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ALL-STATE LEGAL 800 222-0510 FD511 RECYCLED

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of	)	
	)	
Joint Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Authorization to Provide In-Region InterLATA Services in Kansas and Oklahoma	)	**CC Docket No. 00-217**
	)	
Comments Requested In Connection With Southwestern Bell's Section 271 Application For Kansas And Oklahoma	)	

DECLARATION OF RICHARD N. CLARKE
ON BEHALF OF AT&T CORP.

Richard N. Clarke does hereby depose and state as follows:

I. Background And Purpose Of Testimony

A. Background

1. My name is Richard N. Clarke. My business address is 295 North Maple Avenue, Basking Ridge, NJ 07920.

2. I am employed by AT&T Corp. ("AT&T") as a Division manager in AT&T's Law and Government Affairs organization. In this position I am responsible for AT&T's economic policies related to the costing and pricing of local telecommunications services. I have directed AT&T's investigations into the structure of efficient pricing methods for telecommunications elements and services and AT&T's participation in the development of the HAI/Hatfield Model of forward-looking economic costs of local exchange networks and

services. I also have experience in evaluating other local exchange costing models and methodologies such as the BCPM and the Federal Communications Commission's ("Commission's") Synthesis Model.

3. I have a Bachelor's degree in mathematics and economics from the University of Michigan and a Master's degree and a Ph.D. in economics from Harvard. Prior to joining AT&T with Bell Laboratories in 1986, I was an Assistant Professor of Economics at the University of Wisconsin-Madison, and worked as an Economist in the Antitrust Division of the U.S. Department of Justice.

4. Over the past dozen years, I have provided testimony before numerous regulatory commissions including those of Texas, Wisconsin, Michigan and this Commission, among others. Much of this testimony has dealt with economic, costing and pricing issues related to local exchange competition.

B. Purpose

5. The purpose of my declaration is to compare the monthly recurring charges and non-recurring charges ("NRCs") for the "platform" of unbundled network elements ("UNE-P") required to offer basic residential exchange and access services that were proposed ten days ago by Southwestern Bell Telephone Company ("SBC") in support its joint Section 271 application for Kansas and Oklahoma to the corresponding rates that were proposed by SBC in this same proceeding on two earlier occasions, as well as to the UNE-P rates that currently are in effect in

Texas.[1] The first of these earlier sets of Kansas and Oklahoma rates I shall call the "standard" rates. The second of these earlier sets I will call the Oklahoma "Alt. Reg." rates.

C. Summary

6. First, SBC's December 28 *ex parte* proposes absolutely *no* changes to any of the recurring charges paid for UNEs used to provide UNE-P local exchange and access service, save for lifting the 25% ceiling on the number of lines that SBC had offered to sell in Oklahoma under its Alt. Reg. rates. Because of this, recurring charges for UNE-P in Oklahoma continue to exceed significantly the equivalent recurring charges in both Kansas and in Texas.[2] In addition, because SBC has provided no verifiable cost justification for this recurring cost excess in Oklahoma versus Kansas and Texas, and because other sources of such cost information (including the Commission's Synthesis Model and the HAI Model) do not suggest that Oklahoma costs should exceed those in Kansas and Texas, recurring rates for Oklahoma proposed by SBC in its December 28 *ex parte* are just as excessive and incompatible with Total Element Long Run Incremental Cost ("TELRIC") principles as were SBC's prior proposals for its recurring charges in Oklahoma.

7. Although SBC's December 28 *ex parte* does propose to lower its NRCs applicable to residential UNE-P, this proposed reduction is wholly inadequate to establish these rates at their proper cost basis. Whereas prior to its December 28 *ex parte* SBC's NRC rates in Kansas were close to double those in Texas, and its rates in Oklahoma were close to triple those in Texas, the effect of its December 28 *ex parte* adjustments was only to reduce Kansas and

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[1] *See Ex Parte* Presentation, Letter to Magalie Roman Salas, Secretary, from Goeffrey M. Klineberg (filed December 28, 2000) ("December 28 *ex parte*").

[2] A spreadsheet illustrating this comparison is attached hereto at tab 1 ("Tab 1").

Oklahoma to levels that still exceed those in Texas by about fifty percent. Because SBC has presented no reasons, and I am aware of no reasons, why there should be any substantial differences in NRCs between Texas, Kansas and Oklahoma – a fact recognized by the Kansas Corporation Commission ("KCC") on several occasions – SBC's Oklahoma and Kansas NRCs, like its Oklahoma recurring rates, are excessive and incompatible with TELRIC principles.

II. Procedures Employed To Compare Recurring Charges And NRCs

8. The procedure I use to compare SBC's recurring charges and NRCs for the residential UNE-P is straightforward. SBC's rates for these recurring and non-recurring residential UNE-P elements for Texas, Kansas and Oklahoma (both under its standard and Alt. Reg. rates) were obtained from the spreadsheet *ex parte* filed by SBC on November 28.[3] I then adjusted these non-recurring rates relevant to residential UNE-P in this SBC spreadsheet to equal the levels that SBC has now proposed in its December 28 *ex parte*. Because the spreadsheet filed with SBC's November 28 *ex parte* already gave no currency to SBC's 25% limit on the number of Oklahoma lines eligible for Alt. Reg. rates, there was no need to make any adjustments to the recurring rates stated in this SBC spreadsheet.

