non-Existent

11. SWBT's claim regarding the status of facilities-based competition in Oklahoma is almost entirely comprised of a variety of irrelevant statistics regarding the number of telecommunications providers that have received their certificates of convenience and

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[7] Comments of Cox Communications, Inc. on Motion to Dismiss, filed in FCC Docket No. 97-121, 4/29/97, at p.2, n.3.

[8] Final Order Approving Interconnection Agreement between SWBT and ICG Telecom Group, Inc., 4/3/97, provided at SWBT Section 271 Appendix III, Tab 4; Application of Southwestern Bell Telephone Company for Approval of Interconnection Agreement With Intermedia Communications, Inc., 1/22/97, provided at Attachment 1.

[9] See Brooks Fiber Interconnection Agreement, Preamble, with accompanying affidavit of Robert E. Stafford on behalf of SWBT. (Mr. Stafford represents that Brooks will offer telecommunications services "either exclusively over Brooks' own facilities or predominantly over Brooks' facilities in combination with the resale of SWBT services.") See also USLD Interconnection Agreement, Preamble ("USLD desires to provide local exchange service to residential and business end users predominantly over its own telephone exchange service facilities...."); ICG Agreement, Preamble ("[T]he Parties want to interconnect their networks ... to provide ... Telephone Exchange Service ... to residential and business end users predominantly over their respective telephone exchange service facilities ...."); and ICI Interconnection Agreement, Preamble (provided at Attachment 1) ("ICI desires to provide local exchange service to residential and business end users predominantly over its own telephone exchange facilities in SWBT territory.")

necessity (Stafford Aff., ¶ 11); the number of companies that have requested interconnection (Stafford Aff., ¶ 13); and descriptions of "plans by other companies to construct networks." (Wheeler Aff., ¶ 3) These statistics miss the mark, however, because they show nothing about whether facilities-based competition actually exists today in Oklahoma. The future plans of potential competitors who have yet to request access and interconnection, yet to reach such an agreement with SWBT, and yet to provide local exchange service to business and residential customers do not and cannot establish that facilities-based competition exists in Oklahoma today.[10]

12. Notwithstanding SWBT's attempt to create the illusion of competition, the fact is that local service competition is almost non-existent in Oklahoma today. Indeed, nowhere in the State of Oklahoma is a single unbundled loop being used for local service. Even SWBT can point to only one carrier -- Brooks -- that is now providing local exchange service in Oklahoma. Yet a review of the facts as they relate to Brooks demonstrates these uncontroverted facts: (1) Brooks is serving only a handful of business customers; (2) Brooks

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[10] SWBT's attempt to show that facilities-based competition is imminent through data regarding the number of its business and residential customers that are within 500 feet and 1000 feet of the fiber optic networks of CLECs in Oklahoma is equally misguided. (See Affidavit of Michael Montgomery.) To provide local exchange service using such a fiber optic network, the CLEC must at a minimum invest in a digital switch, "open up the fiber" and provide a fiber entrance facility into the building. These steps require substantial capital investment, and are operationally challenging and time-consuming. With the possible exception of Brooks, there is no evidence that any CLEC has taken these steps in Oklahoma in order to provide local exchange service. Moreover, because of the substantial investment and effort required to make such a network operational, Brooks has determined that it will in the future serve only business customers of a certain size through direct connection to its fiber optic network. (Testimony of Edward Cadieux on Behalf of Brooks Fiber, before the Oklahoma Corporation Commission, Cause No. PUD 970000064, 4/14/97, at pp. 63-66, provided at Attachment 2.)

depends on SWBT facilities to serve most of these customers;[11] and (3) Brooks is not offering any facilities-based service to residential customers.[12]

13. As of March 25, 1997, Brooks was serving at most only twenty (20) business customers in Oklahoma. Of those business customers, eight (8) are served "on-net," eleven (11) are served through leased SWBT DS1 retail loop facilities (i.e., neither Brooks-owned nor unbundled), and one (1) is served through resold ISDN service.[13] Although these methods of provisioning service may work for a limited, narrow set of customers in particular niches of specific markets, they cannot be used economically to provide broad-based competition to business and residential customers in Oklahoma. Consequently, this extremely limited initial foray by Brooks into the local market is not evidence that SWBT has opened its local service monopoly network to competition. To the contrary, the fact that it is more economical for Brooks to serve its business customers by purchasing DS1 loops from SWBT at retail indicates that very substantial barriers to competitive entry still exist.

