

determined by offsetting the annual change in the fixed-weight Gross Domestic Product Price Index by 4.3%, the “X-factor” that is intended to reflect productivity growth and a persistently slower-than-inflation growth in the Company’s input prices. GCI Ex. 1.0. at 56 (Selwyn); Order at 36-38. ICC Docket Nos. 92-0448/93-0239 (“Alternative Regulation Order”). No other state in which SBC currently operates applies an offset factor as high as 4.3% in its incentive regulation system. As Mr. Gebhardt confirmed, SBC is likely to seek a significant decrease in, or outright elimination of, the offset factor. GCI Ex. 1.0 at 56; Tr. 865. Since the price cap system went into effect, Illinois Bell rates for noncompetitive services have decreased by between 1.38% and 2.44% in each year since 1994, resulting in a cumulative net decrease in Illinois Bell rates of more than a quarter of a billion dollars. *Id.* at 57.

Elimination of the 4.3% X-factor from the price cap formula would produce rate increases over the next five years of roughly \$300 million; retaining the offset at its present level would result in more than \$200 million in additional rate reductions relative to present levels.

Elimination of the X-factor could take over one-half billion dollars out of the Illinois economy for the National Local Strategy. *Id.*

Additionally, as Staff witness Marshall testified, the Commission’s alternative regulatory plan did not contemplate or provide a mechanism to deal with such a significant change in the company’s cost of providing service. ICC Staff witness Ex. 1.0 at 18 (Marshall). Staff witness Toppozada-Yow confirms that when the Commission developed the price cap index applicable to Ameritech Illinois’ noncompetitive services in the Plan, the Commission did not take the merger into account. ICC Staff Ex. 3.0 at 23-25 (Toppozada-Yow). Because the alternative regulatory plan does not provide a mechanism to deal with a

significant change in the company's cost of providing service, without an immediate review of the plan, approval of this merger could result in rates that are not fair, just, or reasonable in violation of the Public Utility Act. 220 ILCS 5/13-506.1(b)(2).

Additionally, SBC can obtain rate increases through tariff filings in noncompetitive services as well as through higher rates for services that are reclassified as "competitive" but for which the Company would retain substantial market power. GCI Ex. 1.0 at 57 (Selwyn). IntraLATA toll continues to face only limited actual competition despite reclassification in 1996. *Id.*; Cross Ex. 43. SBC has submitted a number of applications and miscellaneous tariff filings to the California PUC seeking increases in rates since the merger. GCI Ex. 1.0 at 57-60 (Selwyn); Cross Exs. 44-46.

Moreover, in its pending price cap filing, Pacific/SBC proposes significant changes to its current regulatory framework to allow SBC upward pricing flexibility for services not currently subject to competitive pressure. In this application Pacific/SBC requests the elimination of "the remaining vestiges of earning/rate of return regulation ... including the earnings sharing mechanism, the rate of return earnings cap and floor, the 'benchmark' and 'market-based' rates of return, and the 'trigger' mechanism. GCI Ex. 1.0 at 60 (Selwyn).²⁷ If approved, these requests will eradicate ratepayer protection included in the current regulatory framework designed to ensure rate stability. *Id.* at 60. Additionally, Pacific/SBC requests upward pricing flexibility for services not subject to meaningful competition. Notwithstanding Mr. Kahan's discredited testimony that there will be no adverse rate impacts, the Commission

²⁷ Citing *Application of Pacific Bell for a Third Triennial Review of the Regulatory Framework in Decision 89-10-031*, February 2, 1998 at 4.

should rely on SBC's actions in California, expect the same pattern here in Illinois, and therefore should find that this merger is likely to result in adverse retail impacts on retail customers.

B. IF THE COMMISSION PERMITS THE MERGER, IT MUST FIRST ALLOCATE SAVINGS TO RATEPAYERS AND SECOND CONDITION ITS APPROVAL ON ELIMINATION OR MITIGATION OF RISK AND ADVERSE CONSUMER AND COMPETITIVE IMPACTS

1. The Commission Shall Not Approve The Reorganization Without Ruling On The Allocation Of Any Savings Resulting From The Proposed Reorganization.

The Public Utilities Act in Section 7-204(c) provides that the Commission shall not approve a reorganization without ruling on the allocation of any savings resulting from the proposed reorganization. However, petitioners in their Joint Application for reorganization contend that Section 7-204(c) is not applicable to this merger.²⁸ Joint Application at 12-13. They also contend in testimony that: "Even if it does apply, the Companies believe that, as a matter of policy, the Commission should not allocate any estimated savings to ratepayers:..." SBC Ameritech Ex. 3.1 at 53 (Gebhardt).²⁹

²⁸This in contrast with the position taken by Illinois Bell Telephone Company in *Illinois Bell Telephone Company d/b/a Ameritech Illinois and Ameritech Illinois Metro, Inc. Joint Petition for Approval of Merger, Discontinuance of Service, Transfer or Issuance of Certificate of Service Authority, and Other Related Relief*, 97-0675, Illinois Commerce Commission, 1998 Ill. PUC LEXIS 760 (August 26, 1998). In that order the Commission "... (15) with respect to Section 7-204(c), we accept Ameritech Illinois' proposals to account for any savings that may result as a result of the merger in future filings under its Alternative Regulation plan and not to seek recover of the costs associated with the merger;..." (id at 32)

²⁹Despite SBC's challenge to the applicability of the ratepayer benefit Section in the Pactel merger, the California Public Utilities Commission awarded economic benefits in their Opinion. *Re Pacific Telesis Group, Joint applicant: SBC Communications, Inc.*, Decision No.

The plain meaning of the statute is clear. The Commission cannot approve the reorganization without ruling on the allocation of any savings resulting from the proposed reorganization. Without a ruling on the allocation of the savings, the merger cannot be approved. The fundamental principal of statutory construction is to ascertain and give effect to the intention of the legislature. *Varelis v. Northwestern Memorial Hospital*, 167 Ill.2d 449, 454, 212 Ill.Dec. 652, 657 N.E.2d 997 (1995). Because the language used by the legislature is the best indication of legislative intent, courts look first to the words of the statute.

(Citation omitted) In re Application of the County Collector of DuPage County for Judgment for Delinquent Taxes for the Year 1992, 181 Ill.2d 237, 244, 692 N.E.2d 264 (1998). Where an enactment is clear and unambiguous, as this one is, a court is not at liberty to depart from the plain language and meaning of the statute by reading into it exceptions, limitations or conditions that the legislature did not express. *(Citation omitted) Solich v. George & Anna Portes Cancer Prevention Center of Chicago, Inc.*, 158 Ill.2d 76, 81, 630 N.E.2d 820, 822, (1994). *See also: The Department of Public Aid ex Rel. Lindy Davis, now by marriage, Lindy Eddy, Appellee, v. Jesse Brewer*, 183 Ill. 2d 540; 702 N.E.2d 563 (1998). Section 7-204(c) of the Act is clear and applies to this merger.