9. As a benchmark for measuring the relative size of SBC's recurring charges and NRCs in Kansas and Oklahoma, I used SBC's Texas charges for each corresponding element. Accordingly, my analysis illustrates the extent to which the recurring charges and NRCs in Kansas and Oklahoma differ (in percentage terms) from the corresponding charges in Texas. Based on these comparisons to Texas, it is straightforward to infer the relative size of these charges in Oklahoma as compared to Kansas.

[3] *Ex parte* letter from Edwardo Rodriguez, Director – Federal Regulatory, to Ms. Magalie Roman Salas, Secretary (filed Nov. 28, 2000) ("November 28 *ex parte*").

10. Tab 1, contains the data and results of this analysis. For convenience of comparison, it follows the format established in SBC's November 28 *ex parte* spreadsheet, however only the rows containing residential UNE-P elements are displayed. Row numbers 1 through 526 match to the contents of the equivalent rows in this SBC spreadsheet. Column B contains SBC's Texas monthly recurring rate for each cost element. It maps directly to Column B in the SBC spreadsheet. Column C provides the percentage by which the equivalent SBC monthly recurring charge in Kansas differs from the Texas rate given in Column B. It was derived by dividing Column C in the SBC spreadsheet by Column B, and subtracting 1. For example, if the Texas rate for an element is $2.00 and the Kansas rate is $3.50, the indicated percentage in Column C will be 75% (= $3.50/2.00 – 1). If, instead, the rate in Kansas were $1.50 (*i.e.*, below the rate in Texas) the indicated percentage in Column C would be -25% (= $1.50/2.00 – 1). Thus, positive percentages in Column C indicate Kansas rates that exceed those in Texas, and negative percentages indicate Kansas rates that fall below those in Texas. Column D provides the percentage by which standard monthly recurring rates in Oklahoma differ from the Texas rates in Column B, and Column E provides the percentage by which Alt. Reg. monthly recurring rates in Oklahoma differ from the Texas rates in Column B. Columns D and E were derived by the same procedure as was used to derive Column C.

11. Column F of Tab 1 contains SBC's Texas non-recurring rates for each cost element. It maps directly to Column G in the SBC November 28 *ex parte* spreadsheet. Column G provides the percentage by which the equivalent standard NRC in Kansas differs from the Texas rate in Column F. Column H provides the percentage by which standard NRCs in Oklahoma differ from the Texas NRCs in Column F, and Column I provides the percentage by which Alt. Reg. NRC rates in Oklahoma differ from the Texas rates in Column F.

12. The NRC rate levels for Kansas and Oklahoma proposed in SBC's December 28 *ex parte* submission are compared to the corresponding Texas rates in Columns J and K of Tab 1. Column J provides the percentage by which the newly proposed NRC in Kansas differs from the Texas rate in Column F, and Column K provides the percentage by which the newly proposed NRC in Oklahoma differs from the corresponding Texas NRC in Column F.

III. Basic Local Service-Weighted Comparisons

13. A valid comparison between Kansas, Oklahoma and Texas UNE-P recurring and non-recurring rates requires that these rate elements be weighted by their typical purchase volumes for use in providing UNE-P basic residential service, and their relative values summed across all rate elements that must be purchased.

14. Each rate element used in the provision of UNE-P basic residential service is marked by the entry of a "1" in Column N of Tab 1. The quantity of each of these elements required to provision basic local exchange and access service for an average residential customer is given in Columns P, Q and R. Column P displays the average use quantities for residence lines in Kansas, Column Q displays the average use quantities for residence lines in Oklahoma, and Column R displays the average use quantities for residence lines in Texas. For recurring cost rate elements, these are monthly use quantities. For NRC rate elements, they are one-time quantities. Because comparisons are more straightforward if it is assumed that customers in Kansas, Oklahoma and Texas generate similar minute and message usage volumes (and I have seen no evidence that shows the contrary), the state-specific usage weights in Columns P, Q and R differ only based on the different distributions of residential customer lines across rate zones in each particular state.

15. The weighted average deviation in UNE-P residential service costs between Kansas or Oklahoma rate structures relative to Texas rates may then be calculated by multiplying each individual rate element's percentage deviation from Texas rates times the Texas rate level times the element's usage weight, and then summing these products and dividing by the total Texas rate.[4]

A. Recurring Charges

16. Rows 535, 537 and 539 of Tab 1 show the percentage by which the collection of UNE-P recurring elements needed to provide basic local exchange and access services for a average residential line deviates from the equivalent cost in Texas. Row 535 employs the usage and zone weights representative of Kansas lines, Row 537 employs the usage and zone weights representative of Oklahoma lines, and Row 539 employs the usage and zone weights representative of Texas lines. Kansas-weighting of standard Kansas recurring rates (Column C) shows that these recurring rates are 2% less expensive than what an identical weighting would show for Texas recurring rates. Oklahoma-weighting of standard Oklahoma recurring rates (Column D) shows that these recurring rates are 34% greater than identically weighted Texas recurring rates. Oklahoma-weighting of Alt. Reg. Oklahoma recurring rates (Column E) reveals rates that are 13% greater than identically weighted Texas rates. Because SBC's December 28 *ex parte* did not affect UNE-P Alt. Reg. rates in either the Kansas or Oklahoma, this direct comparison shows SBC's most recently proposed Kansas recurring rates to match closely the equivalent recurring rates in Texas. But, most recent Oklahoma recurring rates remain firmly

[4] The total Texas rate used here is computed without incorporating Texas' most urban zone 4 rate element values – because this zone has no analog in Kansas and Oklahoma. Thus, my computed total Texas rate is biased high. This means deviations of Kansas and Oklahoma rates from Texas rates calculated in this analysis are all biased low. If total Texas rates were computed to

13% in excess of equivalent Texas rates, and 15% above Kansas rates. This translates into a monthly cost penalty in Oklahoma of about $3.00 per line relative to Texas or Kansas recurring rates.

