

1 C. Effect of Merger on Competitors' Ability to Compete in Illinois

2 Q. What have the Applicants stated regarding the effect of the proposed merger on
3 competitors' ability to compete?

4 A. Dr. Harris asserts that Ameritech Illinois' competitors would have the same incentives
5 and ability to compete for customers after the merger as before the merger and that the
6 merger would have no adverse effect on the ability of niche players to compete. At the
7 same time, he recognizes that a combined SBC-Ameritech would be "better able to go
8 'head-to-head' with very large competitors."⁷³ Ameritech and SBC assert that the merger
9 will force competitors to offer services to residential customers.⁷⁴

10
11 When asked to elaborate on its position that the Applicants' National-Local strategy
12 would enhance competition, Ameritech explained its view that,

13 Other telecommunications carriers will be forced to respond to Ameritech-SBC's
14 National-Local strategy by expanding their operations and, for those not already
15 here, by entering Ameritech's territory. AT&T likely would need to accelerate
16 the development of its local business in Illinois, while other local carriers would
17 enter Illinois as a counter to the National-Local strategy.

18
19 Ameritech goes on to say that,

20
21 Long-distance carriers will have to integrate faster into local service, as
22 Ameritech-SBC's national footprint of quality local service integrated with long-
23 distance, wireless and other services (where permitted) will offset their natural
24 advantages in product bundling and national reach. CLECs in the markets
25 attacked by the combined entity (e.g. Atlanta) will have to respond by entering
26 Illinois to maintain competitiveness. For example, as a result of its National-
27 Local strategy, Ameritech-SBC might be able to sign up a large customer for local
28 service on a national basis, e.g., Arthur Andersen, wresting away business from
29 CLECs and ILECs in other regions, as well as capturing some share of the IXC

⁷³ SBC-Ameritech Ex. 4.0 at 10.

⁷⁴ Ameritech Illinois response to data request GCI-AM-1-82; SBC response to data request Sprint 1-23..

1 business. As a competitive response, CLECs, ILECs and IXC's have no choice
2 but to start entering the Illinois market if they wish to retain or capture these
3 customers.⁷⁵
4

5 Q. Do you agree with the Applicants' assertions that the proposed merger and the National-
6 Local strategy would enhance local competition in their regions?

7 A. No, I do not. SBC's and Ameritech Illinois' theories regarding the in-region responses of
8 CLECs to the merger and the National-Local strategy are not persuasive. It is more likely
9 that the merger, as proposed, would solidify SBC's and Ameritech's monopoly positions
10 and make it even more difficult for CLECs to enter and compete profitably.

11
12 If, on the other hand, SBC were to enter Ameritech Illinois' market as a CLEC, it would
13 have to obtain use of Ameritech's facilities and interfaces as a CLEC. If SBC and
14 Ameritech were to sign an interconnection agreement providing SBC the seamless access
15 as a CLEC that it seeks to obtain by buying Ameritech, such an agreement would be
16 available to other CLECs on a nondiscriminatory basis under Section 252(i) of the 1996
17 Act. This could be a tremendous boon to competition. However, SBC is seeking to
18 obtain access to Ameritech's network in a way that no one else can get—a direct
19 purchase.

20
21 The Applicants' assertion that their National-Local strategy would force competitors to
22 serve residential customers is at odds with their views that "the systemic imbalance in

⁷⁵ Ameritech Illinois response to data request GCI-AM-1-82.

1 rates negates profit opportunities in serving residential customers” and that, absent a
2 merger, “an out-of-region strategy...would have had limited scope for entry or success.”⁷⁶

3
4 In addition, there is no guarantee that the multi-state focus of the National-Local strategy
5 will actually provide meaningful competitive alternatives in out-of-region MSAs,
6 particularly for residential and small business customers. In fact, SBC projects serving
7 only 4 percent of residential and small business customers within the 30 MSAs. Perhaps
8 this projected low penetration rate is a tacit recognition of the difficulties of serving
9 residential and small business customers in competition with an entrenched incumbent.
10 However SBC arrives at such a projection, it is difficult to see that such a low penetration
11 level would “force” other carriers to begin to serve residential customers in SBC’s area in
12 retaliation.

13
14 The Applicants’ view that a National –Local strategy will cause other carriers to enter the
15 SBC and Ameritech regions is counter to business wisdom, if companies do not perceive
16 profit opportunities. Even if SBC-Ameritech enters local markets outside its region, that
17 does not change significantly the obstacles that CLECs face in providing service within
18 the region. The obstacles will continue to exist, particularly for residential and small
19 business customers who may not immediately present the obvious profit opportunities
20 that larger multi-MSA business customers offer. Indeed, if the claimed merger synergies

⁷⁶ SBC response to GCI data request GCI-AM-1-82.

1 materialize, SBC/Ameritech could arguably reduce rates below current levels. While
2 beneficial to customers, this could make entry more difficult for CLECs.

3
4 SBC and Ameritech Illinois were asked through data requests to describe any mergers
5 within the last ten years that have forced competitors to enter particular geographic areas
6 which they would not have otherwise entered, or to expand their presence in geographic
7 areas in a way they would not have undertaken otherwise. SBC and Ameritech Illinois
8 were unable to identify a single merger that has forced competition to develop in markets
9 that were formerly monopolistic.

10
11 In response to the data request, SBC states that the “best example” it can give of
12 competitive responses that have been stimulated by the recent wave of consolidation in
13 the telecommunications industry is SBC’s own proposed merger with Ameritech Illinois
14 and the National-Local strategy. It also cites similar out-of-region entry strategies that
15 have been articulated by Bell Atlantic in conjunction with its proposed merger with
16 GTE.⁷⁷ However, neither of these examples has actually occurred yet, so they do not
17 provide any insight into whether SBC and Ameritech’s theories regarding competitive
18 responses to be invoked by their National-Local strategy will play out in the real world.

19
20 In its response to the data request, Ameritech Illinois described the effects of mergers in
21 the pharmaceuticals, retailing, banking, Internet backbone, wireless, and cable

1 industries.⁷⁸ However, in all but the last one of the five industries cited, significant
2 competition in most geographic areas already existed before the mergers. Those mergers
3 may have had other benefits such as the realization of economies of scale, but they have
4 not led to the introduction of competition into what was formerly a monopoly
5 marketplace. The last industry cited by Ameritech Illinois may have some resemblances
6 to the local telecommunications markets, but there is no indication yet that growing
7 integration in that industry has brought price-constraining competition to consumers.

8
9 **D. Incentives and Effects of Further Mergers**

10 **Q. What have the Applicants stated regarding the effect this merger could have on further**
11 **consolidation in the market?**

12 **A. SBC tries to reassure the Commission that “it surely is not a realistic concern that the**
13 **SBC/Ameritech merger will ‘spawn’ additional ... mergers.”⁷⁹**

14 **Q. Do you agree with SBC’s assessment regarding the effect of the proposed merger on**
15 **industry consolidation?**

16 **A. No, I do not. SBC’s assertion that its mergers do not affect anyone else is at direct odds**
17 **with its argument that the currently proposed merger is necessary as a result of other**
18 **mergers. Indeed, SBC reports that the proposed Bell Atlantic/GTE merger has**
19 **“reinforced SBC’s conviction that SBC’s merger with Ameritech is essential so that SBC**
20 **can achieve the scale and scope that will be required in order to compete with Bell**

⁷⁷ SBC response to Attorney General data request AG-33.

⁷⁸ Ameritech Illinois response to Attorney General data request AG-22.

⁷⁹ SBC response to ICC Staff data request RTY 1.04.

1 Atlantic and GTE.”⁸⁰ It is also inconsistent with Ameritech’s statement that, “the recent
2 proposed merger of Bell Atlantic and GTE can be seen as an immediate response to MCI-
3 WorldCom, AT&T-TCG, and Ameritech-SBC’s National-Local Strategy...”⁸¹

4
5 SBC would have this Commission believe that, somehow, the dynamics of this proposed
6 merger are different than anything else going on in the market. Dr. Harris argues that
7 “the merger-generated cost savings, efficiencies, and synergies will cause the competitors
8 of Ameritech Illinois to be more efficient and responsive to customers.” But, somehow,
9 their striving for efficiency gains apparently would preclude those achievable through
10 mergers.

