

Exhibit No:

Issues: Cost Studies

Witness: James R. Smallwood

Type of Exhibit: Surrebuttal Testimony

Sponsoring Party: Southwestern Bell Telephone Company

Case No: TO- 2000-322

FILED³

FEB 10 2000

Missouri Public
Service Commission

SOUTHWESTERN BELL TELEPHONE COMPANY

CASE NO. TO-2000-322

SURREBUTTAL TESTIMONY

OF

JAMES R. SMALLWOOD

St. Louis, Missouri

February 2000

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED³

FEB 10 2000

Missouri Public
Service Commission

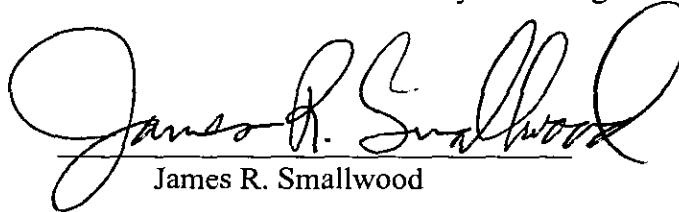
In the Matter of the Petition of)
DIECA Communications, Inc)
D/B/A Covad Communications Company) TO-2000-322
for Arbitration of Interconnection)
Rates, Terms, Conditions and Related)
Arrangements with Southwestern)
Bell Telephone Company)

AFFIDAVIT OF JAMES R. SMALLWOOD


STATE OF MISSOURI)
) SS
CITY OF ST. LOUIS)

I, James R. Smallwood, of lawful age, being duly sworn, depose and state:

1. My name is James R. Smallwood. I am presently Manager - Cost Analysis for Southwestern Bell Telephone Company.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.


James R. Smallwood

Subscribed and sworn to before me on this 2nd day of February 2000.


Notary Public

SUSAN M. TRUESDELL
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: Aug. 31, 2003

SURREBUTTAL TESTIMONY OF JAMES R. SMALLWOOD

SOUTHWESTERN BELL TELEPHONE COMPANY

CASE NO. TO-2000-322

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is James R. Smallwood. My address is One Bell Center, 38-X-8, St.
3 Louis, Missouri 63101.
4

5 **Q. ARE YOU THE SAME JAMES R. SMALLWOOD WHO FILED DIRECT AND**
6 **REBUTTAL TESTIMONY IN THIS PROCEEDING?**

7 A. Yes.
8

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. The purpose of my testimony is to respond to certain portions of the rebuttal
11 testimonies of Ms. Terry Murray and Mr. John Donovan on behalf of Covad and
12 of Mr. Clark and Mr. Couch on behalf of the Missouri Public Service Commission
13 Staff.
14

15 **Q. SHOULD SWBT'S LOOP CONDITIONING COST STUDY ONLY INCLUDE THE**
16 **COSTS OF INSERTING A "SHUNT PLUG" INTO A REPEATER CASE**
17 **RATHER THAN REMOVING THE REPEATER? (DONOVAN REBUTTAL, P. 9)**

18 A. No. SWBT's cost study appropriately estimates the cost for the removal of the
19 repeater when that is necessary. It is important to keep in mind, that the loop
20 conditioning study develops the cost of conditioning on a discrete, as-needed

1 basis. Therefore, the cost study represents the cost incurred by SWBT only
2 when conditioning is requested and performed. Mr. Lube also addresses the use
3 of shunt plugs in his surrebuttal testimony.
4

5 **Q. DOES SWBT RECOVER ITS CONDITIONING COSTS THROUGH ITS**
6 **RECURRING LOOP RATES? (MURRAY REBUTTAL, P.6)**

7 A. No. There are no conditioning costs included in SWBT's unbundled loop cost
8 studies. SWBT's recurring loop rates recover the costs associated with the loop
9 assuming that a network using commercially available, efficient technology is
10 fully deployed today. However, as stated in my rebuttal testimony, the FCC has
11 recognized that in some instances it will be necessary for ILECs to condition the
12 existing network in order to permit certain digital services. Repeatedly, the FCC
13 has determined that ILECs must perform conditioning at a CLEC's request but
14 that they are entitled to recover the costs incurred in doing so from the
15 requesting CLEC.
16