17. These excessive prices for the recurring cost elements required to offer residential UNE-P service in Oklahoma are even more anomalous when the results of publicly available TELRIC models are considered. Both the Commission's Synthesis cost model and the HAI model show similar costs in Oklahoma as in Kansas or Texas, when wire centers of similar sizes are compared.[5] This is demonstrated in the spreadsheet at tab 2 ("Tab 2"), attached. In general, Oklahoma costs for wire centers of a given size range match closely to the costs for these same size wire centers in Kansas and Texas. In particular, there is no tendency for Oklahoma costs to exceed the corresponding costs in Kansas or Texas by the $3.00 difference that exists in their the UNE-P recurring rates.

18. SBC's only attempt to explain away this Oklahoma rate anomaly is to argue that this apparent excess over Texas is the artificial result of a mis-match in rate zones between these states (*i.e.*, urban Oklahoma rates should be compared only to suburban Texas rates).[6] Thus, because urban rates in Oklahoma are similar in level to the more expensive suburban rates in Texas, SBC claims that its Oklahoma rates are not excessive. A simple examination shows this

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incorporate these zone 4 rate elements, the calculated total Texas rate would be lower, and the calculated Kansas and Oklahoma deviations from it would be greater.

[5] Note that while the costs of basic universal service calculated by these models does not map exactly to the cost of the UNEs required to offer UNE-P local exchange and access service, there is no reason to expect that the relative cost levels of universal service between these states should differ significantly from the relative levels of their UNE-P costs.

[6] *See* Reply Brief of SWBT in Support of InterLATA Relief in Kansas and Oklahoma at 7-11 (filed Dec. 11, 2000). These assertions were reiterated by SBC in *Ex parte* letter from Edwardo Rodriguez, Jr. Director – Federal Regulatory for SBC, to Ms. Magalie Roman Salas, Secretary (filed Dec. 14, 2000).

novel explanation to be specious. First, this explanation only purports to explain away the disparity between Oklahoma and Texas; it fails entirely to address the identical disparity between Oklahoma and Kansas. Second, it is not correct that equivalently numbered Texas rate zones are one degree more rural (and expensive) than Oklahoma zones. As a threshold matter, the metric upon which SBC establishes rate zones in Oklahoma and Texas (size of local calling areas measured by number of lines), and SBC's basis for declaring that Oklahoma urban zones should be compared to Texas suburban zones, has little relevance for the economic cost of UNE-P service. The cost of UNE-P service is most closely related to the number of lines served by a wire center and the density with which these lines exist within the wire center's boundaries.[7] There may be small and non-dense (thus, expensive) wire centers associated with large line-count local calling areas, and there may be large and dense (thus, inexpensive) wire centers associated with small line-count local calling areas. Thus, when the numbers of lines in rural, suburban and urban rate zones in Texas, Kansas and Oklahoma are distributed with respect to their most significant driver of costs, lines density, it is clear that Oklahoma rural, suburban and urban rate zones (Zones 1, 2 and 3, respectively) match most closely in *cost* characteristics to the equivalently-numbered rates zones in each of the other states. The graph at tab 3 ("Tab 3"), attached hereto, demonstrates that the closest Texas and Kansas analogs to Oklahoma Zone 1, 2 and 3 cost conditions are Texas and Kansas Zones 1, 2 and 3, respectively. Of course, this match of zones to their cost characteristics simply confirms the correspondence in wire center TELRIC cost levels between these three states that was demonstrated earlier in the data provided in Tab 2.

[7] All of the TELRIC models of local exchange costs presented to the Commission in its Universal Service cost modeling proceeding (BCPM, Hatfield/HAI and HCPM/Synthesis) use lines density and line counts by wire center as their principal cost drivers. None of these models find use for number of lines in a local calling area as a cost driver.

19. Because the recurring charges proposed by SBC for Oklahoma exceed significantly the comparable charges in Kansas and in Texas; because this anomaly does not arise in the TELRIC models with which I am familiar; and because SBC provides no analysis based on recognizable TELRIC principles to explain this excess; I conclude that the Oklahoma recurring rates for UNE-P are excessive, and are not compatible with TELRIC.[8]

B. Non-Recurring Charges

20. Similar analysis of NRC rate levels shows that despite SBC's December 28 reductions, NRCs in Kansas and Oklahoma still exceed Texas levels by substantial amounts. This is displayed in Rows 535, 537 and 539 of Tab 1. Column G provides the percentage deviations between usage-weighted standard Kansas weighted UNE-P NRCs and Texas NRCs. Column H provides this deviation for standard Oklahoma NRCs, Column I for Alt. Reg. Oklahoma NRCs, and Columns J and K for Kansas and Oklahoma December 28 *ex parte* NRCs. Kansas-weighting of standard Kansas NRCs shows an 88% excess over Texas. Oklahoma-weighting of standard Oklahoma NRCs shows a 209% excess over Texas; and Oklahoma-weighting of Alt. Reg. Oklahoma NRCs remain 177% in excess of identically weighted Texas rates. SBC's December 28 *ex parte* adjustment only reduce the Kansas excess to 48% over Texas and the Oklahoma excess to 53% over Texas.[9]

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[8] Note that because these UNE rates in Oklahoma were the result of a settlement agreement and were never sourced to cost model results, it is not surprising that they should fail to comport with TELRIC-principles. *See* Comments of AT&T Corp. in Opposition to SBC Communications, Inc.'s Section 271 Joint Application for Kansas and Oklahoma at 10-17 (filed Nov. 15, 2000).