The Commission should adopt the approach described by Dr. Selwyn in his testimony recommending that \$343 million dollars a year should be flowed through to customers of Illinois Bell's non competitive services for a period of ten years. The Commission should adopt Dr. Selwyn's approach to calculating the savings and utilize Staff's approach to

97-03-067, Application No. 96-04-038, 1197 Cal. PUC LEXIS 629, 177 P.U.R. 4th 462 (March 31, 1997).

allocating the savings to ratepayers. The approaches taken by Ms. Topozada-Yow and Dr. Selwyn are sound approaches based on good public policy. If the Commission does not see the vision of Dr. Selwyn's approach, the Commission should explore alternatives that would result in Illinois consumers being given the allocation of savings required by statute. It would be unfair for shareholders to know up front what they will gain by the transaction and for consumers to have to wait. As Mr. Kahan conceded, tracking actual merger savings becomes more difficult the further away from the date the merger occurs. Tr. 513. Illinois law requires the Commission to rule on the allocation of any savings resulting from the proposed reorganization.

Section 7-204(c) of the Public Utility Act states:

(c) The Commission shall not approve a reorganization without ruling on: (i) the allocation of any savings resulting from the proposed reorganization; and (ii) whether the companies should be allowed to recover any costs incurred in accomplishing the proposed reorganization and, if so, the amount of costs eligible for recovery and how the costs will be allocated. 220 ILCS 5/7-204(c).

As the statute makes very clear -- the Commission *shall not* approve a reorganization without ruling on the allocation of the savings.

The Commission should adopt the method described in Dr. Selwyn's testimony to calculate the merger driven benefits. GCI Ex. 1.0 at 83 (Selwyn). Dr. Selwyn presents a detailed description of how he calculated his numbers and the assumptions made in his direct testimony. GCI Ex. 1.0 at 83-92 (Selwyn). Dr. Selwyn recommends that the Commission use the "present value basis" in calculating the amount of synergy benefits that will ultimately inure to rate payers. GCI Ex. 1.0 at 88 (Selwyn). For a detailed listing of the amounts in Dr.

Selwyn's calculation, Appendix 2 of his direct testimony is attached to this brief. GCI Exhibit 1.0.

By utilizing Dr. Selwyn's approach ratepayers will receive an allocation of merger savings as required by statute. Dr. Selwyn's approach utilizes the factors presented by Ameritech witness Gebhardt. GCI Ex. 1.0 at 84 (Selwyn). Dr. Selwyn's approach "results in a total allocation to Illinois Bell intrastate noncompetitive services of \$1.4-billion. GCI Ex. 1.0 at 90 (Selwyn). Dr. Selwyn describes in his testimony various calculations and states:

The rate decrease, on a pre-tax basis, would then be \$343-million. This amount should be applied to all noncompetitive IBT services, including wholesale, access, UNEs, transport and termination, in a manner that fairly apportions the merger synergies across all noncompetitive services and avoids the creation of a price squeeze between IBT retail services and services furnished to competitive carriers. GCI Ex. 1.0 at 91 (Selwyn).

The Commission should adopt Dr. Selwyn's approach as a logical and fair framework to determine the savings in this transaction. The premium paid by SBC for Ameritech leads one to conclude that the parties calculated that the deal was worth about \$13.2 billion to its shareholders. GCI Ex. 1.0 at 78, 86 (Selwyn). Salomon Smith Barney determined that the total synergies of the deal were approximately \$16-19 billion. GCI Ex. 1.0 at 78,85-87 (Selwyn). Citing SBC Ameritech Joint Proxy Statement. As Dr. Selwyn noted in his direct testimony, the National-Local strategy and other new competitive ventures were not considered by Salomon Smith Barney when its total synergies were estimates. Therefore, Dr. Selwyn's recommendation is a conservative amount. GCI Ex. 1.0 at 90, footnote 26 (Selwyn). Selwyn's analysis clearly shows that the savings numbers suggested by Dr. Kahan should be

rejected.

Mr. Kahan's Reply affidavits filed in the FCC proceeding provide further support that the synergy estimates are real, accurate and expected and for using Dr. Selwyn's premium methodology. GCI Ex. 1.1 at 58 (Selwyn). The testimony states:

In justifying the significant size of the premium over market value to be paid by SBC for Ameritech, Mr. Kahan states: The merger will indeed allow us to realize significant in-region savings unrelated to the National-Local Strategy, but *the aggregate value of those savings approximately equals the premium paid to Ameritech's shareholders when they exchange their stock for the new SBC stock.* (fn. 107 Kahan (SBC), FCC Reply Affidavit at ¶ 20. Emphasis supplied.) GCI Ex. 1.1 at 58 (Selwyn).

The Joint Applicant's argument is: (1) the statute does not apply; (2) if the Commission holds the statute applies then we should not use estimated savings; and (3) the savings amount to \$31 million. First, Applicants have proposed ridiculously low savings numbers. The result of what they are asking the Commission to do is to tell ratepayers that they get nothing now or the check is in the mail. This is incorrect as a matter of law. Further, this is unacceptable as a matter of sound public policy. SBC and Ameritech were able to calculate what the deal was worth for each Company and its shareholders. Section 7-204(c) of the Act requires that the Commission do the same for ratepayers. It is what is fair and what the law requires.

Joint applicants argue in their petition that Section 7-204(c) of the Act is intended to apply to rate of return regulated companies and is therefore not applicable to this merger. Joint Application at 12. However, the plain language of the Section provides no such qualification. They have yet to provide any persuasive evidence that the Section should be interpreted in that manner. Therefore the Commission should reject their interpretation.

Mr. Gebhardt concedes that price cap companies are not specifically excluded from Section 7-204(c) yet asserts that as a matter of policy price cap companies should be excluded. SBC Ameritech Ex. 3.2 at 37 (Gebhardt). If as a matter of policy the legislature sought to exclude price caps as a matter of law, it could have done so in the Public Utilities Act. The plain language of this statute should be applied if this merger is approved, and the Commission should allocate savings resulting from this merger.