C. No CLEC Provides Or Offers Service To Residential Subscribers In Oklahoma

14. The Act requires that facilities-based service be provided to both business and residential customers prior to granting interLATA relief to an ILEC. 47 U.S.C. § 271(c)(1)(A) (emphasis added). However, Brooks does not provide local service to any residential customers through its own network in Oklahoma. The residential service now being "provided" by Brooks that is the basis of SWBT's application is limited to four (4) Brooks employees participating in a test of resold local service from SWBT.

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[11] See footnote 2, supra.

[12] See footnote 4, supra.

[13] See footnote 2, supra.

15. These facts demonstrate that Brooks is not an unaffiliated facilities-based provider of local service to business and residential subscribers in Oklahoma. SWBT has attempted to gloss over the absence of effective facilities-based competition by reliance on resale agreements that either have been approved, are pending approval, or are waiting to be filed in Oklahoma.[14] But resale is not facilities-based competition (see ¶¶ 25-29, infra), and is not the competition which the Act requires as a precondition to interLATA entry.

IV. SWBT DOES NOT ACTUALLY PROVIDE THE COMPETITIVE CHECKLIST ITEMS

A. SWBT Must Actually Provide The Checklist Items

16. As explained in AT&T's Comments, the second requirement of Track A is that SWBT demonstrate it is providing the items on the competitive checklist. Section 271 requires more than a paper pledge that the ILEC is prepared to offer all items on the competitive checklist; it must actually provide each such item on the checklist to competing carriers through approved interconnection agreements, either individually or in combination, and must be able to do so in a nondiscriminatory manner, including at commercially reasonable volumes. SWBT has not met these requirements, as I will illustrate with a few examples. SWBT's failure to comply with the competitive checklist means that facilities-based competition is not imminent in Oklahoma.

B. SWBT Has Substantially Delayed Providing Physical Collocation

17. Physical collocation is a critical component of interconnection and UNE access. Congress established that an ILEC must "provide, on rates, terms, and conditions

[14] SWBT has resale agreements with eleven (11) companies: Capital Telecommunications; CapRock Communications; Chickasaw Telecom; Dobson Wireless, Inc.; Fast Connections; Oklahoma Comm South Company; Preferred Carrier Services; Reconex; US Telco; Western Oklahoma Long Distance; and TIE Communications. Zamora Aff. (¶ 24) filed in support of SWBT's Section 271 Application, April 11, 1997.

that are just, reasonable, and nondiscriminatory, for physical collocation of equipment necessary for interconnection or access to unbundled network elements at the premises of the local exchange carrier...." (Section 251(c)(6)). Interconnection for the purposes of exchanging traffic or accessing unbundled network elements cannot occur without effective collocation arrangements.

18. Brooks is currently pursuing several physical collocations with SWBT for networks in Oklahoma and Kansas. Collocation is an early barometer of how SWBT will respond to new entrants, and the reading is not good. Brooks provided the following response to a Request for Information made by the Kansas Corporation Commission regarding SWBT's failure in the area of collocation:

> The one area in which Brooks does have some experience regarding interconnection implementation issues related to its Kansas network is in the area of collocation, since Brooks submitted (and SWBT accepted for processing) applications for physical collocations at various SWBT central offices in the Kansas City area prior to execution of the Kansas Interconnection Agreement. While deployment of those collocations is still in progress, Brooks can state generally that there are significant differences in opinion between Brooks and SWBT concerning the reasonableness of the collocations prices quoted by SWBT, and regarding the processing time frames associated with making collocation spaces available. Brooks believes that the collocation prices are excessive, and that the time frames required by SWBT to process Brooks' collocation applications have been unreasonably long.[15]

19. SWBT's performance has been no different in Oklahoma. Brooks had to wait for over 10 months for the right to physically collocate telecommunications equipment in two SWBT central offices in Oklahoma City. Brooks' initial requests to collocate equipment in Tulsa are still outstanding. Much of this delay can be attributed to the complexity of the

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[15] Brooks Communications of Missouri, Inc. Response to KCC Staff Data Requests, Docket No. 97-SWBT-411-GIT, Question J provided at Attachment 3.