[9] These figures are based on the Texas NRC for "Mechanized UNE Service Order Charge" being $5.00, as given in Row 380 of SBC's November 28 *ex parte*. AT&T believes that this charge actually is either $2.58 (for a new customer) or $2.56 (for an existing customer). These are the figures supplied in lines 525 and 527 of SBC's "Texas Pricing Schedule," on record at https://clec.sbc.com/unrestr/interconnect/multi/docs/16K_TX_Pricing_Schedule_102300.xls. In any event, this difference in assumed level of Texas non-recurring charges has only a negligible effect upon the calculated Kansas and Oklahoma overages. If this Texas charge is assumed to be

21. These results are fatal to SBC's claims that the Oklahoma and Kansas NRCs are TELRIC-compliant for two reasons. First, the Kansas Corporation Commission ("KCC") has made clear that "NRCs should not be expected to vary significantly across SBC's jurisdictions because the activities associated with the NRCs are expected to be very similar across these jurisdictions." *KCC Recon. Order* at 26.[10] Thus, the fact that the Kansas and Oklahoma NRCs submitted by SBC in its December 28 *ex parte* are substantially higher than those that have been approved in Texas strongly indicates that the NRCs in Kansas and Oklahoma are not TELRIC-compliant.

22. Second and related, the NRC levels for individual elements vary widely among Kansas, Oklahoma and Texas. Again, there is no reason to expect such large differences across the three states. To the contrary, if these NRCs were calculated using TELRIC principles, these individual NRCs would be expected to be very similar from state-to-state, with only minor differences accounting for regional variations in costs such as labor rates. The large variations in these rates across states indicates that the NRCs proposed by SBC in its December 28 *ex parte* are not consistent with TELRIC principles.

C. Combined Recurring and Non-Recurring Charges

23. Competitive local carriers wishing to offer residential local exchange and access services using UNE-P will consider the sum of the recurring and non-recurring costs that they

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$2.56, standard Kansas and Oklahoma NRCs would exceed Texas NRCs by 100% and 228%, respectively. Alt. Reg. Oklahoma NRCs would exceed Texas NRCs by 194%. And December 28 *ex parte* NRCs in Kansas and Oklahoma would exceed Texas NRCs by 57% and 63%, respectively.

[10] Order on Reconsideration, *In the Matter of the Joint Application of Sprint Communications Company, L.P., United Telephone Company of Kansas, United Telephone Company of Eastern Kansas, and United Telephone Company of Southeastern Kansas for the Commission to Open a Generic Proceeding for Interconnection, Unbundled Elements*, Transport and Termination, and Resale, Docket No. 97-SCCC-149-GIT (September 1, 1999).

incur to provide this service. Tab 1 shows Kansas non-recurring rates to exceed Texas rates by $19.97 and Oklahoma non-recurring rates to exceed Texas rates by $22.34. If these non-recurring costs are amortized over a two year life, the monthly excess of Kansas NRCs over Texas NRCs is $0.83, and the monthly excess of Oklahoma NRCs over Texas NRCs is $0.93.[11] When added to the $3.00 recurring cost penalty in Oklahoma, the total cost penalty becomes about $4.00 per line per month – or roughly 20%. This is not a trivial amount.

IV. Conclusions

24. A simple comparison of the recurring and non-recurring rates that a competitive carrier would have to pay SBC to offer UNE-P residential local exchange and access service shows that recurring rates in Oklahoma exceed those in Texas or Kansas by 13% to 15% – when all credible evidence suggests that the costs should be comparable. Non-recurring rates in Kansas and Oklahoma exceed Texas rates by about 50% – when all credible evidence suggests that these costs should be comparable. The effect of these deviations results in combined recurring plus non-recurring rates in Oklahoma exceeding those in Texas by about $4.00 per line per month – and exceeding TELRIC by at least as much. And deviations in Kansas non-recurring costs result in Kansas non-recurring rates exceeding TELRIC by close to $1.00 per line per month.

[11] If the Texas "Mechanized UNE Service Order Charge" is assumed to be $2.56, then the Kansas NRC excess over Texas would be $22.41, or $0.93 per month; and the Oklahoma NRC excess would be $24.78, or $1.03 per month. *See* note 9, *supra.*

VERIFICATION

I, Richard N. Clarke, declare under penalty of perjury that the foregoing is true and correct.

Richard N. Clarke

Executed on January 8, 2001.