In light of the above statute, the Commission must determine the amount of the savings and its allocation. The Statute also allows the commission to consider the recovery of costs. Given the lack of the clear record as to the costs incurred in the proposed merger, the Commission should without further information, deny the applicants the recovery of any costs. However, "If the Commission chooses to allow for the recovery of implementation costs, it must ensure that Illinois ratepayers are only responsible for their fair share of those costs." GCI Ex. 1.0 at 76 (Selwyn).

SBC calculations and analysis of savings are flawed and should not be adopted by the Commission. Mr. Kahan contends that the net present value of synergy savings in Illinois would be \$31 million. SBC Ameritech Ex. 1.0 at 73-74 (Kahan). Cook County urges the Commission to reject Kahan's calculation. As pointed out by Dr. Selwyn in his direct testimony there are "serious concerns about the unrealistically small "cost savings" figure that Mr. Kahan has presented. GCI Ex. 1.0 at 80 (Selwyn). Further, Mr. Kahan's calculation only includes the initial three years following the closing date of the transaction. GCI Ex. 1.0 at 81 (Selwyn). This is an unrealistic time line given the lack of meaningful local competition.

Dr. Selwyn correctly notes that "synergies realized by the combined SBC/Ameritech

will undoubtedly extend beyond the 2003 horizon set by the Applicants, and limiting the amount of savings to be flowed to Illinois customers based on the unrealistic expectation that all services will be competitive by that time presents a serious flaw in SBC's calculation. GCI Ex. 1.0 at 81-82 (Selwyn). Another flaw in Mr. Kahan's approach is that his --

number is limited entirely to expense savings, and gives no weight whatsoever to other synergy benefits, such as the increased productivity of Illinois Bell's network due to the various revenue enhancement marketing initiatives that SBC plans to pursue, or to the allocation of certain Illinois Bell costs to nonregulated SBC affiliates as a consequence of the transfer of certain of Illinois Bell's assets and other resources (including its best practices, brand identification, experienced and highly trained managers and other employees, cash flow, customer base, and other valuable resources) to affiliates, as is specifically required by Section 7-204(b)(3). GCI Ex. 1.0 at 82 (Selwyn).

And further Mr. Kahan also offset the first three years of savings with the entirety of the merger implementation costs. GCI Ex. 1.0 at 82 (Selwyn). As shown in Dr. Selwyn's testimony, Kahan's approach to the numbers is flawed and should be rejected by the Commission.

Mr. Gebhardt's argument that implementing an annual \$343-million reduction in rates would be devastating should not be given any weight because it is misleading. Mr. Gebhardt claims that because Ameritech Illinois' 1997 operating income for its entire intrastate operations was only \$366 million on a post tax basis, a \$343 million rate reduction would leave Ameritech with only \$150 million in operation income. Gebhardt workpapers SBC Ameritech Ex. 3.1 at 1; GCI Ex. 1.0 at 63-64 (Selwyn). However, this is not the proper context in which to view the numbers. As pointed out by Dr. Selwyn in his rebuttal -- "Mr. Gebhardt is making an inconsistent and unfair comparison between present, *premerger* Illinois

Bell earnings and the *post-merger* allocation of benefits to Illinois Bell ratepayers.” GCI Ex. 1.1 at 63 (Selwyn). However, as noted by Dr. Selwyn, “If on the other hand, the post-merger SBC assigns to Illinois Bell *less than its proportionate share of the merger savings*, then Mr. Gebhardt’s concern may be well-taken.” *Id.* at 64.

In the event that the Commission rejects the approach set out in Dr. Selwyn’s testimony, Cook County proposes the Commission adopt a modified version of Staff’s proposal. Staff witness Ms. Topozada-Yow proposes the use of actual synergy benefits in calculating the amount to flow through to Illinois ratepayers. ICC Staff Ex. 3.00 at 26-27 (Topozada-Yow). However, as pointed out in Dr. Selwyn’s rebuttal testimony, there are problems with Staff’s time frame in calculating the synergies:

this abbreviated time frame is simply insufficient for determining the true effect that this merger will have upon the new Company’s costs. I understand that Ms. Yow recommends that none of these implementation costs should be recovered by the Applicants, but this caveat fails to correct for the gross understatement of synergy benefits that Ms. Yow’s brief and early data collection period will promote. GCI Exhibit 1.1 at 62 (Selwyn).

The risk in this approach is that consumers may not receive their proper award of savings under the Act. Therefore if Staff’s approach described by Ms. Topozada-Yow is adopted, the Commission should set minimum standards to insure that savings are in fact flowed through to ratepayers.

A possible alternative approach would be a hybrid of the approach Dr. Selwyn’s testified to and Staff’s approach presented by Ms. Topozada-Yow. In this hybrid approach, the Commission would use current information and fix a minimum flow through amount

modeled on Dr. Selwyn's approach as required by the Act in this Docket. One of the potential drawbacks to using Dr. Selwyn's approach is that parties to a transaction of this nature tend to be conservative in their synergy and related projections. This could result in consumers receiving less savings than the law entitles them to. One way to cure this would be to make Dr. Selwyn's number the minimum savings amount. The Commission could then supplement this with Staff's approach and offset their numbers with the savings amount described in Dr. Selwyn's testimony. The Commission would then adjust the annual savings amount and award ratepayers the higher of the two amounts.

With respect to how the savings should be allocated to ratepayers, the Commission should adopt the framework proposed by the Commission staff. The merger related synergies should be divided as discussed in Staff witness Topozada-Yow's direct, later modified in her rebuttal. ICC Staff Exs. 3.00 at 28-29 and 3.01 at 36-46 (Topozada-Yow). Further, "Ameritech Illinois should not be allowed to structure rate reductions to its strategic benefit." GCI Ex. 2.0 at 76 (TerKeurst). Should the Commission desire additional information from the Joint Applicants with respect to savings, it should order a more detailed accounting.

If the Commission decides to approve the merger, then the Commission must rule on the allocation of any savings resulting from the proposed reorganization. The Commission should order that \$343 Million be flowed through to ratepayers. The record in this case, and the reasonable inferences therefrom, show this to be best approach at accomplishing what is required under 7-204(c). The statute requires and fairness demands that ratepayers receive a savings allocation prior to approval of this merger -- after all shareholders know the benefit of the deal -- why shouldn't ratepayers?

2. Should The Commission Approve The Merger, The Following Conditions Should Be Imposed In Order To Protect The Public Interest.

As argued in this brief, the evidence in this case shows that the requirements of the Illinois Public Utility Act have not been met by the merger as currently proposed. Therefore, the Commission should deny the merger.