collocation process established by SWBT. SWBT's most recent "Interconnector's Technical Publication for Physical Collocation" is 71 pages in length and is an extremely complicated technical document.[16] In addition, SWBT has insisted upon a noninteractive ordering process, at least as to Brooks, thereby significantly increasing the amount of time required to complete the ordering process and acquire collocated space in SWBT's central offices.[17] SWBT's ordering process, and inflexibility in addressing issues that arise during that process, has caused Brooks to experience unreasonable delay in Oklahoma in its attempts to physically collocate its equipment.[18]

20. Brooks' experience with SWBT on collocation is not an aberration. In Texas, for example, after waiting months for a response, AT&T received a proposal with average non-recurring charges of $550,000 per office, for a 400 square foot cage. These non-recurring charges are exorbitant.

C. SWBT Has Failed To Provide Interim Number Portability

21. Item (xi) of the competitive checklist requires the ILEC to provide interim number portability (Section 271(c)(2)(b)(xi)). Number portability is necessary to maintain

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[16] Southwestern Bell Telephone Company Interconnector's Technical Publication for Physical Collocation, Issue 6, February 1997.

[17] Specifically, Brooks noted on page 4 of its Initial Comments for the Oklahoma Section 271 proceeding, No. PUD 970000064 (filed 3/11/97): "It is Brooks' opinion that these delays have resulted, in significant part, from an SWBT collocation process which Brooks has found to be too inflexible to permit the continuous, interactive communications which are necessary for expeditious processing of technically intricate engineering and construction projects such as these."

[18] Even counsel for SWBT has acknowledged "some shortcomings" in SWBT's collocation process. (Hearing Before the OCC on SWBT's Section 271 Application, Cause No. PUD No. 970000064, 4/23/97, at pp. 156-157, provided as Attachment 4.

the customer's previous telephone number when changing the customer's service from SWBT to a new provider.

22. SWBT has failed to demonstrate its ability to port numbers consistently without an interruption of service. As of April 9, 1997, Brooks had attempted to use Remote Call Forwarding, which is one of the two alternatives that SWBT makes available for Interim Number Portability (INP), for twelve customers (40 numbers) in Oklahoma. Of these twelve customers, virtually all experienced difficulties in receiving incoming calls "generally ranging from 30 minutes to several hours."[19]

23. Brooks' investigation into these problems has shown them to be caused by SWBT internal processing errors:

> Brooks has been investigating this problem from the outset, and it is our assessment that what is occurring is that Brook's orders for service using INP are separated into two distinct tasks within SWBT's administrative processing - one disconnecting SWBT service to the customer on the existing telephone number, and a second activating call forwarding from the pre-existing number to a number resident in the Brooks switch. Based on our contacts with SWBT regarding these service activations, it appears that SWBT is not coordinating the timing of these two steps in a manner such that they occur simultaneously and seamlessly to the end-user.[20]

In short, SWBT has not shown itself capable of providing interim number portability "with as little impairment of functioning, quality, reliability, and convenience as possible." Section 271(c)(2)(B)(xi).

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[19] Brooks Fiber Communications' Responses to AT&T's Request for Information, No. 1.1 filed in OCC Docket No. PUD 970000064, 4/9/97, provided as Attachment 5.

[20] Id.

D. SWBT Has Failed To Provide Nondiscriminatory Access To Unbundled Network Elements

24. Among the checklist items with which SWBT must comply is nondiscriminatory access to unbundled network elements.[21] Although SWBT has negotiated unbundled network elements with five (5) companies, as identified above, not a single unbundled network element has yet been ordered or purchased from SWBT by any carrier. I believe that one reason for this lack of any orders is SWBT's excessive prices for UNEs, which I discuss in greater detail in Section VI. B of my Affidavit.

V. RESALE IS NOT FACILITIES-BASED COMPETITION, NOR DOES IT OFFER ITS BENEFITS

25. SWBT has entered into a number of agreements with resellers of telecommunications services. As previously stated, SWBT has not claimed that any of these resellers is yet providing local exchange service in Oklahoma. Moreover, even if they were, resale competition by definition is not facilities-based competition offered by competing providers either exclusively or predominantly over their own telephone exchange service facilities. Although resale is an important mechanism by which a new entrant may enter the local telecommunications market, it will not and cannot provide effective competition for SWBT.