11
12 The proposed Bell Atlantic/GTE merger may well be an example of one merger being
13 “spawned” by another. Just as SBC may view its merger plans as being “essential,” so
14 might Bell Atlantic and GTE, in response to the consolidation they see in the market,
15 including the proposed SBC/Ameritech merger.

16
17 Just as the proposed SBC/Ameritech merger may be driven, to some degree, by other
18 mergers that have preceded it, it is reasonable to assume that it, in turn, will increase the
19 likelihood that others will follow. A central issue before this Commission, the FCC, and
20 others reviewing the proposed merger is when to say, “enough is enough.” A myopic
21 view of a single merger can be very dangerous, since this is an instance where the

⁸⁰ Id.

1 combined effect of multiple mergers may be greater than the sum of the effect of the
2 individual mergers, if considered in isolation. The cumulative effect of all the mergers
3 must be recognized.

4
5 If both the SBC/Ameritech merger and the Bell Atlantic/GTE merger are consummated,
6 two fewer companies exist that might otherwise have entered the Illinois market (leaving
7 aside NYNEX and Pacific Telesis, which have already disappeared from the scene as
8 potential competitors). We are now looking at a national scene with only four major
9 incumbent LECs (SBC/PTG/SNET/Ameritech, Bell Atlantic/NYNEX/GTE, US West,
10 and Bell South) that could enter each other's territories.

11
12 E. Effect on Long Distance Markets

13 Q. What have the Applicants said in this proceeding regarding the potential effects of the
14 proposed merger on the long distance market?

15 A. Ameritech Illinois has asserted dismissively that, "since neither SBC nor Ameritech
16 Illinois is permitted to provide interMSA service yet, the merger cannot have any impact
17 on those markets."⁸²

18
19 Q. Do you agree with Ameritech Illinois?

20 A. No, I do not. A merger of this magnitude would have effects that reverberate throughout
21 all aspects of telecommunications.

⁸¹ Ameritech response to GCI data request GCI-AM-1-82.

1
2 SBC plans to offer bundled local exchange and long distance services in 30 out-of-region
3 MSAs. In its FCC Merger Filing, SBC asserts that there will be “enhanced long-distance
4 competition” as long distance providers and CLECs with long distance and full service
5 customers compete more forcefully in order to preserve that base.⁸³ I agree that there may
6 be some incremental positive effects on long-distance competition if SBC’s out-of-region
7 offerings materialize in any significant way. However, these benefits could be even
8 larger if both SBC and Ameritech were to provide out-of-region local and long distance
9 services.

10
11 A much more fruitful form of competition for bundled local and long distance services
12 could occur if SBC and Ameritech Illinois were to open up their local markets to the
13 point that in-region long distance entry is warranted. Only under such circumstances,
14 where the incumbent BOC is allowing access to its bottleneck network and services on a
15 reasonable and non-discriminatory basis, can there be true competition for bundled local
16 and long distance services. The small amount of incremental competition in the long
17 distance markets that SBC may bring to out-of-region MSAs pales in comparison to the
18 potential for competitive benefits if local markets are opened.

19
20 As the Commission is aware, SBC is challenging the constitutionality of Section 271 of
21 the 1996 Act and, thus, is seeking to obtain in-region long distance entry without having

⁸² SBC-Ameritech Ex. 3.0 at 13-14.

1 to comply with the Section 271 requirements. If SBC succeeds in its court challenge,
2 each of the BOCs would be able to leverage its local market power into the long distance
3 market. The resulting harm to the long distance market could, in turn, reduce long
4 distance providers' financial viability and thus reduce their ability to compete in local
5 markets. To the extent the proposed merger would make the combined SBC/Ameritech a
6 more formidable competitor, this would exacerbate the harm to the long distance market
7 if SBC prevails in getting Section 271 overturned.

8
9 If SBC does not succeed in its court challenges to Section 271, a combined
10 SBC/Ameritech may choose to delay, or even not to pursue, in-region long distance entry
11 in at least some of its states. At least one financial analyst recognized this possibility,
12 commenting that, "(t)he consolidation underway will likely result in slower or more
13 selective, state by state RBOC entry into long distance."⁸⁴ The profits that a large
14 company with a near stranglehold on its local markets can achieve (the combined
15 SBC/Ameritech would have revenues of \$40 billion⁸⁵) are far greater than anything it
16 could hope to achieve in the competitive long distance market (whose national revenues
17 total approximately \$88 billion⁸⁶) when the price of entering the long distance market is
18 compliance with Section 271. While the competitive benefits of entry by SBC and
19 Ameritech into in-region long distance markets would be small relative to the competitive

⁸³ FCC Merger Filing, affidavit of James S. Kahan at 34.

⁸⁴ Equity Research Briefing Note, Morgan Stanley Dean Witter, May 12, 1998.

⁸⁵ Ameritech and SBC 10-K Annual Reports.

⁸⁶ FCC Long Distance Market Share Report, June 1998.

1 benefits of sustainable entry into their local markets, there would nevertheless be some
2 benefits, which would be lost if they continue to not comply with Section 271.

3
4 F. Effects on Local Markets outside of SBC and Ameritech Regions

5 Q. What do the Applicants view as effects of the merger on local markets outside their
6 regions?

7 A. SBC and Ameritech highlight as a central component of their National-Local strategy that
8 they would offer "competitive local exchange, long-distance and other services to
9 residences and businesses alike in 30 U.S. markets outside the current SBC-Ameritech
10 service areas."⁸⁷ SBC plans to focus first on large business customers with multi-state
11 locations, with plans to offer services to smaller business customers and residential
12 customers only after it has established a base of large business customers. SBC has
13 explained the National-Local Strategy as follows:

14 [T]he National-Local Strategy contemplates initially marketing to and securing
15 the business of large corporations with multi-state requirements whose
16 headquarters are located in the new SBC territory. These customers can form the
17 base or anchor tenants for our deeper entry into the 30 MSAs.

18
19 For example, corporations that have locations in certain markets can provide the
20 base that will justify the initial placement of personnel, switching capacity and the
21 construction of fiber capabilities in those markets. Once those resources are in
22 place, SBC can utilize those assets to expand its market entry to other large
23 businesses, and to deepen its market penetration to medium and small businesses
24 and to residential customers.⁸⁸
25

⁸⁷ Ameritech's response to data request GCI-AM-1-82. See also SBC response to Sprint 1-23, which states that, "The strategic objective of the combined company is to roll-out a National-Local Strategy to offer competitive local exchange, long distance and other services to residences and businesses alike in 30 U.S. markets outside the current SBC-Ameritech service areas."

⁸⁸ FCC Merger Filing, affidavit of James S. Kahan at 16.

1 Mr. Kahan explains further that,
2

3 SBC will begin offering service to residential customers within one year of the
4 closing with Ameritech, and plans to offer service to a majority of the households
5 in the 30 out-of-region markets within four years of closing. We anticipate that
6 we will achieve an overall penetration rate of 4 percent of the residential
7 customers in all of these 30 markets. ... We anticipate achieving similar results in
8 the small business segment.⁸⁹
9

10 Q. Please assess the reliability of these assertions regarding SBC/Ameritech's entry into
11 these other local markets.

12 A. SBC has provided no credible evidence that it will be able to build networks, target large
13 customers to form a customer base *and* begin to serve residential customers all within one
14 short year following consummation of the merger. At the same time, SBC projects
15 serving only 4 percent of the residential and small business customers in the 30 MSAs it
16 has targeted for entry.

17
18 Even if SBC does begin to serve out-of-region residential and small business customers,
19 it is difficult to believe that SBC would persevere with such efforts if they prove to be
20 unprofitable, or that shareholders would tolerate such actions even if management were
21 inclined to do so. Certainly other carriers, including AT&T, MCI, and Sprint, have made
22 plans to enter local residential markets and have pulled back in the face of significant
23 losses. One does not expect SBC to behave any differently. As a result, there is a
24 significant likelihood that the most SBC will achieve in its out-of-region forays is the

⁸⁹ Id., at 23.