If the Commission approves the merger, the Commission should impose significant conditions on the merger. It is critical that the Commission not prematurely abandon regulation in the telecommunications arena. While deregulation and competition are worthy goals, we are a long way away from meaningful price constraining competition here in Illinois.

In order for conditions adopted pursuant to Section 7-204(f) to be adequate to provide reasonable assurance that the merger would not have a significant adverse effect on intrastate competition, the conditions must be strong enough and extensive enough to ensure that SBC's and Ameritech's local markets are fully opened to competition before the merger is consummated. The conditions must be reliable and they must be enforceable. GCI Ex. 2.0 at 63 (TerKeurst).

Conditions are vital to protecting the public interest, and insuring compliance with the Act. The Act provides the Commission with the tools to insure that the public is protected. The Act states in part:

(f) In approving any proposed reorganization pursuant to this Section the Commission may impose such terms, conditions or requirements as, in its judgment, are necessary to protect the interests of the public utility and its customers. 220 ILCS 5/7-204(f).

The Act provides the Commission with broad authority to craft comprehensive and meaningful

conditions to protect the interests of the public utility and its customers. A useful framework is provided by Section 7-204(b) of the Act. However, Section 7-204 (f) is not limited to the findings that the Commission needs to make under section 7-204(b) of the Act, the Commission is charged with ensuring that all the goals of the Public Utilities Act are met. Specifically, the protection of the public interest requires changes in the regulation of telecommunications carriers and services to ensure, to the maximum feasible extent, the reasonable and timely development of effective competition in all telecommunications service markets. 220 ILCS 5/13-103. The Commission is also charged with general supervision of all public utilities. 220 ILCS 5/4-101. Lastly, it is the policy of the State that public utilities shall continue to be regulated effectively and comprehensively. 220 ILCS 5/1-102.

If the merger is going to be approved, the following conditions should be viewed as a minimum starting point for the Commission.

i. Allocation Of Merger Savings To Ratepayers

- The Commission should order a minimum of \$343 million to ratepayers. Illinois law requires that the Commission rule on the allocation of any savings resulting from the proposed reorganization. 220 ILCS 5/7-204(c). See: GCI Ex. 1.0 at 91 (Selwyn).

ii. Competition Conditions

- The significant adverse effects of the merger on competition have been discussed elsewhere in this brief. In an effort to prevent this SBC and Ameritech should agree to meet the conditions set out in Section 271 of the Telecommunications Act of 1996. A collaborative process should begin immediately and the merger should not be approved until the Illinois Commission is satisfied that the 271 checklist items have been met in

Illinois. The Commission should order an expedited docket on 271 here in Illinois. Since 271 compliance is ultimately a decision for the FCC, a timetable for FCC submission and compliance should also be agreed to by the applicants. This should include substantial automatic and monthly penalties imposed for failure to remedy in a timely fashion any deficiencies found by the FCC and for failure to make a timely submission to the FCC. As requested by the Hearing Examiner, authority to impose penalties is found in Section 5/5-202 and 5/5-203 of the Public Utilities Act. 220 ILCS 5/5-202, 5/5-203.

- The Commission should require that the applicants demonstrate compliance with Sections 251 and 252 of the 1996 Act.
- Identification and adoption of “best practices” for interactions with CLEC customers. GCI Ex. 2.0 at 67 (TerKeurst). “In the area of competition, the term “best practices” should be interpreted to mean the practice that best opens up markets to competition and best removes entry barriers.” See GCI Ex. 2.0 at 51 (TerKeurst).
- SBC and Ameritech must adopt a “best practices” approach in which Ameritech maintains or improves its service quality in areas where it may exceed SBC’s quality of service and where Ameritech adopts SBC’s practices and standards where they lead to service quality superior to Ameritech’s. Id. at 34.
- In the annual merger report, Ameritech Illinois will identify any proposed “best practices” the adoption of which by SBC or its affiliates would affect the provisioning of intrastate telecommunications service in Illinois. Such reports will include how each identified “best practice” would affect costs, revenues, employment, service quality,

marketing, competition and CLECs, and the ability of the Commission to monitor and regulate intrastate telecommunications services. Ameritech Illinois will explain how SBC is identifying “best practices,” the results of any “best practices,” and how they will be maintained over time. *Id.* at 9.

- **Require Ameritech account managers who work with Illinois CLECs remain in Illinois, and that they retain their current level of decision-making authority. GCI Ex. 2.0 at 67 (TerKeurst).**
- **Ameritech Illinois should not be allowed to change any of its competitive policies or practices without first obtaining agreement from the affected CLECs. If an agreement is not reached, then approval by the Commission should be obtained. GCI 2.0 at 68 (TerKeurst).**
- **A self-enforcement mechanism should be included in interconnection agreements. This would help ensure that Ameritech Illinois meets reasonable service expectations in dealing with CLECs. GCI Ex. 2.0 at 70-71 (TerKeurst).**
- **Require that any multi-state “deals” that SBC may propose need to be nondiscriminatory. GCI Ex. 2.0 at 71 (TerKeurst).**
- **Cost studies and pricing for CLEC and wholesale services should be required to be modified to maintain the cost-based pricing required by the 1996 Act and the Commissions’s policies. See GCI Ex. 2.0 at 77 (TerKeurst).**

iii. Service Quality Safeguards And Public Interest Conditions

- **Alternative Regulation: The Commission should order an expedited six-month review of the price cap docket. The prospect of a merger of this magnitude and its effects**

were clearly not contemplated when the docket and current caps were put in place.

The Commission needs to take steps to insure that as a result of the merger that Illinois ratepayers are still receiving the least-cost public utility service as required by 7-204(b)(1). Also, without such a review there are concerns that there may be unjust subsidization of non-utility activities by the utility or its customers. See 7-204(b)(2).

- Network Investment and modernization: The Commission should renew and extend the network modernization requirements adopted as part of Ameritech Illinois' price cap plan with more detailed annual reporting to include a description of services, customers, and geographic areas of the state that benefit from each investment. At least \$600 million each year should be invested in its network. This is the amount that Ameritech Illinois must spend each year on average to meet its 5-year \$3 billion commitment. Continue the investment reporting requirements instituted as part of the alternative regulation plan. GCI Ex. 2.0 at 8, 13 (TerKeurst).
- Require that Ameritech Illinois maintain its existing level of regulatory staffing within Illinois. GCI Ex. 2.0 at 73 (TerKeurst).
- Require that employment levels be maintained at adequate levels to provide high quality service. Customer service representatives should also remain in the Ameritech service region. The Commission should monitor any changes in Ameritech Illinois' employee levels. In the annual report on implementation of the merger, Ameritech Illinois should report any transfers of current employees out of Ameritech Illinois (by job title and years of experience), any changes in the number of Ameritech Illinois employees in any job classification, and the effects of such changes on telecommunications service in

Illinois. GCI Ex. 2.0 at 18 (TerKeurst). This is critical to the Commissions ability to ensure compliance with 7-204(b)(1). The report of transfers of current employees out of Illinois is part of the monitoring needed to assess whether service quality is harmed as a result of the merger. GCI Ex. 2.1 at 15 (TerKeurst).