A. Resale Is Limited In The Type Of Service Offerings That Can Be Economically Resold In The Local Market.

26. Resale has severe limitations as a means of offering effective local exchange competition. First, resale limits CLECs to the same service offerings as the incumbent. As the following example illustrates, the limitations inherent in resale prevent a new entrant

[21] 47 U.S.C. § 271(c)(2)(B)(ii).

from being able to offer a new package of features to the market. In Oklahoma, SWBT offers a combination of features known as "The Works." This feature package comes with thirteen (13) features for residential and business customers and is priced at $15.00 in Oklahoma for both. However, if a new entrant identified a particular market segment in Oklahoma to which it wanted to offer a comparable feature package with only eight (8) of the thirteen (13) "works" features, an offer currently not available with SWBT, the new entrant's costs would be the individual wholesale price for each of the eight features.[22] Given Oklahoma's 19.8% discount, the applicable wholesale price would be $16.64 for business customers. As this calculation demonstrates, the wholesale price the new entrant would be required to pay for only eight features for business is higher than the retail price for "The Works." In this case, a CLEC's only alternative would be to acquire "The Works" at the wholesale price, and either mimic SWBT's retail offer, or market only the eight feature package, but at no additional savings to the end user customer over SWBT's thirteen feature package. As a result, the new entrant would not be able to introduce this new combination of features to the local market for business customers under resale at competitive prices. Nonrecurring costs associated with the creation of the new entrant's feature package only exacerbate this situation.

27. The bottom line is that the new entrant under resale has no real opportunity to introduce new services or combinations of services that customers want. The ability to offer

[22] For the purposes of this exercise the following eight features were selected: Call Waiting, Call Forwarding, Remote Access to Call Forwarding, Three Way Calling, Speed Calling, 8 Call Return, Auto Redial, and Call Blocking. The monthly retail price for these eight features under SWBT pricing is $20.75 for business customers. The wholesale price under Resale for these eight features is $16.64 for business customers.

such innovative services and feature packages, however, is key to the development of competition in the local exchange market.

B. Resale Is Limited to Precisely the Same Calling Scopes As Offered By The Incumbent Carrier.

28. Another major limitation of resale is that new entrants are limited to the calling scope definition of the ILEC. "Calling Scope" refers to the geographic area within which calls are flat-rated local, rather than toll, calls. Most ILECs have Wide Area Calling Plans/Extended Area Service (WACP/EAS) plans that new entrants should be able to sell at retail less avoided cost. If the new entrant attempts to create its own calling scopes without purchasing the ILEC's currently available plan, however, the new entrant will have to pay intraLATA access charges for all originating and terminating minutes outside of the ILEC's local calling scope. In Oklahoma, SWBT charges $0.07018 for intraLATA access. If the new entrant signs up a large WACP/EAS user under the new entrant's own calling scope definition, the new entrant would have to pay SWBT $0.07018 for every intraLATA minute while SWBT's underlying cost, based on unbundled element rates, is $0.01541.[23] This financial reality will prevent any new entrant from introducing new calling scopes under resale. Again, the new entrant will be completely constrained to the market offers and pricing SWBT chooses to introduce.

29. These types of limitations on competition are widespread and, indeed, inherent in resale. And while it is clear that Congress intended for resale to be a possible market entry vehicle for new entrants, resale is not facilities-based competition nor does it permit the

[23] An intraLATA call traversing the SWBT network, priced at SWBT's UNE prices, would at most use two Local Switching minutes ($0.01155), one Tandem Switching minute ($0.002822), and two Common Transport minutes ($0.001038), for a total cost per minute of $0.01541.

offering of innovative service and feature packages as is possible with facilities-based competition.

VI. THE NEED FOR UNBUNDLED NETWORK ELEMENTS AS A MARKET ENTRY STRATEGY

A. Why UNEs Are Important to Competition

30. These real-world limitations on resale are significant. It is for this reason that AT&T, or any other CLEC desiring to serve residential and small business customers without duplicating SWBT's network, must be able to utilize unbundled network elements, or UNEs, as its primary initial local market entry strategy. AT&T intends to enter some markets through resale, but its objective is to utilize UNEs as quickly as is operationally and economically possible. (Wren Aff., ¶ 12).