A-1 STATE LEGAL 800-222-0510 FD11 RECYCLED

Exhibit 1

UNE-P RATE COMPARISON: Kansas and Oklahoma vs. Texas

	A	B	C	D	E	F	G	H	I	J	K	N	P	Q	R
1	UNE/Service	Monthly Recurring Rate Texas	Monthly Recurring Rate Kansas (Standard)	Monthly Recurring Rate Oklahoma (Standard and Dec 28)	Monthly Recurring Rate Oklahoma (Alt Reg and Dec 28)	Non-Recurring Rate Texas	Non-Recurring Rate Kansas	Non-Recurring Rate Oklahoma (Standard)	Non-Recurring Rate Oklahoma (Alt Reg)	Non-Recurring Rate Kansas (Dec 28)	Non-Recurring Rate Oklahoma (Dec 28)	UNE-P	KS Weights	OK Weights	TX Weights
4	**Unbundled Loops**														
5	2W Analog Zone 1	$ 18.98	23%	84%	38%	$ 15.03	105%	149%	62%	53%	62%	1	0.12	0.25	0.22
6	2W Analog Zone 2	$ 13.65	0%	32%	0%	$ 15.03	105%	149%	62%	53%	62%	1	0.3	0.12	0.45
7	2W Analog Zone 3	$ 12.14	-2%	7%	0%	$ 15.03	105%	149%	62%	53%	62%	1	0.58	0.63	0.33
18	**Loop Cross Connects (with testing)**														
40	Analog Loop to Switch Port					$ 4.17	540%	1594%	1594%	380%	625%	1	1	1	1
68	**Local Switching**														
71	Standard/Per Orig. or Term. MOU (excluding port) - Zone 1	$ 0.0021160	20%	80%	35%	None						1	252	525	462
72	Standard/Per Orig. or Term. MOU (excluding port) - Zone 2	$ 0.0011973	41%	110%	58%	None						1	630	252	945
73	Standard/Per Orig. or Term. MOU (excluding port) - Zone 3	$ 0.0012691	3%	79%	61%	None						1	1218	1323	693
95	**Ports**														
96	Analog Line Port - Zone 1	$ 4.21	-62%	-39%	-39%	$ 1.27	-100%	-5%	-5%	-100%	-5%	1	0.12	0.25	0.22
97	Analog Line Port - Zone 2	$ 3.05	-47%	-27%	-27%	$ 1.27	-100%	-5%	-5%	-100%	-5%	1	0.3	0.12	0.45
98	Analog Line Port - Zone 3	$ 2.47	-35%	-12%	-12%	$ 1.27	-100%	-5%	-5%	-100%	-5%	1	0.58	0.63	0.33
212	**Tandem Switching**														
213	Per MOU per call	$ 0.000794	-1%	20%	0%	None						1	120	120	120
214	**Blended Transport**														
215	Per MOU - Zone 1	$ 0.000399	19%	143%	82%	None						1	75	156.25	137.5
216	Per MOU - Zone 2	$ 0.000399	7%	128%	71%	None						1	187.5	75	281.25
217	Per MOU - Zone 3	$ 0.000399	0%	52%	37%	None						1	362.5	393.75	206.25
218	**Common Transport**														
219	Termination MOU Zone 3 (Urban)	$ 0.000123	27%	115%	94%	None						1	69.6	75.6	39.6
220	Termination MOU Zone 2 (Suburban)	$ 0.000135	27%	109%	57%	None						1	36	14.4	54
221	Termination MOU Zone 1 (Rural)	$ 0.000144	36%	245%	159%	None						1	14.4	30	26.4
223	Facility Mile MOU Zone 3 (Urban)	$ 0.000001	-12%	607%	519%	None						1	696	756	396
224	Facility Mile MOU Zone 2 (Suburban)	$ 0.000003	-7%	1420%	1017%	None						1	720	288	1080
225	Facility Mile MOU Zone 1 (Rural)	$ 0.000010	-41%	167%	98%	None						1	432	900	792
316	**Unbundled Signaling**														
321	SS7 Signaling Transport per call	$ 0.00005881	-7%	354%	240%	None						1	350	350	350
380	**Mechanized UNE Service Order Charge**	None				$ 5.00	0%	-33%	-33%	-53%	-33%	1	1	1	1
411	**Recording**														

Exhibit 1

UNE-P RATE COMPARISON: Kansas and Oklahoma vs. Texas

	A	B	C	D	E	F	G	H	I	J	K	N	P	Q	R
1	**UNE/Service**	**Monthly Recurring Rate Texas**	**Monthly Recurring Rate Kansas (Standard)**	**Monthly Recurring Rate Oklahoma (Standard and Dec 28)**	**Monthly Recurring Rate Oklahoma (Alt Reg and Dec 28)**	**Non-Recurring Rate Texas**	**Non-Recurring Rate Kansas**	**Non-Recurring Rate Oklahoma (Standard)**	**Non-Recurring Rate Oklahoma (Alt Reg)**	**Non-Recurring Rate Kansas (Dec 28)**	**Non-Recurring Rate Oklahoma (Dec 28)**	**UNE-P**	**KS Weights**	**OK Weights**	**TX Weights**
416	Provision of Message Detail per record	$ 0.003	0%	0%	0%							1	400	400	400
525	**Central Office Access Charge**														
526	Residential	None				$ 16.35	0%	0%	0%	0%	-69%	1	1	1	1
528															
535	**KS weighted Average of UNE-P Items**	**$ 20.69**	**-2%**	**29%**	**10%**	**$ 41.82**	**88%**	**209%**	**177%**	**48%**	**53%**				
537	**OK weighted Average of UNE-P Items**	**$ 21.69**	**0%**	**34%**	**13%**	**$ 41.82**	**88%**	**209%**	**177%**	**48%**	**53%**				
539	**TX weighted Average of UNE-P Items**	**$ 22.02**	**0%**	**37%**	**12%**	**$ 41.82**	**88%**	**209%**	**177%**	**48%**	**53%**				