1 type of “cream skimming” of large business customers that incumbent local exchange
2 carriers find so objectionable when undertaken by their competitors.

3
4 G. Need for Competitive Safeguards

5 Q. If the merger is approved, do you recommend that conditions be adopted to help mitigate
6 the expected harm to competition?

7 A. Yes, I do. A central theme running through many of the observations I have made in this
8 testimony is that the merger, as proposed, is likely to harm the development of local
9 competition. In order for conditions adopted pursuant to Section 7-204(f) to be adequate
10 to provide reasonable assurance that the merger would not have a significant adverse
11 effect on intrastate competition, the conditions must be strong enough and extensive
12 enough to ensure that SBC’s and Ameritech’s local markets are fully opened to
13 competition before the merger is consummated. The conditions must be reliable and they
14 must be enforceable.

15
16 It is difficult, at this vantage point, to know exactly what conditions would be adequate to
17 meet the criteria I have just described. Several alternatives could be explored. An
18 obvious possibility is that the Commission could require that the merger not be
19 consummated until the Commission has determined that Ameritech Illinois has met the
20 Section 271 conditions. With such a condition, and the FCC’s concurrence, Ameritech
21 Illinois could enter long distance markets in Illinois; if Section 271 conditions were met

1 throughout the merged company's region, it could then become a nationwide provider of
2 integrated local and long distance service.

3
4 A less stringent condition could require a finding that Ameritech Illinois has complied
5 with Sections 251 and Section 252 of the 1996 Act. With such a condition, there could
6 be some assurance that Ameritech Illinois has taken the steps needed to open its local
7 markets although its efforts may not have been sufficient to warrant long distance relief.

8
9 Other conditions could be crafted that would not rely directly on the provisions in the
10 1996 Act. For example, Ameritech Illinois' exchange operations could be separated into
11 their retail and wholesale components, with a requirement that all interactions between
12 the resulting corporate entities be done on an arms-length basis, with the retail arm
13 obtaining any goods and services from the wholesale operations through written contracts
14 whose prices, terms, and conditions would be available to CLECs.

15
16 A series of individual conditions may also suffice. However, I am not in a position at this
17 time to articulate exactly what such a set of conditions would include. The conditions
18 attached by the FCC to its approval of the Bell Atlantic/NYNEX merger may be useful as
19 a starting point. However, the remaining steps that are needed in order for Ameritech
20 Illinois' markets to be opened are undoubtedly different and, as a result, the appropriate
21 conditions would also be different. Collaborative processes have been initiated in New
22 York, Texas, and California as efforts to develop with some specificity the steps that the

1 incumbent carrier would need to undertake in order to accomplish the market-opening
2 process. An independent test of Ameritech Illinois' unbundled network elements and
3 other services, including a test of operations support systems such as the one developed in
4 New York, may be appropriate.

5
6 I have developed certain conditions that would serve as a *starting point* for remedying the
7 anticompetitive effects of the merger as proposed. Undoubtedly, other witnesses will
8 suggest other market-opening measures. SBC and Ameritech Illinois may respond with
9 additional proposals of their own. After the record is more fully developed, the best way
10 to structure merger conditions that would be adequate under Section 7-204 may be more
11 readily apparent. If not, the Commission could instruct the parties to commence a
12 collaborative process with the goal of bringing back more complete proposals for the
13 Commission's further consideration.

14
15 Q. What specific conditions do you recommend at this time to help safeguard competition?

16 A. I recommend, as part of the annual reporting on its planned implementation of the merged
17 company's "best practices," that SBC, through Ameritech Illinois, be required to explain
18 how it plans to identify and implement a system of "best practices" for providing services
19 to its CLEC customers. The merged company should be required to maintain account
20 managers in Illinois to oversee Ameritech Illinois' interactions with Illinois CLECs, with
21 those account managers retaining decision-making authority. In addition, Ameritech
22 Illinois should not be allowed to change its current competitive policies or practices,

1 including its operations support systems, without first obtaining agreement from the
2 affected CLECs or, if agreement is not reached, approval by the Commission. Reporting
3 requirements should be imposed that would allow the Commission, carriers, and others to
4 monitor the level of service provided to CLECs and Ameritech affiliates. Finally, the
5 Commission should require that Ameritech Illinois negotiate self-enforcing mechanisms
6 in new interconnection agreements that would provide compensation to CLECs if
7 performance standards are not met.

8
9 Q. Please explain your recommendation regarding the implementation of “best practice”
10 procedures that would benefit local competition.

11 A. While the Joint Application and SBC-Ameritech testimony are replete with examples of
12 how the adoption of “best practices” will benefit SBC’s shareholders and its retail
13 operations, I was unable to find a single example of how this “best practices” process
14 would correspondingly benefit SBC’s CLEC customers. Not even a single testimony
15 anecdote speaks to the manner by which SBC’s and Ameritech’s “best practices” could
16 be used to implement better electronic ordering and provisioning systems for use by
17 CLEC customers, or to provide faster, more reliable provisioning of unbundled loops or
18 transport. This segment of SBC’s customer population appears to have been generally
19 ignored when it comes to advantages to be realized from the merger of the two
20 companies.

21

1 If the merger is approved, the Commission should require Ameritech Illinois to focus
2 resources on the identification and adoption of "best practices" for its interactions with
3 CLEC customers, who are required by the economics of the marketplace to purchase
4 services from the incumbent carrier. As part of my overall recommendation that
5 Ameritech Illinois report on how SBC plans to implement "best practice" planning in
6 Illinois, I recommend that Ameritech Illinois explain to the Commission how SBC will
7 identify, implement, and maintain a system of "best practices" for providing services to
8 CLEC customers.

9
10 Q. Please explain your recommendation regarding account managers for CLECs.

11 A. One concern is that the people with whom CLECs have worked regarding
12 implementation of their interconnection agreements and other matters may no longer be
13 available in Illinois to ensure continuity and smooth implementation of interconnection
14 agreements and other arrangements. If CLECs have to contact SBC personnel in Texas
15 whenever they have concern or problems, or if personnel remaining in-state have no
16 decision-making authority, another layer of complication and delay will be added before
17 problems can be resolved. This could lead to significant difficulties for CLECs in
18 Illinois.

19
20 To safeguard against such problems, I recommend that the Commission require that
21 Ameritech account managers who work with Illinois CLECs remain in Illinois and that
22 they retain their current levels of decision-making authority. Account manager functions

1 are typically performed by Ameritech Information Industry Services (AIIS) as an agent
2 for Ameritech Illinois. This is an important condition that is appropriately considered to
3 be within the Commission's purview as it oversees the interconnection, unbundling, and
4 wholesale service obligations of Ameritech Illinois.

5
6 Q. Please explain your recommendation regarding Ameritech Illinois' ability to change its
7 current competitive policies and practices after the merger, if adopted..

8 A. I have described earlier in this testimony an example in which Bell Atlantic changed
9 NYNEX's policy regarding assignment of existing contracts. This unilateral change by
10 Bell Atlantic led to multiple regulatory and court proceedings and has caused significant
11 harm to resale competition while it has been litigated. There is also concern that SBC
12 may unilaterally switch Ameritech Illinois' operations support systems to an SBC
13 standard, without adequate time for CLECs to accommodate such changes without undue
14 disruption and harm to their own operations.

15
16 These and similar concerns lead me to recommend that Ameritech Illinois not be allowed
17 to change any of its competitive policies or practices without first obtaining agreement
18 from the affected CLECs or, if agreement is not reached, approval by the Commission.

19
20 Q. Please explain your recommendation regarding reporting requirements for Ameritech
21 services provided to CLECs.

1 A. SBC and Ameritech should be required to provide quality of service commitments to
2 CLECs. The Commission should develop appropriate quality measurements and
3 standards for Illinois. Ameritech Illinois should measure its performance and include
4 results in its merger-related filing, with posting on the Internet, so that the Commission,
5 CLECs, and other groups could all have easy access to the information.