31. Specifically, AT&T has pursued access to the UNE platform ("platform") that was authorized in the Act and in the Order.[24] With the platform a CLEC would combine unbundled network elements obtained from an ILEC to provide a customer with telecommunications services. The platform will enable AT&T not only to provide a customer with service equivalent in quality to that customer's existing service with SWBT, but also to offer services and feature packages AT&T could not provide as a pure reseller of telecommunications services.

32. The platform makes innovation in service and feature packages possible because it enables a new entrant to purchase not only the unbundled network elements, but

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[24] 47 U.S.C. § 251(c)(3) states: "An incumbent local exchange carrier shall provide such unbundled network elements in a manner that allows requesting carriers to *combine* such elements in order to provide such telecommunications service." (emphasis added) The implementing regulations are equally clear: "An ILEC shall provide ...access to an unbundled network element... in a manner that allows the requesting telecommunications carrier to provide any telecommunications service that can be offered by means of that network element." 47 C.F.R. § 51.307(c).

also the "features, functions, and capabilities that are provided by means of such facility or equipment."[25] For example, a new entrant could purchase the unbundled element of local switching and along with it all of the features and capabilities contained within the local switch. This would enable the entrant to introduce a new package of features contained within the switch without being constrained by the ILEC's pricing methodology or packages.

33. Further, while the use of UNEs alone will not make AT&T and other long distance carriers predominantly facilities-based providers of local service, the use of UNEs is a critical step in that process. By starting out using UNEs and then substituting more and more of its own facilities as time goes on -- as CLECs will do as rapidly as possible for economic and competitive reasons -- AT&T and other carriers will provide facilities-based competition.

B. SWBT's Pricing of UNEs Is a Barrier to Competition

34. Facilities-based competition will develop only if AT&T and other CLECs can access and economically purchase the platform. As is demonstrated below, SWBT's excessive charges for the platform constitute a major barrier to the development of competition in Oklahoma. SWBT has never proven that any of these charges are cost-based, nor have they been found to be so by the OCC.

1. A Profile Customer Definition Is Required To Establish The Platform Price

35. One of the principal stumbling blocks to development of the platform is the uncertainty that exists as to what SWBT will charge for it. As is explained more fully in the Affidavit of Rian Wren (¶¶ 16-31), this pricing uncertainty is the direct result of SWBT's strategic approach to UNE negotiations and its deferral of any substantive negotiations on the

[25] 47 U.S.C. § 3(a)(45) (definition of "network element").

subject of UNEs until after the arbitration proceedings were nearly completed. As a result, SWBT's prices for UNEs remain incomplete, and to the extent they exist, they have not been proven or found to be cost-based. The determination of cost-based prices in Oklahoma awaits further state commission proceedings, which have yet to be scheduled.

36. To demonstrate how the pricing of unbundled network elements affects the economic feasibility of the platform as a viable market entry strategy, it is necessary to determine what SWBT intends to charge for the platform. The following paragraphs will lay out for illustrative purposes AT&T's current understanding of the costs of the platform based upon SWBT's interim rates established in its arbitration with AT&T,[26] and based upon its SGAT.

37. To develop the price of the platform, I created a Local Usage Profile and a Toll Usage Profile for a representative residential customer. The profile was created so as to capture the usage characteristics of this representative customer and how those usage characteristics would "trigger" different UNE rate elements.[27] The tables below describe the usage characteristics of the profile representative customer. In addition, because the level of long distance and toll usage is a significant determinant in assessing the viability of the platform, I have created additional residential customer profiles to address long distance and toll usage across all relevant spectrums. These additional profiles show that the representative residential customer I have used for my analysis does not overstate the result. See Attachment 6, and ¶ 42, infra.

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[26] The arbitrator expressly disclaimed any finding that the interim rates were "cost-based."

[27] The profiles were not intended to capture precisely every usage parameter of a residential customer. Instead, these profiles identify the primary characteristics that "trigger" UNE rate elements and the consequent cost of the platform for CLECs.