- Require that individuals that have cellular contracts with the cellular company that is sold be allowed a minimum of 90 days after the sale is completed to void the contract without any penalty.
- The Service Quality Index (SQI) in the price cap plan should be strengthened to provide stronger monetary incentives. It is critical that the incentives be strong enough for Ameritech Illinois not to let service quality deteriorate. See GCI Ex. 2.0 at 38-41 (TerKeurst). Also, the penalty needs entice compliance on major items. The out of service over 24 hours standard has been repeatedly missed. The SQI penalty should be doubled each time it is missed so that Ameritech no longer views missed service quality benchmarks as a cost of doing business. See GCI Ex. 2.0 at 40 (TerKeurst).
- Additional service quality measurements be added to the service quality mechanism. The Commission should make the needed changes to the service quality index in this proceeding, rather than deferring them to the proceeding reviewing the alternative regulation plan. GCI Ex. 2.1 at 19 (TerKeurst).
- Detailed reporting regarding quality of service, including the metrics and standards Charlotte TerKeurst recommends on page 36 of her direct testimony in addition to those already included in the Ameritech Illinois Price Cap Plan referenced on page 35 of Ms. TerKeurst's testimony. Id. at 9, 35, 36.

- Ameritech Illinois will include its service quality measurements in the annual merger report to the Commission and post the complete report on the internet so that the information is accessible to all parties. Id. at 38.
- The SQI penalty for each missed standard should be set at a monetary amount rather than the current percentage reduction in the price cap index. Id. at 40, Staff Ex. 8.01 at 16 (McClerren).
- The SQI penalty should be strengthened by increasing the penalty for missing a benchmark from the current 0.25% assessment against the price cap index to a 0.75% assessment. Alternatively, the mechanism could be structured so that the amount of the penalty depends on the degree of service quality deterioration. GCI Ex. 2.0 at 39, 40 (TerKeurst).
- The penalty for failing to meet the SQI standard should be doubled each time that standard is missed as discussed in Ms. TerKeurst's testimony. GCI Ex. 2.0 at 40 (TerKeurst).

IV. CONCLUSION

For the above stated reasons:

- (i) the Commission should not approve this merger because the reorganization will adversely affect the utility's ability to perform its duties under the Act;
- (ii) If, however, the Commission the merger, it must first allocate savings to ratepayers and second condition its approval on elimination or mitigation of the areas of risk and adverse consumer/competitive impacts.

Respectfully submitted,

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Appendix 2

**Derivation of Premium Over Market Value
Paid by SBC for Ameritech Corporation**

**Derivation of Premium Over Book Value
Paid by SBC for Ameritech Corporation**

**Derivation of Synergy Benefits Allocable to Illinois Bell Customers
Under Section 7-204(c) Using "Present Value" Basis**

**Derivation of Increase in Revenue Base Assigned to Illinois Bell
Based on the Premium Over Book Value
Paid by SBC for Ameritech Corporation**

Derivation of Premium Over Market Value Paid by SBC for Ameritech Corporation		
Ameritech pre-merger stock price	\$	43.88
SBC pre-merger stock price	\$	42.38
Exchange Ratio		1.316
Ameritech post-merger stock price	\$	55.77
Ameritech shares outstanding (pre-merger)		1,109,000,000
Pre-merger market value of Ameritech	\$	48,657,375,000
Post-merger market value of Ameritech	\$	61,843,939,500
Premium over market value paid by SBC for Ameritech	\$	13,186,564,500
Sources: Amended Joint Proxy Statement, September 21, 1998.		

Derivation of Premium Over Book Value Paid by SBC for Ameritech Corporation		
Ameritech pre-merger stock price	\$	43.88
SBC pre-merger stock price	\$	42.38
Exchange Ratio		1.316
Ameritech post-merger stock price	\$	55.77
Ameritech shares outstanding (pre-merger)		1,109,000,000
Post-merger market value of Ameritech	\$	61,843,939,500
Ameritech Long-term Debt	\$	4,610,000,000
Ameritech Common Equity	\$	6,490,000,000
Difference between 10K and ARMIS Net Asset Values	\$	3,821,000,000
Book Value of Ameritech	\$	14,921,000,000
Premium over book value paid by SBC for Ameritech	\$	46,922,939,500
Sources:		
Amended Joint Proxy Statement, September 21, 1998.		
Ameritech Corporation 1997 Annual Report.		
FCC Statistics of Communications Common Carriers, 1997 edition.		

Derivation of Synergy Benefits Allocable to Illinois Bell Customers Under Section 7-204(c) Using "Present Value" Basis	
Total shares for combined SBC/AIT (post-merger)	3,323,444,000
Forecasted post-merger increase in SBC stock	\$ 5.51
Total forecasted post-merger synergies	\$ 18,312,176,440
Premium over market value paid by SBC for Ameritech	\$ 13,186,564,500
Forecasted post-merger synergies net of premium paid for Ameritech	\$ 5,125,611,940
Percentage of Ameritech shares in post-merger SBC/AIT	44%
Additional post-merger synergies received by Ameritech shareholders	\$ 2,250,840,872
Total merger benefits reaped by Ameritech shareholders	\$ 15,437,405,372
Total merger benefits reaped by SBC shareholders	\$ 2,874,771,068
Illinois "Composite" allocation factor	8.77%
Synergy benefit attributed to Illinois Bell	\$ 1,354,404,975
Discount Rate	9.5%
No. of payment periods (years)	10
Annual synergy benefit to Illinois Bell customers	\$ (215,710,868)
Composite Tax Rate	37%
Pre-tax annual rate reduction	\$ (343,313,707)
Sources: Amended Joint Proxy Statement, September 21, 1998. Gebhardt (Ameritech), at Schedule 1.	