6
7 Several sources are available for the development of reporting requirements. In its FCC
8 Merger Filing, SBC explains that it has already “developed and implemented more than
9 65 performance measurements covering the different aspects of our interactions with
10 local wholesale customers.”⁹⁰ SBC’s Stephen M. Carter explains that SBC’s performance
11 measurements mirror “the model set of measurements” advocated by the DoJ and that
12 SBC will develop and implement additional performance measurements in response to
13 the concerns raised by the Texas PUC in its recent Order.⁹¹

14
15 In the FCC Merger Filing, Ameritech witness Wharton B. Rivers, Jr. points to 39
16 performance measures which Ameritech uses to track the performance of its network
17 services.⁹²

18
19 The FCC has undertaken a rulemaking to examine this very issue. The FCC expects to
20 develop model performance measurements and reporting requirements for the states’

⁹⁰ FCC Merger Filing, affidavit of Stephen M. Carter at 6.

⁹¹ Id., at 13-14.

⁹² FCC Merger Filing, affidavit of Wharton B. Rivers, Jr. at 3.

1 consideration, stating that these measurements and reporting requirements would not be
2 legally binding but that the intent would be “to provide guidance...to the states and the
3 industry on a set of performance measurements and reporting requirements that will help
4 spur the development of local competition.”⁹³

5
6 Because SBC and Ameritech both already maintain internal measurements and because
7 of the work by the DoJ, the Texas Commission, and the FCC, I do not envision that the
8 development of measurements and standards for Illinois would require drawn-out efforts.

9 I recommend that the Commission establish a complete schedule for the expedited
10 development of such measurements for Ameritech Illinois if the merger is approved.

11 Because it is critical that CLECs not be handicapped by unnecessary delays in this
12 monitoring capability, it would not be appropriate to wait until a statewide rulemaking
13 can be completed.

14
15 Q. Please describe your recommendation regarding the inclusion of self-enforcing
16 mechanisms in interconnection agreements.

17 A. This recommendation is intended to complement the recommendation that the SQI be
18 reformulated to provide stronger incentives that Ameritech Illinois maintain adequate
19 quality of service to its retail customers. Inclusion of self-enforcement mechanisms in

⁹³ In the Matter of Performance Measurements and Reporting Requirements for Operations Support Systems, Interconnection, and Operator Services and Directory Assistance, FCC CC Docket No. 98-56, Notice of Proposed Rulemaking (FCC 98-72), adopted April 16, 1998. Comments and reply comments were filed during June 1998.

1 interconnection agreements similarly helps ensure that Ameritech Illinois meets
2 reasonable service expectations in its dealings with CLECs.

3
4 The problems I have cited that are inevitable if the merger is approved make self-
5 enforcement provisions of utmost importance as the initial interconnection agreements
6 come up for renegotiation. The Commission should make clear that it will adopt such
7 provisions through arbitration if Ameritech Illinois and CLECs are not successful in
8 developing such provisions through negotiation.

9
10 Q. Do you have any other recommendations regarding competitive safeguards?

11 A. Yes. One area of concern is how SBC plans to provide service to business customers
12 with locations in multiple states, as part of the National-Local strategy. It is imperative
13 that any multi-state "deals" that SBC may propose in its efforts to obtain one-stop
14 shopping advantages be nondiscriminatory. For example, any services offered through
15 contracts or other agreements for the provision of service to multiple locations must be
16 subject to resale at wholesale prices. Likewise, if SBC/Ameritech allows customers to
17 terminate or modify existing contracts without termination liabilities in order to take
18 advantage of such special offers, it must also allow all customers with existing contracts
19 similar leeway, without termination liabilities, in order to obtain service from a
20 competitor.

21

1 IV. REGULATORY ISSUES—SECTION 2-204(b)(5)

2
3 Q. What do the Applicants say regarding the ability of the Commission to regulate the
4 intrastate operations of the merged entity?

5 A. SBC asserts that the merger would not alter the ability of the Commission to regulate
6 Ameritech Illinois just as it has in the past.⁹⁴ SBC recognizes that Ameritech Illinois will
7 remain subject to the same legal requirements that it is subject to today.⁹⁵ SBC states
8 that the merger will not constrain or limit the Commission's ability to audit or regulate
9 the intrastate operations of Ameritech Illinois. It states that no Ameritech assets will
10 change ownership as a result of the merger and that the merger will require no change in
11 reporting requirements to the Commission. SBC states that no operations, lines, plants,
12 franchises, or permits of any regulated Illinois subsidiary of Ameritech would be merged
13 with the lines, plants, franchises, or permits of any other regulated public utility.⁹⁶

14
15 Q. Should the Commission be concerned regarding its on-going ability to regulate
16 Ameritech Illinois if the merger is approved?

17 A. Yes. Mr. Kahan attempts to reassure us that, "although general corporate goals,
18 commitments, and business principles will emanate from SBC's headquarters in San
19 Antonio, day-to-day business decisions will be made in each particular market area in

⁹⁴ SBC-Ameritech Ex. 1.0 at 39.

⁹⁵ SBC-Ameritech Ex. 3.0 at 12.

⁹⁶ Joint Application at 6-7.

1 each state.” He explains that the local managers in each area will have the authority to
2 manage business operations.⁹⁷

3
4 Despite these reassurances, the fact remains that the movement out-of-region of top-level
5 decision making and other functions is likely to make Ameritech Illinois less responsive
6 to the policies of this Commission. The vastness of the new SBC mega-company and its
7 ambitious expansion plans are also likely to divert corporate attention and priorities away
8 from the provision of telecommunications services in Illinois. With a cooperative
9 company, such detrimental side-effects of consolidation could be managed and
10 compensated for. However, SBC’s history of attempts to thwart regulation in other states
11 makes it more likely that SBC would import such attempts to Illinois.

12
13 Q. Do you have any recommendations regarding conditions that should be imposed if the
14 merger is approved that would help mitigate the additional difficulties that the
15 Commission could encounter in trying to regulate Ameritech Illinois?

16 A. Yes. Consolidation of regulatory activities to SBC headquarters could make it very
17 difficult for the Commission to obtain information in a timely manner. I recommend that
18 the Commission require that Ameritech Illinois maintain its existing level of regulatory
19 staffing within Illinois.

20

⁹⁷ SBC-Ameritech Ex. 1.0 at 41.

1 V. REFLECTION OF MERGER BENEFITS IN RATES—SECTION 7-204(c)

2

3 Q. Did you assess how merger benefits should be reflected in rates?

4 A. Yes. I was asked to evaluate how merger benefits should be reflected in rates for
5 telecommunications services and for services provided to CLECs, to ensure that these
6 customers benefit from the merger, if it is approved. Dr. Selwyn recommends a rate
7 decrease of \$343 million for Ameritech Illinois' noncompetitive services.

8

9 Q. Please comment on the Applicants' assertions that merger benefits will be flowed through
10 to customers because of competitive pressures on prices.

11 A. Dr. Harris states that, "(g)iven the state and rate of development of competition in
12 telecommunications markets, customers will receive benefit from the merger through new
13 service offerings, additional investment in Illinois telecommunications networks, and the
14 stimulus of the merger on other competitors."⁹⁸ Dr. Harris, interestingly, does not cite
15 reduced prices as an expected benefit of the competition. However, Mr. Kahan does
16 point to competition as "by far the greatest limiting factor on rates in our industry."⁹⁹

17

18 Unfortunately, although we would prefer that competition play a role in disciplining the
19 telecommunications marketplace, it simply is not playing that role today in the local
20 exchange, the primary market within which the majority of the merger's efficiencies are
21 expected to be realized. As I have discussed in Section III.A of this testimony, only a

⁹⁸ SBC-Ameritech Illinois Ex. 4.0 at 17.

⁹⁹ SBC-Ameritech Ex. 1.0 at 53.

1 very small percentage of customers in Ameritech Illinois' region currently obtain local
2 service from a competitive provider. This modest level of competition has developed
3 during the four years since the Commission granted MFS and TC Systems the first
4 authorizations for the provision of competitive switched local exchange services. This
5 level of competition has been realized given Ameritech's current economies of scale and
6 scope and its current "best practices." Yet, Dr. Harris and Mr. Kahan would have us
7 believe that over the next two years (the timeframe within which the majority of the
8 synergies are expected to be realized), competition will increase dramatically, in the face
9 of increasing Ameritech economies and efficiencies, to a level that will force
10 SBC/Ameritech to share the newfound savings.