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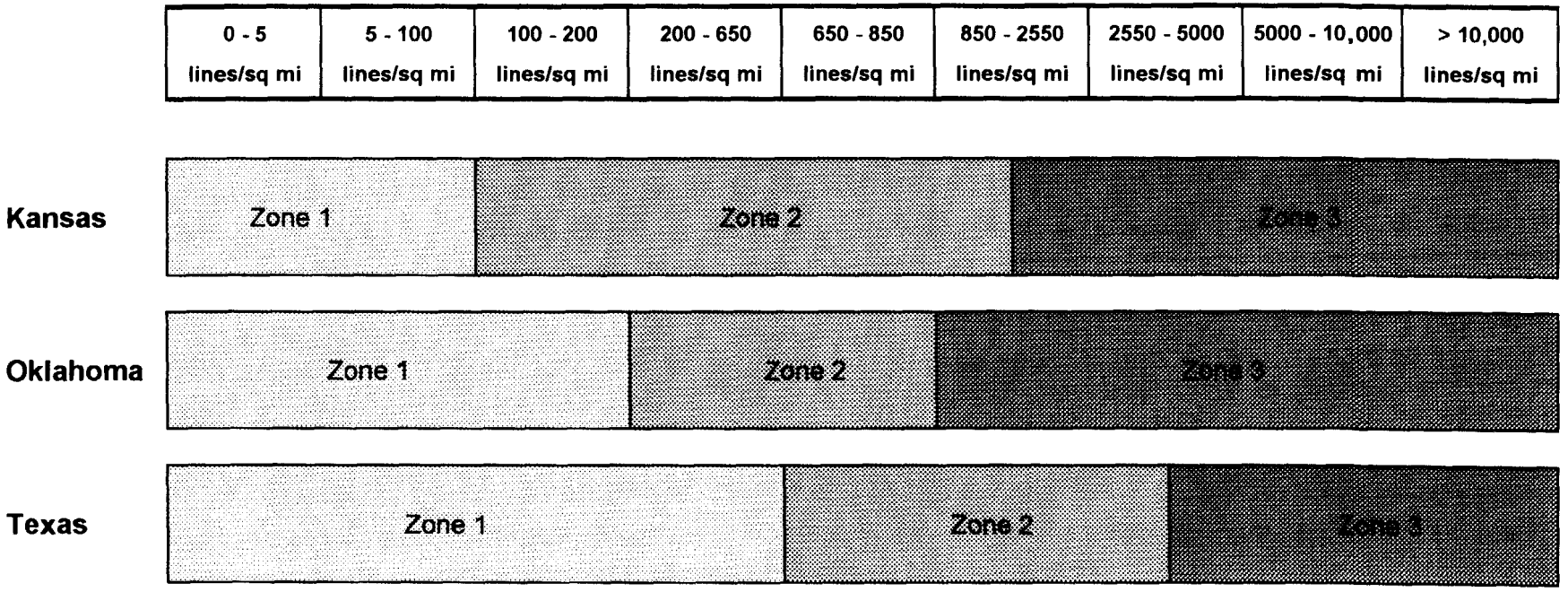
Exhibit 2

Wire Center Comparison of TELRIC: Oklahoma vs. Kansas and Texas

Wire Center Line Size	Basic Service Cost FCC Synthesis Model 012000			Basic Service Cost HAI 5.0a Model		
	Kansas	Oklahoma	Texas	Kansas	Oklahoma	Texas
0-10,000	$ 52.14	$ 40.33	$ 39.91	$ 36.37	$ 39.35	$ 36.59
10,001 - 20,000	$ 23.34	$ 25.39	$ 23.63	$ 18.00	$ 20.64	$ 18.69
20,001 - 40,000	$ 21.00	$ 20.31	$ 20.20	$ 14.67	$ 14.47	$ 14.74
40,001 +	$ 18.61	$ 18.56	$ 17.84	$ 13.07	$ 13.52	$ 12.54

Exhibit 3

Distribution of Lines Across Density Zones: Kansas, Oklahoma and Texas



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SUPPLEMENTAL DECLARATION OF
ROBERT P. FLAPPAN AND WAUNETA B. BROWNE
ON BEHALF OF AT&T CORP.

Wauneta B. Browne and Robert P. Flappan do hereby depose and state as follows:

I. BACKGROUND

A. WAUNETA B. BROWNE

1. My name is Wauneta B. Browne. I am employed by AT&T in its Law and Government Affairs organization as Director of Oklahoma Regulatory Affairs, a position I have held since January, 1999. In this position, I am responsible for directing AT&T's regulatory activities in the state of Oklahoma. On December 11, 2000 I submitted a declaration on behalf of AT&T Corp. ("AT&T") in this proceeding which is attached to the Reply Comments of AT&T Corp. in Opposition to SBC Communication, Inc.'s Section 271 Joint Applications for Kansas and Oklahoma. A detailed summary of my training and past experience is contained therein.

B. Robert P. Flappan

2. My name is Robert P. Flappan. My business address is 11020 W. 122nd Street, Overland Park, Kansas, 66213. I am employed by AT&T as District Manager of Pricing and Cost. My responsibilities currently include developing and presenting AT&T's positions on local exchange carrier pricing and costing issues. My territory includes the states of Kansas and Oklahoma, as well as Arkansas, Missouri and Texas. I also serve as AT&T's Director of Regulatory Affairs for the State of Kansas. On November 15, 2000 I submitted a declaration on behalf of AT&T in this proceeding which is attached to the Comments of AT&T Corp. in Opposition to SBC Communication, Inc.'s Section 271 Joint Applications for Kansas and Oklahoma. A detailed summary of my training and past experience is contained therein.