Local Usage Profile

Local Usage (Originating and Terminating)	1400 MOU
Terminating to Originating Ratio	1
Average Call Holding Time	3.5 MOU
Intraswitch Traffic Flow	40%
Interswitch Traffic Flow	60%
Direct Trunked Traffic Flow	30% (50% of Interswitch Traffic Flow)
Tandem Trunked Traffic Flow	30% (50% of Interswitch Traffic Flow)
Local CNAM Queries (per Month)	10
Directory Assistance	
Total Calls	5
Calls from Above with Call Completion	2
Local CLASS Features	3

Toll Usage Profile

InterLATA Usage (Originating and Terminating)	80 MOU
InterLATA Interstate Usage	50%
IntraLATA Usage (Originating and Terminating)	40 MOU
Terminating to Originating Ratio	1
Average Call Holding Time	1
InterLATA Trunking	
Direct Trunking to IXC	75%
Tandem Trunking to IXC	25%
IntraLATA Trunking	
Direct Trunking	0%
Tandem Trunking	100%
Database Queries	
Simple 800	10
Complex 800	10
LIDB	10

2. The usage characteristics enable the CLEC to identify which UNE rate elements to select and develop the recurring and non-recurring costs for customers

38. For purposes of this discussion, the usage characteristics outlined above identify which UNEs are required to serve these customers and dictate the volume of usage sensitive elements (i.e. tandem switching, common transport) that must be purchased. The following tables were generated by taking the usage characteristics set

forth above and applying the appropriate rate elements to develop the monthly recurring cost for the profile residential customers and the one-time non-recurring costs ("NRCs") to establish the platform. The zone that was selected for these prices was Zone C. This is the urban zone and the area that provides the lowest cost view of SWBT's pricing policy in Oklahoma.

Single Residential Line Platform Cost for a Profile Customer

UNE Element	UNE Recurring PUD 960000218 Award	UNE Recurring SGAT	UNE NRC
2-Wire Analog Loop	$20.70	$20.70	$47.45
Local Switching - Analog Line Side Port	$ 3.00	$ 3.00	$80.50
Local Switching - Usage	$ 8.78	$15.25	NA
Common Transport	$ 0.35	$ 0.02	NA
Tandem Switching	$ 0.71	$ 0.11	NA
Signaling and Database Queries	$ 0.60	$ 0.60	NA
Directory Assistance	$ 1.81	$ 1.81	NA
Operator Services	$ 1.60	$ 1.60	NA
Service Order	NA	NA	$58.00
TOTAL	**$37.55**	**$43.09**	**$185.95**

3. The Cost Of The Platform Exceeds The Revenues

39. The final step in understanding how SWBT's interim prices are a significant barrier to the development of competition via the platform is to compare them to the revenue opportunity using the platform. The table below illustrates that CLECs cannot profitably serve residential customers through the UNE platform at the interim prices set by the OCC's Arbitration Order, even if it is assumed that InterLATA toll revenues will flow to the CLEC.

Residential Single Line Customer Revenue/Platform Cost Analysis

Revenue	
Local	$27.99[28]
IntraLATA Toll	4.40[29]
InterLATA Access[30]	2.38[31]
Total Revenue	**$34.77**
Cost of Goods (Platform)	**$37.55**
Gross Margin	**($ 2.78)**
Gross Margin Percentage	**(8.00)**
UNE NRC =	$ 185.95

40. The primary conclusion to draw from the above table is that the UNE prices set by the AT&T/SWBT Arbitration Order in Oklahoma provide no opportunity for new entrants to serve profitably residential customers. Indeed, SWBT charges the CLEC $185.95 (NRC) for the right to lose $2.78 every month in gross margin under the OCC's Arbitration Order even if intraLATA toll revenue is included.

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[28] The Local Revenue includes the monthly recurring charge for the line including the FCC subscriber line charge, features (Call Forwarding, Call Waiting, and 3-Way Calling), plus incidental revenue for operator services and directory assistance.

[29] IntraLATA Toll Revenue was calculated at 20 originating minutes at an average revenue per minute of $0.22.

[30] Although it is unclear whether SWBT intends to keep interLATA access charges, consistent with the conservative approach taken by this analysis, my calculations assume that AT&T will get interLATA access revenues associated with calls originating from and terminating to AT&T's switch, as is provided for by regulations under the Act (47 C.F.R. § 51.309(c)). If this assumption is not correct, the gross margins I have calculated will decrease (i.e., get worse) significantly.

[31] InterLATA Access Revenue was calculated as the weighted average (based on the interLATA interstate usage percentage) of the interstate interLATA access rate and the intrastate interLATA access rate times the appropriate minutes of use.