11
12 It is noteworthy that, while SBC stresses in its public pronouncements that the expected
13 revenue enhancements do not assume any rate increases, SBC apparently felt no need to
14 even mention that the benefit forecasts do not assume any rate decreases. If SBC
15 believed that there is already price-limiting competition and that the merger would lead to
16 even more competition, one would expect SBC's financial analysis to reflect the need for
17 rate decreases due to the market-imposed pass-through of cost reductions. However,
18 neither SBC nor any of the financial analysts whose work I have reviewed appear to have
19 considered this topic important enough to even warrant discussion.

20
21 Q. How should merger benefits be reflected in rates?

1 A. The flow-through of merger benefits should be made in a way that benefits basic
2 telecommunications customers and furthers competition. In addition to retail rate
3 reductions, expected merger benefits should be reflected in the rates that interexchange
4 carriers and CLECs pay Ameritech Illinois.

5
6 Ameritech Illinois should not be allowed to structure the rate reductions to its strategic
7 benefit. Examples of unacceptable rate reductions for noncompetitive services would
8 include those focused only on the largest users (business or residential), or for bundled
9 services, or for offerings requiring long-term commitments. Reductions should be made
10 available to all noncompetitive service customers, including smaller captive customers
11 and CLECs that buy services from Ameritech Illinois, e.g., switched access, transport and
12 termination, interconnection, unbundled network element, and wholesale services.

13 Interconnection, unbundled network element, and transport and termination rates should
14 be updated to reflect merger-related cost savings and wholesale rates should be adjusted
15 consistent with retail rate adjustments.

16
17 Q. How would your recommendations regarding the flow through of merger benefits be
18 implemented?

19 A. The merger-related rate reduction would be allocated on an equal percentage basis among
20 noncompetitive retail rates, wholesale rates, and intrastate switched access rates, taking
21 into account expected demand stimulation due to the rate cuts. The equal percentage
22 reduction approach would be modified, if needed, to ensure that the resulting rates remain

1 above long run service incremental costs and that imputation requirements are met. A
2 portion of the merger-related rate reduction would also be flowed through to rates for
3 unbundled network elements, interconnection, and transport and termination rates based
4 on updated cost studies reflecting merger-related cost savings.

5
6 Q. Why do you recommend that cost studies be updated for CLEC and wholesale services?

7 A. Ameritech Illinois should be required to modify its cost studies and the pricing of CLEC
8 and wholesale services to maintain the cost-based pricing required by the 1996 Act and
9 the Commission's policies. Allowing Ameritech Illinois to engage in a merger that
10 carries with it significant cost savings without reflecting those cost savings in the rates
11 charged competitors would create a price squeeze that would inevitably harm
12 competition.

13
14 SBC forecasts significant reductions in costs as a result of the merger. Yet SBC asserts
15 that no revisions to cost studies are needed if the merger is approved, arguing that the
16 savings are speculative and would take several years to materialize. However, various
17 financial analysts conclude that the forecasted savings are, if anything, conservative.

18
19 Even a cursory examination of SBC's projections regarding cost savings indicates that
20 the majority of the areas wherein cost savings are expected are the same areas from which
21 Total Element Long Run Incremental Costs (TELRICs) were derived in the
22 Commission's recently-decided Docket 96-0486. For example, one of the primary steps

1 in formulating an appropriately calculated TELRIC study is identification of the
2 underlying capital investment required to support a given unbundled network element.
3 Likewise, the amount of capital required to maintain the investment after it has been
4 installed will play an important role in the ultimate TELRIC of an unbundled network
5 element. Many of the steps in building and maintaining an unbundled network element
6 (e.g., procurement, network engineering, provisioning, and maintenance) are expected to
7 be accomplished more efficiently as a result of the merger.

8

9 Q. Does this complete your direct testimony?

10 A. Yes, it does.

Charlotte F. TerKeurst

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EDUCATION

M.S., Electrical Engineering, University of Illinois at Urbana-Champaign, 1978. Thesis: "Labor and Net Energy Effects of a National Ceiling Insulation Program."

B.S., Mathematics, University of Mississippi, 1973. National Merit Finalist. Robert M. and Lenore W. Carrier (full academic) scholarship.

EXPERIENCE

Vice President, Competitive Strategies Group, Ltd., August 1997 - present.

Consultant specializing in telecommunications and energy regulatory issues related to competitive entry, alternative regulation, telephone number portability, and universal service. Clients include competitive local exchange companies, state regulatory agencies, and public interest groups.

Manager, Telecommunications Division, Illinois Commerce Commission, April 1996 - August 1997.

Managed the technical telecommunications staff of the ICC, which regulates telecommunications carriers' operations in Illinois. A primary focus was state implementation of the federal Telecommunications Act of 1996, including coordination with the Federal Communications Commission, the U.S. Department of Justice, and the National Association of Regulatory Utility Commissioners.

Director, Telecommunications Program, ICC Office of Policy and Planning, May 1993 - March 1996.

Directed ICC staff work on telecommunications policy, including local telecommunications competition, alternative regulation (price caps) for Ameritech Illinois, and federal and legislative matters.

Manager, Telecommunications Dept., Missouri Public Service Commission, July 1991 - April 1993.

Managed technical staff that oversaw regulation of telecommunications carriers in Missouri, including rate cases, tariff filings, formal customer complaints, business office and field service audits, and legislative matters.

Administrative Law Judge, California Public Utilities Commission, August 1986 - July 1991.

Hearing officer in CPUC telecommunications and energy proceedings, including alternative regulation for local telecommunications carriers, pricing flexibility for AT&T, and competitive procurement and transmission for gas utilities.

Supervisor, Energy Resources Department, CPUC, August 1985 - July 1986.

Supervised technical staff work in resource planning, energy conservation, load management, performance-based pricing for the Diablo Canyon nuclear power plant, and standard contracts for independent power producers.

Commissioner's Advisor, CPUC, March 1982 - July 1985.

Analyzed broad spectrum of regulatory matters including AT&T divestiture, energy and telecommunications rate cases, and independent power producer contracts; wrote alternate decision language; represented Commissioner in dealings with other agencies, companies, and the press.

Staff Engineer, CPUC, January 1980 - March 1982.

Analyzed electric utility resource plans, alternative energy sources, transmission systems, conservation, load management, and purchases from independent power producers.

Lecturer, Golden Gate University, September 1987 - June 1990.

Taught graduate course entitled Legal and Regulatory Aspects of Telecommunications.

Research Engineer, University of Illinois Energy Research Group, August 1976 - January 1980.

Modeled econometric relationships between consumer energy use and demographic variables; analyzed net energy, economic, and labor effects of a national ceiling insulation program.

Programmer, TRW Defense and Space Systems and Kaman Sciences., Aug. 1973 - July 1976.

Programmer/analyst for studies of radiation effects on defense and communications systems.

EXPERT TESTIMONY AND AFFIDAVITS

Illinois 1979	Application of Central Illinois Public Service Company for a General Rate Increase, Docket 79-0087. Testimony addressed CIPS' load management program on behalf of Southern Counties Action Movement, Inc.
Colorado 1980	Application of Public Service Company of Colorado for a General Rate Increase, Investigation and Suspension Docket Number 1425. Testimony addressed PSCo's conservation program on behalf of Colorado Common Cause.
California 1980	Application of Pacific Gas and Electric Company and Southern California Edison Company for a Certificate of Public Convenience and Necessity for the Harry Allen/Warner Valley Energy System, Application No. 59308. Testimony addressed resource planning, computer simulation of electric system operations and costs, and non-conventional energy resources on behalf of CPUC Staff.
California 1982	Application of Pacific Gas and Electric Company for an Order Approving Certain Provisions of a Power Sales Agreement between U.S. Windpower, Inc. and Pacific Gas and Electric Company, Application No. 61073. Testimony on behalf of CPUC Staff.
California 1986	Application of Pacific Gas and Electric Company for a General Rate Increase, Application 85-12-050. Testimony addressed demand-side management on behalf of CPUC Staff.
Missouri 1992	Re: Order Establishing Docket Regarding Expanded Calling Services, Case No. TO-92-306. Testimony addressed statewide expanded services on behalf of MPSC Staff.