II. PURPOSE & SUMMARY OF TESTIMONY

3. We have been asked to assess whether the reduced non-recurring charges ("NRCs") proposed by Southwestern Bell Telephone Company ("SBC") in its Dec. 28 *ex parte*[1] transforms its prior non-TELRIC compatible rates into TELRIC compatible rates. We find that the "band aid" measures proposed by SBC in the Dec. 28 *ex parte* do not even remotely address the fatal flaws in SBC's rates that make them incompatible with TELRIC principles.

4. First, even after implementing the rate decreases in the NRCs that are identified in the Dec. 28 *ex parte*, the NRCs in Kansas and Oklahoma continue to significantly exceed those in Texas. As noted by the Kansas Corporation Commission ("KCC") on several occasions, this discrepancy is highly indicative of the fact that SBC's NCRs in Kansas are *not* TELRIC-compliant. In addition, the newly proposed NRCs vary wildly across Kansas, Oklahoma and Texas, which further indicates that SBC's proposed charges cannot be TELRIC- compliant.

5. Second, the new recurring charges for Oklahoma proposed by SBC in its Dec. 28 *ex parte* basically adopt, with only minor changes, the same flawed recurring charges contained in SBC's prior alternative regulation offering, and do not rectify the fundamental flaws in those recurring charges. Moreover, SBC's discounts do not apply to numerous UNEs, leaving those flawed charges intact.

III. SBC'S NON-RECURRING CHARGES IN OKLAHOMA AND KANSAS STILL VIOLATE TELRIC PRINCIPLES

6. In its December 28 *ex parte*, SBC proposes to apply a "25 percent discount" not to the currently approved NRCs in Kansas as set forth in the Kansas commission's December 22 Reconsideration Order, but to the higher November 3 NRCs that were modified by the Reconsideration Order. But if discounting the November 3 rates would produce a rate lower than the Kansas Commission approved in the reconsideration order, SBC proposes to use the reconsideration figure with *no* discount. And in Oklahoma, SBC inexplicably ties the availability of a discount to whether the Oklahoma NRC is higher or lower than the corresponding NRC under the repudiated November 3 Kansas order. *See* SBC Ex Parte at 3-4. Therefore, SBC's proposed NRC discounts in Oklahoma have not incorporated by reference *any* of the rate changes that were made in Kansas under the December 22 Reconsideration Order. And even after applying the discounts to the NRCs in Kansas and Oklahoma as proposed by SBC in its December 28 *ex parte*, the NRCs paid by CLECs for new customers in those states would continue to exceed those that are presently incurred by CLECs providing service in Texas.

7. Table 1 (below) illustrates the typical NRCs that would be incurred by a CLEC for a new customer in Kansas and Oklahoma under SBC's new proposal and compares those

[1] *Ex Parte* Presentation, Letter to Magalie Roman Salas, Secretary, from Goeffrey M. Klineberg (filed December 28, 2000) ("Dec. 28 *ex parte*").

charges to the NRCs that would be incurred by a CLEC in Texas. These data clearly indicate that, even applying SBC's newly proposed NRCs in Kansas and Oklahoma, the charges incurred by a CLEC for providing service to a new customer in those states exceeds those in Texas by *over 48-53 percent.*

Table 1. Comparison of the Kansas and Oklahoma UNE-P NRCs Proposed By SBC In Its Dec. 28 *Ex Parte* To Those In Texas.[2]

	Texas	Oklahoma	Kansas
Service Order	$5.00[3]	$3.33	$2.35
Loop	$15.03	$24.38	$23.06
Switch Port	$1.27	$1.20	N/A
COAC	$16.35	$5.00	$16.35
Analog Loop to Switch Port X-Connect	$4.17	$30.25	$20.03
Total	$41.82	64.16	$61.79

8. These inflated service NRCs in Kansas and Oklahoma are particularly important because a substantial percentage of the customers that purchase CLEC local services are "new service" customers for whom these charges apply. Based upon AT&T's actual experience in Texas, for example, **[***redacted***]** percent, and sometimes as many as **[***redacted***]** percent, of its customers are "new service" customers.

9. In addition, the large differences in the Kansas and Oklahoma NRCs compared to those in Texas are not limited to UNE-P NRCs. Indeed, the differences in NRCs across these

[2] Rates for Texas were obtained from an *Ex parte* letter from Edwardo Rodriguez, Director – Federal Regulatory for SBC, to Ms. Magalie Roman Salas, Secretary (filed Nov. 28, 2000) ("Nov. 28 *ex parte*"). Rates for Oklahoma and Kansas were obtained from the Dec. 28 *ex parte.*

[3] These figures are based on the Texas NRC for "Mechanized UNE Service Order Charge" being $5.00, as given in Row 380 of SBC's November 28 *ex parte*. AT&T believes that this charge actually is either $2.58 (for a new customer) or $2.56 (for an existing customer). These are the figures supplied in lines 525 and 527 of SBC's "Texas Pricing Schedule," on record at <https://clec.sbc.com/unrestr/interconnect/multi/docs/16K_TX_Pricing_Schedule_102300.xls.> Making these adjustments lowers the total NRCs for Texas to $39.36 (for new customers) or $ $39.38 (for an existing customer), thus increasing the gap between the NRCs in Kansas and Oklahoma compared to Texas.

states are often even *higher* for individual UNEs. For instance, the "feature activation charge"[4] in Kansas and Texas under SBC's recent proposal would be 5 cents, whereas the same "feature activation charge" in Oklahoma would be $1.37. A sample of disparities in NRCs for UNEs across the states is illustrated in Table 2 (below). Such large variations strongly suggest that SBC's newly proposed NRCs violate TELRIC principles.