Derivation of Increase in Revenue Base Assigned to Illinois Bell Based on the Premium Over Book Value Paid by SBC for Ameritech Corporation	
Premium over book value paid by SBC for Ameritech	\$ 46,922,939,500
Net Telephone Plant in Service (TPIS) for Illinois Bell	\$ 5,515,900,000
Net TPIS for Illinois Bell less long term debt	\$ 4,504,200,000
Ameritech Corp. Book value	\$ 14,921,000,000
Allocation factor of premium over book to Illinois Bell	30%
Amount of premium over book allocated to Illinois Bell	\$ 14,164,620,608
Overall investment in Illinois Bell	\$ 19,680,520,608
Composite intrastate, regulated, noncompetitive factor for Illinois	48%
Illinois Bell intrastate portion of premium over book	\$ 6,747,257,394
Discount Rate	9.5%
No. of payment periods (years)	10
Additional annual revenue requirement for Illinois Bell intrastate service	\$ (1,074,609,719)
Composite Tax Rate	37%
Additional pre-tax earnings required by Illinois Bell to offset the premium over book value paid by SBC for Ameritech	\$ (1,710,290,488)
Sources:	
Amended Joint Proxy Statement, September 21, 1998.	
Ameritech Corporation 1997 Annual Report.	
Illinois Bell 1997 Annual Report.	
FCC Statistics of Communications Common Carriers, 1997 edition.	
Gebhardt (Ameritech), at Schedule 1.	



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March 11, 1999

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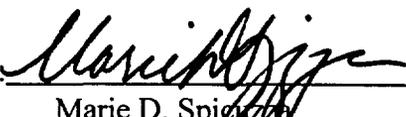
RE: ILLINOIS COMMERCE COMMISSION
DOCKET NO. 98-0555

Dear Ms. Caton:

Enclosed for filing are an original and twelve (12) copies of the Reply Brief of the People of Cook County. Copies of this filing have been forwarded to the parties on the attached service list. Please return a file-stamped copy of the Reply Brief in the enclosed, pre-addressed, stamped envelope. Thank you.

Sincerely yours,

RICHARD A. DEVINE
State's Attorney of Cook County

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**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

SBC COMMUNICATIONS INC.,
SBC DELAWARE INC.
AMERITECH CORPORATION,
ILLINOIS BELL TELEPHONE COMPANY
d/b/a AMERITECH ILLINOIS, and
AMERITECH ILLINOIS METRO, INC.

Docket No. 98-0555

Joint Application for approval of the reorganization of Illinois Bell Telephone Company d/b/a Ameritech Illinois, and the reorganization of Ameritech Illinois Metro, Inc. in accordance with Section 7-204 of The Public Utilities Act and for all other appropriate relief.

**REPLY BRIEF OF THE
PEOPLE OF COOK COUNTY**

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March 11, 1999

ORAL ARGUMENT REQUESTED

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

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SBC DELAWARE INC.
AMERITECH CORPORATION,
ILLINOIS BELL TELEPHONE COMPANY
d/b/a AMERITECH ILLINOIS, and
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REPLY BRIEF OF THE PEOPLE OF COOK COUNTY

The People of Cook County ("Cook County") *ex rel.* RICHARD A. DEVINE, State's Attorney of Cook County, hereby file this Reply Brief pursuant to Section 200.800 of the Rules of Practice of the Illinois Commerce Commission ("ICC" or "the Commission"). 83 Ill. Adm. Code Section 200.800. This brief addresses the issues raised by SBC's and Ameritech's ("Joint Applicants") Initial Brief and the Joint Application for approval of the reorganization of Illinois Bell Telephone.

I. SUMMARY OF COOK COUNTY'S POSITION

In our initial brief we outlined the record evidence demonstrating that the Joint Applicants have failed to prove that the proposed merger meets the requirements of Section 7-204 of the Public Utilities Act ("Act"). The Joint Applicants have failed to satisfy all requirements of this Section and therefore the proposed merger should be denied. We renew all previous arguments. This Reply Brief focuses on the issues of diminished service quality and the likely adverse effect on competition resulting from the proposed merger. The record evidence demonstrates that contrary to Joint Applicants' claims, the market power of a combined SBC/Ameritech is an anti-competitive response to the "technological, regulatory, and market-based changes that are rapidly transforming the telecommunications industry." Joint Applicants Initial Brief at 1. The proposed merger violates Section 7-204 and other sections of the Act and should be denied.

II. ARGUMENT

A. **The Proposed Reorganization Will Diminish the Utility's Ability to Provide Adequate, Reliable, Efficient, Safe And Least Cost Public Utility Service.**

As previously argued, the Joint Applicants have failed to meet the requirements of Section 7-204(b)(1). Initial Brief of the People of Cook County 9-22. The Commission should adopt these conditions if it decides to approve the merger. *See Id.* at 59-62. Joint Applicants merely make sweeping statements dismissing GCI's service quality arguments offered in Ms. TerKeurst's testimony. Indeed Joint Applicants mischaracterize the record entirely by claiming that "*very few* concerns were raised in the record about any projected adverse impacts on the quality of service which will continue to be provided by Ameritech Illinois post-closing." Joint

Applicants' Initial Brief at 11 (*emphasis added*). On the contrary, there is voluminous testimony in the record demonstrating that service quality in Illinois could be adversely affected by the proposed merger. For example, Ms. TerKeurst, in two rounds of testimony, raised numerous such concerns in great detail as did several ICC Staff witnesses. GCI Ex. 2.0 at 10-40; GCI Ex. 2.1 at 7-23; Staff Ex. 3.01 at 23, 24 (Yow); Staff Ex. 6.00 at 3-7 (Prather); Staff Ex. 7.00 at 3-14 (Jackson).

Joint Applicants only substantively address one of Ms. TerKeurst's recommendations: that Ameritech Illinois should be required to maintain its existing level of regulatory staffing in Illinois. Joint Applicants Initial Brief at 21. Joint Applicants give this recommendation cursory treatment, flatly claiming that "this proposal cannot be squared with the statutes's strictly jurisdictional language," and would require the Commission to micro manage SBC/Ameritech's personnel decisions. *Id.* at 22. Joint Applicants aversion to this unintrusive, reasonable condition is surprising in light of other assertions Applicants have made in the record. For example, Applicants claimed that they have been strongly committed to local decision-making and to state-to-state regulatory variations. SBC-Ameritech Ex. 1.1 at 37 (Kahan); SBC-Am. Ex. 5.0 at 3-6. In fact, on cross examination, Ms. Jennings indicated this would be especially important for regulatory personnel:

. . . let me take an example of regulatory or within the state of Illinois. You have a staff here. That would be the group that deals with this Commission, and those would be the people, even though we might have people in other states that do the same type of work, the people that reside in this state know the rules, they know the regulation. Tr. 647.