- Illinois 1993 Illinois Bell Telephone Company Petition to Regulate Rates and Charges of Noncompetitive Services under an Alternative Form of Regulation, and Related Matters, Docket 92-0448, *et al.* Lead policy witness regarding price cap regulation on behalf of ICC Staff.
- Illinois 1994 Ameritech Advanced Data Services of Illinois, Inc. Application for Revised Certificate of Service Authority, Docket 94-0308. Testimony addressed anticompetitive behavior and affiliate transaction issues on behalf of ICC Staff.
- Illinois 1994 Illinois Bell Telephone Company Proposed Introduction of a Trial of Ameritech's Customers First Plan in Illinois, and Related Matters, Docket 94-0096, *et al.* Lead policy and intraLATA presubscription witness on behalf of ICC Staff.
- Illinois 1995 AT&T Communications of Illinois, Inc. Petition for a total local exchange wholesale service tariff from Illinois Bell Telephone Company d/b/a Ameritech Illinois and Central Telephone Company pursuant to Section 13-505.5 of the Illinois Public Utilities Act, and Related Matters, Docket 95-0458, *et al.* Testimony on behalf of ICC Staff regarding treatment of wholesale services within Ameritech Illinois' price cap mechanism.
- Illinois 1996 Ameritech Communications of Illinois, Inc. Application for certificate of service authority to provide interexchange and local exchange telecommunications services within the State of Illinois pursuant to Sections 13-403 and 13-404 and exchange service pursuant to Section 13-405 of the Public Utilities Act. Testimony on behalf of ICC Staff regarding certification of Ameritech Illinois affiliate.
- Illinois 1996 AT&T Communications of Illinois, Inc. Petition for Arbitration of Interconnection Rates, Terms and Conditions and Related Arrangements with Illinois Bell Telephone Company d/b/a Ameritech Illinois, and Related Matters, Docket 96 AB-003, *et al.* Testimony addressed performance measurement and monitoring and other issues on behalf of ICC Staff.
- Illinois 1996 AT&T Communications of Illinois, Inc. Petition for Arbitration of Interconnection Terms, Conditions and Prices from GTE North Inc. and GTE South Inc., in Their Respective Service Areas, Docket 96 AB-005. Testimony addressed performance measurement and monitoring and other issues on behalf of ICC Staff.
- Illinois 1996-1997 Illinois Commerce Commission on its Own Motion Investigation Concerning Illinois Bell Telephone Company's Compliance with Section 271(c) of the Telecommunications Act of 1996, Docket 96-0404. Lead policy witness on interLATA entry issues behalf of ICC Staff.
- Kentucky 1997 Application of Cincinnati Bell Telephone Company for Suspension/Modification of Certain Requirements of Section 251(b) and (c) and the FCC Rules Implementing Those Provisions, Case No. 97-247. Testimony regarding suspension/modification of access and interconnection requirements on behalf of MCI Telecommunications Corporation and MCImetro Access Transmission Systems, Inc. (Application withdrawn before hearing.)

- Ohio
1997
- Application of Cincinnati Bell Telephone Company for Approval of a Retail Pricing Plan Which May Result in Future Rate Increases and for a New Alternative Regulation Plan, Case No. 96-899-TP-ALT. Submitted testimony regarding alternative regulation and suspension/modification of access and interconnection requirements on behalf of MCI Telecommunications Corporation.
- Illinois
1997
- Renee Folkerts, Amy Bonser, individually and on behalf of all others similarly situated, Plaintiffs, vs. Illinois Bell Telephone Company and Ameritech Corporation, Defendants, Case No. 95-L-912, Circuit Court for the Third Judicial Circuit, Madison County, Illinois. Litigation support for Plaintiffs in class action suit regarding inside wire repair and maintenance programs. (Settlement was reached before hearing.)
- Texas
1998
- Investigation of Southwestern Bell Telephone Company's Entry into the InterLATA Telecommunications Market, Project No. 16251. Affidavit and testimony on behalf of AT&T Communications of the Southwest, Inc. regarding local exchange competition in Texas and SWBT's proposed request for interLATA entry under Section 271 of the 1996 Act.
- Indiana
1998
- Investigation on the Commission's Own Motion into the Implementation of Number Portability, Pursuant to Section 251(b)(2) of the Communications Act of 1934, as Amended, Cause No. 41083. Testimony, report, and proposed order regarding implementation of long term number portability in Indiana, as consultant to Indiana Regulatory Utility Commission.
- Illinois
1998
- Illinois Bell Telephone Company d/b/a Ameritech Illinois v. WorldCom Technologies, Inc., *et al.*, Case No. 98c-1925, U.S. District Court, Northeastern District of Illinois, Eastern Division. Affidavit on behalf of WorldCom, Teleport Communications Group Inc., MCI Telecommunications Corporation and MCImetro Access Transmission Services, Inc., AT&T Communications of Illinois, Inc., and Focal Communications Corporation opposing emergency stay of ICC Order requiring reciprocal compensation for traffic to Internet service providers.
- California
1998
- Rulemaking on the Commission's Own Motion to Govern Open Access to Bottleneck Services and Establish a Framework for Network Architecture Development of Dominant Carrier Networks, R. 93-04-003, *et al.* Affidavit on behalf of The Utility Reform Network regarding local exchange competition in California and Pacific Bell's proposed request for interLATA entry under Section 271 of the 1996 Act.
- Michigan
1998
- Michigan Bell Telephone Company, d/b/a Ameritech Michigan, Plaintiff, v. MFS Intelenet of Michigan, Inc., *et al.*, Defendants, Case No. 5:98-CV-18, U.S. District Court, Western District of Michigan, Southern Division. Affidavit on behalf of TCG Detroit in opposition to preliminary injunction staying Michigan Public Service Commission Order requiring reciprocal compensation for traffic to Internet service providers.
- FCC
1998
- In the Matter of AT&T Corp., *et al.*, Complainants, v. Ameritech Corporation, Defendant, File No. E-98-41. Affidavit on behalf of AT&T Corporation regarding local exchange competition and in opposition to Ameritech's teaming arrangement with Qwest.

- Maine
1998 CTC Communications Corp., Plaintiff, v. Bell Atlantic Corporation, Case No. 97-395-P-C, consolidated with Case No. 98-79-P-C, United States District Court, District of Maine. Affidavits on behalf of CTC Communications Corp. in opposition to temporary restraining order and in opposition to Bell Atlantic's motion for summary judgment.
- California
1998 Application of Pacific Bell, a Corporation, for Authority to Categorize Business Inside Wire Repair, Interexchange Directory Assistance, Operator Assistance Service and Inmate Call Control Service as Category III Services, and Application of Pacific Bell, a Corporation, for Authority to Categorize Residence Inside Wire Repair Services as Category III Services, A. 98-02-017 and A.98-04-048, consolidated. Direct testimony in A.98-02-017 and in A.98-04-048 on behalf of The Utility Reform Network.

SELECTED CASES HEARD AS ADMINISTRATIVE LAW JUDGE

Re: Order Instituting an Investigation by Rulemaking into Proposed Refinements for New Regulatory Framework for Gas Utilities, Rulemaking 86-06-006.

Application of Pacific Bell, a Corporation, for Authority to Increase Certain Intrastate Rates and Charges Applicable to Telephone Services Furnished within the State of California, and Related Matters, Application 85-01-034, *et al.*—Inside wiring phase.

Pacific Bell, Complainant, vs. Wang Communications, Inc., Defendant, and Related Matters, Case No. 86-10-012, *et al.*

Petition of Cable & Wireless Management Services, Inc. for a Certificate of Public Convenience and Necessity, Application 86-12-039.

Application of PacTel Cellular for Authorization to Acquire Control of Bay Area Cellular Telephone Company through the Acquisition of an Additional Interest in Bay Area Cellular Telephone Company, Application 87-02-017.

General Telephone Company of California, Complainant, vs. Wang Communications, Inc., Defendant, Case 87-07-024.

Application of MCI Telecommunications Corporation under Rule 15 for Approval to Offer Incidental IntraLATA Vnet Service on a Commercial Basis, Application 87-09-027.