17 **Q. HAS SWBT OVERSTATED CONDITIONING COSTS BY FAILING TO**
18 **PROPERLY ASSIGN "CONDITIONING COSTS ACROSS ALL LOOPS THAT**
19 **MIGHT BENEFIT FROM CONDITIONING?" (MURRAY REBUTTAL, P.9)**

20 A. No. As Mr. Lube states in his rebuttal testimony, SWBT does not perform
21 conditioning on multiple loops at one time (*i.e.*, SWBT does not perform bulk
22 conditioning). The loop conditioning costs developed in SWBT's cost study
23 properly assumes an increment of one loop.

1

2 **Q. SHOULD THE COMMISSION REDUCE THE CABLE SPLICER TIME**
3 **REFLECTED IN SWBT'S LOOP CONDITIONING STUDY BY THE AMOUNTS**
4 **SUGGESTED BY MR. COUCH? (COUCH REBUTTAL, PP. 5-8)**

5 A. No. This Commission has previously accepted the work times that are being
6 proposed by SWBT in this proceeding. As stated by Mr. Borders in his
7 testimony, the times assumed in SWBT's loop conditioning cost study are
8 appropriate. Although SWBT respects Mr. Couch's attempt to estimate efficient
9 work times based on his experience, SWBT encourages the Commission to
10 accept the estimates of SWBT network personnel who are performing these
11 functions in the field today, everyday, as part of their professional employment.

12

13 **Q. MR. CLARK QUESTIONS THE VALIDITY OF SWBT'S LOOP CONDITIONING**
14 **STUDY ON THE BASIS THAT THERE ARE NO CONDITIONING COSTS**
15 **INCLUDED IN THE NONRECURRING COSTS FOR AN ISDN LOOP. (CLARK**
16 **REBUTTAL PP. 12-13) HOW DO YOU RESPOND?**

17 A. SWBT'S loop conditioning study is separate and distinct from the ISDN loop
18 study. The conditioning study calculates the cost incurred by SWBT to perform
19 conditioning tasks. For example, the cost to remove a load coil, which is
20 developed in SWBT's study, is the cost incurred for removing a load coil without
21 regard to the reason that the load coil is removed. That study is valid and
22 correctly captures those costs. How those costs are recovered is a matter of
23 pricing policy, not costs. As pointed out by Mr. Latham in his surrebuttal, SWBT

1 does not charge wholesale ISDN BRI loop customers or retail purchasers of
2 ISDN for conditioning, thus ensuring equal treatment.

3
4 **Q. MR. CLARK CONTENDS THAT SWBT'S COMMON COST ALLOCATOR**
5 **SHOULD ONLY APPLY TO RECURRING RATES. (CLARK REBUTTAL, PP. 3,**
6 **8) IS THE COMMON COST ALLOCATOR APPROPRIATELY APPLIED TO**
7 **SWBT'S NONRECURRING COSTS?**

8 A. Yes. SWBT's common cost allocator (CCA) was developed on the basis of total
9 expenses, not just recurring expenses. Therefore, an application of the CCA to
10 only recurring costs would result in SWBT under-recovering its common costs. If
11 the Commission were determine that the CCA were to apply only to recurring
12 costs, then SWBT would have to recalculate the CCA using only recurring
13 expenses rather than total expenses in the denominator. This would result in an
14 increase in the CCA that would allow SWBT to recover its joint and common
15 costs through recurring charges only.

16
17 **Q. WHAT IS YOUR REPONSE TO STAFF'S PROPOSAL TO LIMIT THE**
18 **APPLICATION OF CONDITIONING CHARGES TO ONLY 4 OUT OF EVERY**
19 **100 LOOPS? (CLARK REBUTTAL, P.9)**

20 A. From an economic perspective, it only makes sense to base charges on cost
21 causation. The result of artificially limiting SWBT's recovery of conditioning
22 charges to a specified percentage of loops is to force SWBT (*i.e.*, its customers

1 and its shareholders) to subsidize the deployment of Covad's services. Mr.

2 Latham also addresses this point in his surrebuttal testimony.

3

4 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

5 A. Yes, it does.