Table 2. NRCs for individual UNEs for Texas, Kansas and Oklahoma.[5]

	Texas	Kansas	Oklahoma
DS1 Trunk Port	$69.95	$121.50	$144.09
Dedicated Transport Cross Connect Voice Grade 2W	$47.38	$184.09	$66.63
STP Port	$50.26	$121.66	$228.50
White Page Information Page Zone 3	$32.62	$1,714.64	$1,921.26
Feature Activation Charge	$0.05	$0.05	$1.37

IV. THE RECURRING CHARGES FOR OKLAHOMA RECENTLY PROPOSED BY SBC BASICALLY REINSTATE THE FLAWED ALTERNATIVE REGULATION RATES THAT WERE PREVIOUSLY PROPOSED BY SBC

10. The recurring charges recently proposed by SBC in its December 28 *ex parte* basically adopt the same recurring charges contained in SBC's prior alternative regulation offering with only minor differences, and do not address the fundamental flaws in those recurring charges. In particular, SBC proposes only two changes: (1) to remove the restrictions that previously disallowed CLECs to obtain discounts when purchasing loops in certain UNE zones and (2) to not implement the provisions of the line-threshold limitation for Oklahoma exchanges that were defined in section B(4)(b) of the Oklahoma alternative regulation transition

[4] If a customer has existing features with SBC and converts to a CLEC with the same features, there is no feature activation charge. However, if in the process of converting to a CLEC, the customer chooses additional features, the feature activation charge applies. The feature activation charge also applies whenever a customer subsequently adds one or more features.

[5] Rates for Texas obtained from SBC's November 28 *ex parte*. Rates for Kansas and Oklahoma obtained from SBC's December 28 *ex parte*.

plan. However, these changes do not address the fact that even in zones where the discounts were previously available and even without the line-threshold limitations SBC's recurring charges in Oklahoma are still not TELRIC-compatible.[6] The bottom line is this: the alt reg discounts are arbitrary reductions – supported by no cost evidence – to arbitrary permanent rates, that were themselves supported by no cost evidence and were merely the product of an unprincipled deal. *See* AT&T Reply at 10-14.

11. Moreover, the recurring charges under SBC's new proposal continue to offer *no discounts* with respect to the non-cost based rates for numerous UNEs. For instance, SBC has left unchanged the recurring charges for standalone local switching, standalone tandem switching, standalone dedicated transport, standalone common transport, multiplexing, and unbundled signaling to name a few.

12. Lastly, the rates that a CLEC will pay for reciprocal compensation were left untouched by SBC's alternative regulation as well as its December 28, *ex parte*. Thus, SBC will charge a CLEC using the platform a different rate for UNE local switching, common transport and dedicated transport than for reciprocal compensation traffic, even though the same costs are being incurred and the Telecommunications Act of 1996 requires both UNE and reciprocal compensation charges to be cost based. The Commission, in its First Report and Order, concluded "that transport of traffic should be priced based on the same cost-based standard, whether it is transport using unbundled elements or transport of traffic that originated on a competing carrier's network."[7] In fact, when the Commission established the proxy rates for

[6] *See* Reply Comments of AT&T Corp. in Opposition to SBC Communications, Inc.'s Section 271 Joint Application for Kansas and Oklahoma at 8-18 and Declaration of Wauneta B. Browne, ¶¶ 5-17, attached thereto as exhibit A (filed Dec. 11, 200).

[7] First Report and Order, *Implementation of the Local Competition Provisions Act of 1996*, 11 FCC Rcd 1599, ¶ 1054 (1996).

reciprocal compensation it used the same proxy rates that applied to unbundled local switching,[8] unbundled transport,[9] and unbundled dedicated transport.[10] Therefore, SBC's UNE recurring rates and its reciprocal compensation rates cannot both be cost based because under the alternative regulation plan the rates for UNE local switching, common transport and dedicated transport are lower than the corresponding reciprocal compensation transport and termination charges.

13. In sum, the new recurring charges proposed by SBC for Oklahoma basically adopt the same flawed recurring charges contained in SBC's prior alternative regulation offering, and do not rectify the fundamental flaws in those recurring charges. Moreover, SBC's discounts do not apply to numerous UNEs, leaving those flawed charges intact. At the same time, SBC's newly proposed NRCs for Kansas and Oklahoma continue to significantly exceed those in Texas and, in addition, vary greatly among the three states. In our view, these facts clearly indicate that SBC's newly proposed charges for Kansas and Oklahoma are insufficient to transform its prior TELRIC-incompatible rates into TELRIC-compatible rates.

[8] *Id.* ¶ 1060.
[9] *Id.* ¶ 1061.
[10] *Id.* ¶ 1062.

VERIFICATION

I, Robert P. Flappan, declare under penalty of perjury that the foregoing is true and correct.

Robert P. Flappan

Executed on January 5, 2001.

VERIFICATION

I, Wauneta B. Browne, declare under penalty of perjury that the foregoing is true and correct.

Wauneta B. Browne

Wauneta B. Browne

Executed on January 5, 2001.

CERTIFICATE OF SERVICE

I hereby certify that on this 8th day of January, 2001, I caused true and correct copies of the forgoing Comments of AT&T Corp. to be served on all parties by mailing, postage prepaid to their addresses listed on the attached service list.

Dated: January 8, 2001
Washington, D.C.

Peter M. Andros

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