Re: Order Instituting Investigation on the Regulatory Framework for InterLATA Telecommunications Market, and Related Matters, Investigation 85-11-013, *et al.*

Application of Southern California Gas Company to Revise its Rates under the Consolidated Adjustment Mechanism, Application 86-09-030.

Re: Order Instituting Investigation on Alternative Regulatory Frameworks for Local Exchange Carriers, and Related Matters, Investigation 87-11-033, *et al.*

Investigation on the Commission's own motion into the Rules and Practices for the Establishment of Credit for Residence Service Utilized by the Pacific Bell Company, a California Corporation; and of

General Telephone Company of California, a California Corporation and of all the telephone corporations listed in Appendix A, Investigation 86-06-008.

Application of AT&T Communications of California, Inc. for Additional Regulatory Flexibility, Application 90-07-015.

SELECTED REPORTS, PUBLICATIONS, AND PRESENTATIONS

"Energy Conservation and Employment Impacts of Changes in Technology and Consumption," with Bruce Hannon, Barr Segal, James Brodrick, John Joyce, Peter Kakela, and Horacio Perez-Blanco, April 1977.

"Labor and Net Energy Effects of a National Ceiling Insulation Program," University of Illinois Energy Research Group, September 1978.

"Labor and Net Energy Effects of Retrofitting Ceiling Insulation in Single-Family Homes," with Bruce Hannon, *Energy Systems and Policy*, Volume 4, Number 3, 1980.

"Energy Research Group Tapes of 1972-73 Consumer Interview Survey Data," University of Illinois Energy Research Group Technical Memo 116, December 1978.

"An Energy Conserving Tax: How Large Should Rebates Be?", with Robert Herendeen and Bruce Hannon, *Changing Energy Futures*, Proceedings of the Second International Conference on Energy Use Management, October 22-26, 1979.

"Energy Cost of Living, 1972-73," with Robert Herendeen, University of Illinois Energy Research Group, November 1980.

"Transmission Requirements of Wind Development in the San Geronio Pass Area, California Public Utilities Commission Policy and Planning Division, November 13, 1981.

"The California Public Utilities Commission's Role in Cogeneration Development," American Society of Heating, Refrigerating, and Air-Conditioning Engineers Cogeneration Seminar, June 24, 1983.

"Diablo Canyon Nuclear Plant Value-Based Pricing Proposal," with William Ahern *et al.*, California Public Utilities Commission Public Staff Division Report, Application 84-06-014, November 4, 1985.

"Directions in Demand-Side Management Policy," with Thomas Thompson, paper presented to American Council for an Energy Efficient Economy Conference on Energy Efficiency In Buildings, August 21, 1986.

"Alternative Regulatory Frameworks," presentation at Telecommunications Regulatory Symposium, Golden Gate University, December 1, 1989.

"Interim Report of the ARRC Staff Concerning Petition for Declaratory Ruling and Related Waivers to Establish a New Regulatory Model for the Ameritech Region," with Jeffrey J. Richter and others, In the Matter of a Petition for a Declaratory Ruling and Related Waivers to Establish a New Regulatory model for the Ameritech Region, FCC Case No. DA 93-481, December 17, 1993.

"Staff Report to the Illinois Commerce Commission," with Roopali Mukherjee, *et al.*, Investigation into Issues Raised in the Ameritech "Customers First" Plan Filed with the Federal Communications Commission, ICC Docket 93-NOI-1, January 28, 1994.

"Final Report of the ARRC Staff Concerning Petition for Declaratory Ruling and Related Waivers to Establish a New Regulatory Model for the Ameritech Region," with Jeffrey J. Richter and others, FCC Case No. DA 93-481, April 1, 1994.

"Numbering Relief Plan for Chicago Suburbs," presentation to NARUC Staff Subcommittee on Communications, November 13, 1994.

"Principles for Local Telecommunications Competition: One State's Perspective," Proceedings of the New Directions for Access Networks Conference, London, England, December 15, 1994.

"Status and Principles of Local Telecommunications Competition," presentation at CompTel 1995 Summer Business Conference, Seattle, Washington, June 12, 1995.

"Regulatory Framework for Local Competition," presentation at Illinois Telephone Association 90th Annual Convention, Lake Geneva, Wisconsin, June 26, 1995.

"Review of Price Regulation Concepts," presentation at Electricity Issues Workshop, Joint Committee on Electric Utility Regulatory Reform, Glen Ellyn, Illinois, June 27, 1995.

"Regulatory Treatment Issues," with Brad Behounek and others, Issue Paper, Local Competition Work Group, NARUC Staff Subcommittee on Communications, October 27, 1995.

"Interconnection in a Network of Networks," presentation at Competition Among the Few/Many, 27th Annual Conference, Institute of Public Utilities at Michigan State University, December 11, 1995.

"Adapting Regulation for Local Telecommunications: One State's Perspective," presentation at Competition in the Local Exchange Market Conference, Strategic Research Institute, L. P., Washington, D.C., December 12, 1995.

"Final Report of the Local Competition Work Group," with Doris McCarter and others, NARUC Staff Subcommittee on Communications, February 1996.

"The Meaning of Interconnection: Who Does What? How? and When?," Managing the Telecom Transition—Interconnection, Unbundling, and Universal Service, The KMB Video Journal, Vol. 12, No. 6, May 2, 1996.

"The Federal Telecommunications Act of 1996: Impact on Illinois Telephone Companies," presentation at Illinois Telephone Association 91st Annual Convention, June 10, 1996.

"State Consideration of Ameritech Illinois InterLATA Entry," presentation to NARUC Staff Subcommittee on Communications, February 24, 1997.

"Operations Support Systems for Unbundled Elements and Resale Services," presentation at Federal Communications Commission Forum, May 29, 1997.

"Universal Service, Access Reform and Implementation of the Telecom Act of 1996," presentation at Illinois Telecommunications Association 92nd Annual Convention, St. Charles, Illinois, June 9, 1997.

"Development of Interconnection Agreements," presentation at Network and Service Management for Interconnection Conference, International Communications for Management, Chicago, Illinois, June 19, 1997.

"Are Interconnection Agreements Sustainable? Non-Compliance Issues and Enforcement," presentation at Reconciling Competition and Regulation, 29th Annual Conference, Institute of Public Utilities at Michigan State University, Williamsburg, Virginia, December 3, 1997.

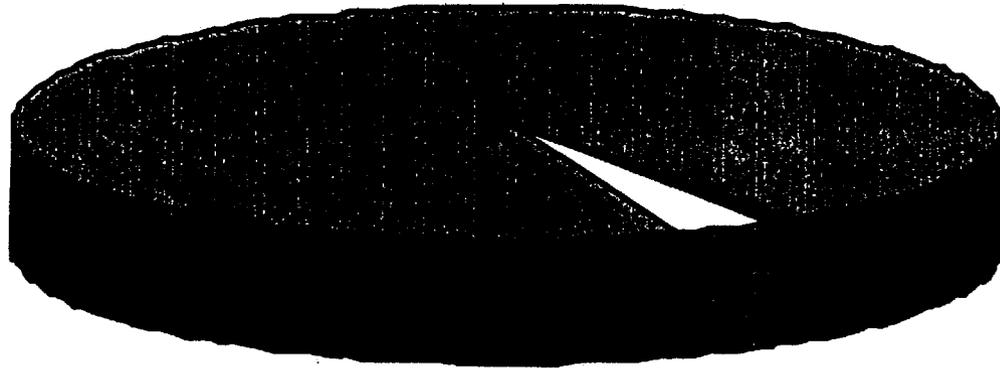
OTHER ACTIVITIES

Engineering and economics coursework, University of California at Los Angeles and Berkeley.
National Judicial College training
Ninth Economics Institute for Administrative Law Judges, Law and Economics Center, U. of Miami
Mediation training
Ameritech Regional Regulatory Committee
National Association of Regulatory Utility Commissioners Staff Subcommittee on Communications
National Regulatory Research Institute Research Advisory Committee
Illinois Number Portability Industry Group

PROPOSED SERVICE QUALITY INDEX FOR ILLINOIS BELL TELEPHONE CO.