Given that Joint Applicants say they are committed to local-decision making, especially in the

regulatory areas of business, and that they expect employment levels to *rise* post merger in the Ameritech five-state region, the condition Ms. TerKeurst proposes should be imposed by the Commission.

Applicants acknowledge that Ms. TerKeurst does not recommend that any particular individual be required to remain in Illinois, only that individual regulatory *job functions* remain. Joint Applicants Initial Brief at 22. Joint Applicants further acknowledge that Ms. TerKeurst's conditions require that SBC/Ameritech report to the Commission when certain experienced personnel are relocated outside of Illinois, not that SBC/Ameritech seek Commission *approval* before transferring personnel. *Id.* Yet, joint applicants allege that such conditions amount to "senseless micro management." *Id.* Far from amounting to micro management, these particular conditions would ensure that the Commission was kept apprized of changes in the utility's personnel structure that might affect service quality in Illinois. *See* Tr. 1376-79.

Ms. TerKeurst explained in detail in her testimony the reasoning behind her recommendations and the benefits they would help accomplish. Indeed, Ms. TerKeurst went into further explanation on cross examination by joint applicants, yet, in its Brief, SBC/Ameritech almost entirely ignored any analysis of Ms. TerKeurst's voluminous testimony. Tr. 1370-80. Ms. TerKeurst's recommendations are entirely reasonable and should be adopted by the Commission. Because Applicants only make unsubstantiated assertions without addressing Ms. TerKeurst's reasoning behind these conditions or why compliance with these conditions allegedly would be burdensome, the Commission should reject Joint Applicants' arguments.

Joint Applicants claim that Cook County and other government and consumer interveners "recycled" CUB's position from two other pending cases, ICC Dockets 96-0178 and 98-0453,

and therefore the Commission should not consider GCI's service quality recommendations in this proceeding. Joint Applicants Initial Brief at 28. Joint Applicants are mistaken both factually and in the legal arguments they make to support their position. First, Ms. TerKeurst's testimony, while incorporating issues from other dockets, goes further in her recommendations in the instant proceeding than CUB did in those other proceedings. One example of how GCI's present position differs from those espoused in the other dockets is Ms. TerKeurst's recommendations about changing the method of calculating the SQI penalty. GCI Ex. 2.0 at 40-41. Ms. TerKeurst did not take a "recycled" position in this docket.

Second, Joint Applicants reliance on 735 ILCS 5/2-619(a)(3) in support of their argument that the Commission should not address Ms. TerKeurst's service quality recommendations in this docket is wholly flawed. *See* Joint Applicants Initial Brief at 28. Although Joint Applicants rely on Illinois' motion to dismiss provision, they have never moved to dismiss any claims in this proceeding. To now raise Section 5/2-619 claiming it requires the Commission to ignore service quality claims is procedurally incorrect. The Commission is required to make a finding that the proposed merger will not diminish Ameritech Illinois' ability to provide adequate, reliable, efficient, safe and least-cost public utility service. 220 ILCS 5/7-204(b)(1).

Moreover, the Illinois Public Utilities Act allows the Commission to impose terms, conditions, or requirements that it believes are necessary to protect utility customers' interests. 220 ILCS 5/7-204(f). The service quality recommendations which Joint Applicants say have no place in this proceeding are directly relevant to the specific statutory findings that the Commission must make in this proceeding. The fact that similar issues have been raised in other ICC dockets does not diminish their relevance, nor their import to this docket. The

Commission should reject Joint Applicants' attempt to convince the Commission that it should not address these issues in this proceeding.

B. Any Terms, Conditions, or Requirements the Commission Orders Under Section 7-204(f) Need Not be "Directly Tied" to Allowing the Commission to Make the Required Findings Under Section 7-204(b)

The Commission's authority to impose terms, conditions, or requirements is clear from the plain language of Section 7-204(f). Joint Applicants concede that the Commission's authority in this regard is "not in question." Joint Applicants' Initial Brief at 99. The only limitation placed on this authority is that any conditions must be "necessary to protect the interests of the public utility and its customers." 220 ILCS 5/7-204(f). The Commission should reject Joint Applicants' attempt to manufacture further limitations on the broad authority granted to it by the legislature.

Joint Applicants attempt to manufacture additional limitations on the Commission's broad authority to impose conditions on the proposed merger; limitations that simply do not exist in the plain language of the statute. *Id.* at 100. The cardinal rule of statutory construction is to ascertain and give effect to the true intent and meaning of the legislature. Solich v. George & Anna Portes Cancer Prevention Center of Chicago, Inc. 158 Ill.2d 76,81, 630 N.E.2d 820,822, 196 Ill.Dec. 655 (1994), Doe v. Masonic Med. Ctr., 297 Ill. App.3d 240, 242, 696 N.E. 2d 707,709 (1st Dist 1998), *see also* Response of the People of the State of Illinois, The People of Cook County and the Citizens Utility Board to Hearing Examiners' Notice of Ruling at 7 (Jan. 7, 1999). The best indication of the legislature's intent is the language of the statute. *Id.* Thus when construing a statute, the plain language of the statute should control. Only if there is ambiguity on the face of the statute does a court need to inquire further.

The statutory language of Section 7-204(b) and 7-204(f) is clear and unambiguous. There are certain findings that the Commission must make under 7-204(b). The Commission must make these findings regardless of whether it chooses to exercise its discretion under 7-204(f). The legitimacy of conditions imposed pursuant to Section 7-204(f) is not tied to any specific finding under Section 7-204(b). There is nothing in the language of the statute that supports the Joint Applicants' claim that conditions imposed must be "directly tied" to allowing the Commission to make its findings under 7-204(b). It is true that statutes must be construed as a whole and each provision should be construed in connection with other provisions. Joint Applicant's Initial Brief at 99, 100.

However, absent either an ambiguity on the face of a statute or an apparent conflict between two competing provisions, rules of construction are not necessary to interpret an otherwise unambiguous statute. Where the language of the statute is certain and unambiguous, the only legitimate function of the courts is to enforce the law as written by the legislature. Abrahamson v. Ill. Dept. of Professional Regulation, 153 Ill. 2d 76, 91, 606 N.E.2d 1111, 1118, 180 Ill. Dec. 34 (1992). There is no ambiguity or conflict on the face of section 7-204(b) and 7-204(f). Any attempt to manufacture such a conflict by Joint Applicants should be soundly rejected. Therefore, in considering the conditions that should be imposed pursuant to section 7-204(f) should the Commission approve this merger, it need not attempt to make a "direct connection" between each condition and a specific provision of section 7-204(b). The Commission should impose conditions it deems necessary to protect the utility and its customers' interests. The record supports the conditions recommended by Ms. TerKeurst as set forth in Cook County's Initial Brief. Therefore the Commission should impose those service quality

conditions if it approves this merger.