Performance Area	Proposed Baseline
% Install Within 5 days	95.44%
Trouble Rpts. Per 100 Lines	2.66
Trouble Rpt. For any Wire Center	4
% OOS > 24 hours	5%
ASA Operator Services	5.2 seconds
% Calls Answ. Within 20 secs. -Bus. Office	80%
% Calls Answ. Within 20 secs.- Repair	90%
Install Repeat Rpt. Rate (7 days)	10%
Repeat Trouble Report Rate	
Residential	15%
Business	15%
% Repair Appts. Missed	
Residential	12%
Business	12%
%Install Appts. Missed- Co. reasons	
Residential	1%
Business	3%

Ameritech Illinois Total Access Lines

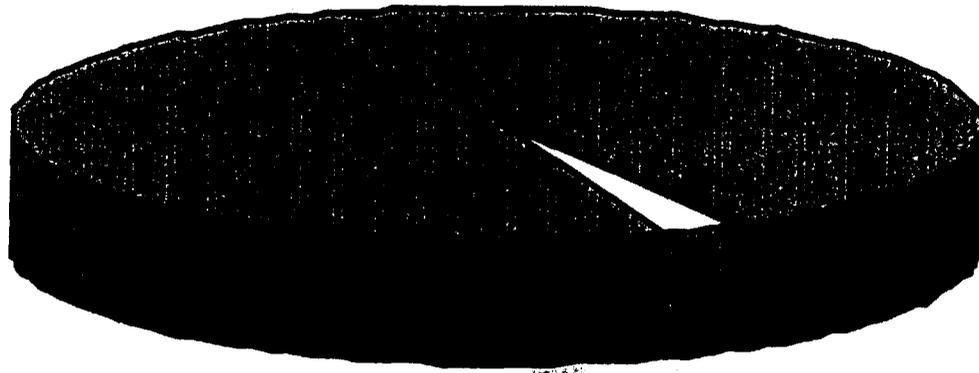


- Ameritech IL Retail Lines
- Facilities-based Lines
- Resale Lines

TOTAL ACCESS LINES

Total	7.057 M
Ameritech IL Retail	6.749 M
Facilities-based	
Competition	80,507
Resale Lines	227,988

Ameritech Region Total Access Lines

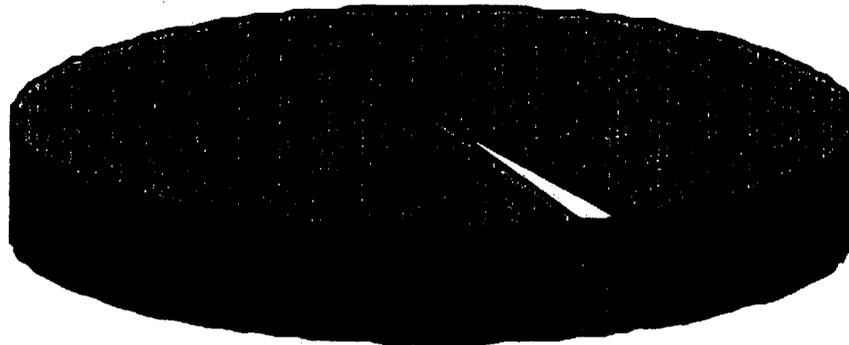


- Ameritech Retail Lines
- Facilities-based Lines
- Resale Lines

TOTAL ACCESS LINES

Total	21.082 M
Ameritech Retail	20.369 M
Facilities-based	
Competition	185,109
Resale Lines	527,414

SBC Region Total Access Lines



■ SBC Retail Lines

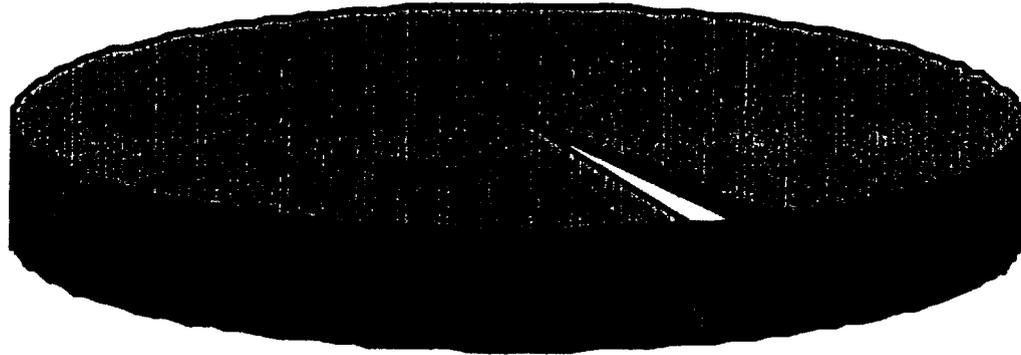
■ Facilities-based
Lines

□ Resale Lines

TOTAL ACCESS LINES

Total	36.355 M
SBC Retail	35.337 M
Facilities-based	
Competition	367,921
Resale Lines	649,962

SBC California Total Access Lines

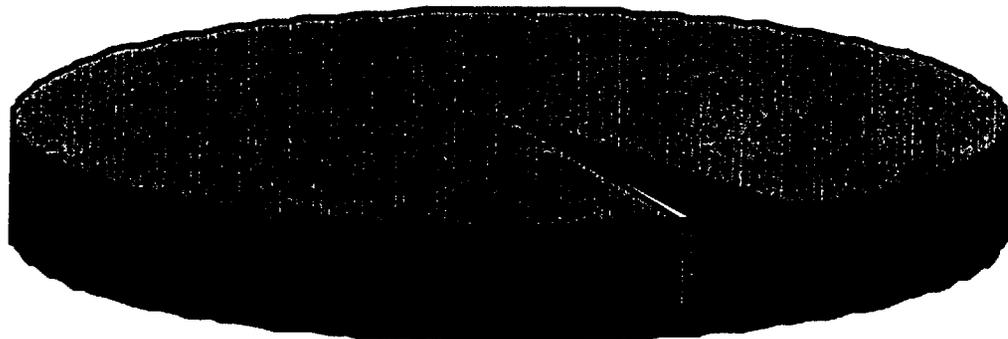


- SBC CA Retail Lines
- Facilities-based Lines
- Resale Lines

TOTAL ACCESS LINES

Total	18.005 M
SBC CA Retail	17.489 M
Facilities-based	
Competition	261,051
Resale Lines	255,011

SBC Nevada Total Access Lines

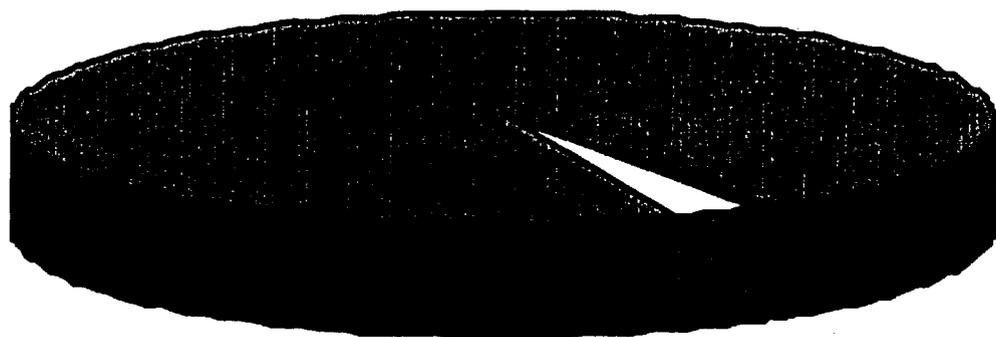


- SBC NV Retail Lines
- Facilities-based Lines
- Resale Lines

TOTAL ACCESS LINES

Total	349,727
SBC NV Retail	334,771
Facilities-based	
Competition	13,048
Resale Lines	1,908

SBC Texas Total Access Lines



■ SBC TX Lines

■ Facilities-based
Lines

□ Resale Lines

TOTAL ACCESS LINES

Total	9.495 M
Ameritech TX Retail	9.151 M
Facilities-based	
Competition	59,082
Resale Lines	284,243

ICC Docket 98-0555
GCI Exhibit 2.0
Attachment 3
Page 6 of 6