C. The Proposed Merger Is Likely to Have a Significant Adverse Effect On Competition

Joint Applicants claim that the merger is a pro-competitive response to its major competitors. Joint Applicants Initial Brief at 2. However, these major competitors are not RBOCs of the size and scope of a combined SBC/Ameritech that will allow them to capitalize on their monopoly relationships with Fortune 500 business customers in major metropolitan areas.

In setting out the application of Section 7-204(b)(6), Joint Applicants' approach eviscerates the plain meaning of the statute. Joint Applicants Initial Brief at 35-41. If the Illinois legislature intended to adopt SBC/Ameritech's limited version of "actual" competition, the statute would have included the word "actual". Based on the evidence, the Commission should find that this merger is likely to have an adverse effect on competition, and therefore, the merger should be denied. Cook County Initial Brief at 28-43.

Joint Applicants argue that the appropriate framework for analyzing the merger is "actual" competition, although there is no such limitation found in Illinois law. Joint Applicants Initial Brief at 35-41. Joint Applicants also argue that if contrary to their argument, the Commission "extends its review" to examine potential competition, it should rely on the Department of Justice's administration of the antitrust laws. Joint Applicants Initial Brief at 41. The merger guidelines provide a framework for the analysis of competition in a merger. However, the guidelines do not set the standard. The standard in this case is set by the Illinois Public Utilities Act, Section 7-204(b)(6). 220 ILCS 5/7-204(b)(6). The

Commission's analysis should further the findings of the legislature in enacting Article XIII of the Illinois Public Utilities Act. Specifically, the Illinois General Assembly found that the protection of the public interest requires changes in the regulation of telecommunications carriers and services to ensure, to the maximum feasible extent, the reasonable and timely development of effective competition in all telecommunications service markets." 220 ILCS 5/13-102(g). The Commission is free to adopt its own framework to examine whether the proposed merger is likely to have a significant adverse effect on competition. Based on the evidence, the Commission should find that the merger will likely have a significant adverse effect on competition and deny the merger.

Joint Applicants' argument that SBC is not a potential competitor is not persuasive because it relies primarily on a subjective standard. Joint Applicants' Initial Brief at 50. The evidence that SBC is not a potential competitor is based on their denials that SBC is not coming to Illinois. However, contrary to SBC's stated denials, the Commission should examine the objective evidence to determine that SBC is a potential competitor in Illinois. The United States Supreme Court has utilized objective factors in determining whether a company is a potential competitor in a marketplace. United States v. Falstaff Corp., 410 U.S. 526, 533; 93 S. Ct. 1096 (1973); Initial Brief of the Staff of the Illinois Commerce Commission at 53-71.

The record demonstrates that SBC has the financial capability, and the conditions in the Ameritech Illinois market indicate that it would be reasonable to consider SBC a potential entrant into this market. SBC does not intend to remain a regional provider. Tr. 556-57. SBC, has the following assets that would allow easy entry into the Ameritech Illinois marketplace: an established cellular presence, a national/global focus, the financial resources

as the third largest local exchange carrier, and the ninth largest in the world, and a pool of managers with specific experience in the local telephone business, coupled with an existing customer base in the Chicago area. GCI Ex. 1.0 at 23 9 (Selwyn); ICC Staff Ex. 9.0 at 23 (Hunt).

If this merger is allowed, SBC will have near monopoly status with 224 of the Fortune 500 companies that have headquarters in SBC's thirteen state region. GCI Ex. 1.0 at 23-24. This objective statistic confirms that SBC is uniquely situated to bootstrap its near monopoly local service relationship with national companies headquartered or maintaining telecom intensive operations within SBC's region into out of region markets. Since many of these Fortune 500 companies are headquartered in Chicago, this statistic alone demonstrates that competition would be diminished by the proposed merger.

Further, as stated in our Initial Brief, the Commission should weigh the merger's effect on competition carefully in light of the current state of competition. Extending Ameritech or SBC's near monopoly status with business customers will further harm the dismal state of competition for all customers. Cook County Initial Brief at 38-41. The path without the merger will provide more meaningful options for competition than the path with the merger.

Without the merger, SBC would be a meaningful potential competitor in the Chicago market. The fact that they SBC claims to have no current plans to do that should be weighed against the objective evidence in the record. SBC is a major competitor in the Chicago Cellular Market through its Cellular One subsidiary. Business survival and common sense lead to the inevitable conclusion that SBC will not ignore the major business customers in the Chicago market if this merger is denied.

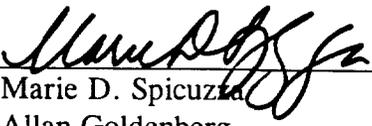
III. CONCLUSION

For the above stated reasons, and those in Cook County's Initial Brief:

- (i) the Commission should not approve this merger because the reorganization will adversely affect the utility's ability to perform its duties under the Act;
- (ii) If, however, the Commission determines that it will permit SBC to acquire Illinois Bell, it must condition its approval on elimination or mitigation of the areas of risk and adverse consumer/competitive impacts through the imposition of safeguards.

Respectfully submitted,

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**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

SBC Communications, Inc.,)
SBC Delaware, Inc.,)
Ameritech Corporation,)
Illinois Bell Telephone Company)
d/b/a Ameritech Illinois, and)
Ameritech Illinois Metro, Inc.)

) Docket No. 98-0555

)
Joint Application for approval of the)
reorganization of Illinois Bell Telephone)
Company d/b/a Ameritech Illinois, and the)
reorganization of Ameritech Illinois Metro, Inc.)
in accordance with Section 7-204 of the)
Public Utilities Act and for all other appropriate)
relief.)

NOTICE OF FILING

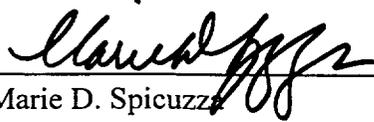
PLEASE TAKE NOTICE that on this date, March 11, 1999, we have filed with the Chief Clerk of the Illinois Commerce Commission the enclosed Reply Brief of the People of Cook County in the above-captioned docket.

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CERTIFICATE OF SERVICE

I, MARIE D. SPICUZZA, hereby certify that a copy of the enclosed Reply Brief was served on all parties on the attached list on March 11, 1999 by hand delivery, facsimile, electronic mail, or U.S. first class mail prepaid.


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