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SOUTHWESTERN BELL TELEPHONE, L.P. d/b/a

SBC MISSOURI

CASE NO. TO-2005-0384

REBUTTAL TESTIMONY

OF

JAMES E. STIDHAM, JR.

Dallas, Texas
September 12, 2005

Exhibit No. 17
Case No(s) TO-2005-0384
Date 10-26-05 Rptr *F

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Application of USCOC of Greater Missouri, LLC for)
Designation as an Eligible Telecommunications Carrier) Case No. TO-2005-0384
Pursuant to the Telecommunications Act of 1996)

AFFIDAVIT OF JAMES E. STIDHAM, JR.

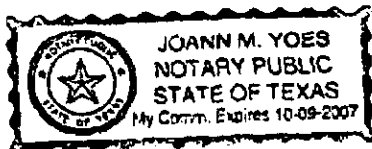
STATE OF TEXAS)
COUNTY OF ~~Dallas~~ ^{Collin}) SS

I, James E. Stidham, Jr., being duly sworn, depose and state:

1. My name is James E. Stidham, Jr. I am presently Associate Director - Regulatory Planning and Policy for SBC Services, Inc.
2. Attached hereto and made a part hereof for all purposes is my Rebuttal 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 E. Stidham, Jr.

Subscribed and sworn to before me this 9 day of September, 2005.




Notary Public

My Commission Expires: 10/09/2007

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I. INTRODUCTION

1 **Q. WHAT IS YOUR NAME, TITLE AND BUSINESS ADDRESS?**

2 A. My name is James E. Stidham, Jr. My title is Associate Director – Corporate Regulatory
3 Planning and Policy. My business address is 208 S. Akard Street, Room 3041, Dallas,
4 Texas 75202.

5 **Q. HAVE YOU PREPARED AN EXHIBIT THAT PROVIDES INFORMATION**
6 **REGARDING YOUR EMPLOYMENT, EDUCATIONAL BACKGROUND AND**
7 **PREVIOUS APPEARANCES BEFORE STATE PUBLIC UTILITY**
8 **COMMISSIONS?**

9 A. Yes. This information is included in Schedule JES-1 attached to my Rebuttal Testimony.

10 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

11 A. My Rebuttal Testimony is in connection with the April 22, 2005 application of USCOC
12 of Greater Missouri, LLC, d/b/a U.S. Cellular (“U.S. Cellular”) for designation as an
13 eligible telecommunications carrier (“ETC”) for purposes of receiving Federal Universal
14 Service Fund (“FUSF”) support (hereinafter, “U.S. Cellular’s Application”). My
15 Rebuttal Testimony specifically responds to the July 12, 2005 Direct Testimonies of
16 Messrs. Don J. Wood, Kevin Lowell, and Nick Wright filed in support of U.S. Cellular’s
17 Application. I recommend that the Commission consider the information and analysis I
18 provide in assessing whether it is in the public interest to grant U.S. Cellular’s
19 Application.

20 **Q. PLEASE IDENTIFY THE MAIN POINTS CONVEYED BY YOUR REBUTTAL**
21 **TESTIMONY.**

22 A. The main points conveyed by my Rebuttal Testimony are that:

- 23 • U.S. Cellular’s Application should be tested against the analytical framework adopted by
24 the Federal Communications Commission (“FCC”) in its March, 2005 ETC Report and

1 Order.¹ It is particularly appropriate that the Commission rely on the FCC's ETC Report
2 and Order because doing so will advance three important policies. These policies are,
3 first, to "improve the long-term sustainability of the universal service fund;"² second, to
4 "allow for a more predictable ETC designation process;"³ and third, to "ensure
5 designation of carriers that are financially viable, likely to remain in the market, willing
6 and able to provide the supported services throughout the designated service area, and
7 able to provide consumers an evolving level of universal service."⁴ The FCC expressly
8 noted that state decisions regarding ETC status "have national implications that affect the
9 dynamics of competition, the national strategies of new entrants, and the overall size of
10 the federal universal service fund."⁵

- 11 • U.S. Cellular has not met its burden of proof to show that granting its request to be
12 designated as an ETC would be in the public interest, based on the analytical framework
13 adopted by the FCC's ETC Report and Order. U.S. Cellular's Application depends
14 heavily on various state commission and FCC decisions that predate the FCC's ETC
15 Report and Order. See, e.g., U.S. Cellular's Application, paras. 10 (& n. 8), 23, 29.
16 However, for the policy reasons mentioned above, this reliance is misplaced. The FCC's
17 most recent decision marks a needed departure from its earlier decisions by "create[ing] a
18 more rigorous ETC designation process."
- 19 • U.S. Cellular's public interest showing relative to the SBC Missouri wire centers for

¹ In the Matter of Federal-State Joint Board on Universal Service, Report and Order, CC Docket No. 96-45, 20 FCC Rcd 6371 (2005) ("ETC Report and Order").

² ETC Report and Order, para. 2.

³ ETC Report and Order, para. 1.

⁴ ETC Report and Order, para. 60.

⁵ ETC Report and Order, para. 60.

1 which it seeks ETC designation is insufficient. On the one hand, U.S. Cellular correctly
2 notes that “designating competitive ETCs in non-rural areas will not necessarily be in the
3 public interest in each case.” (U.S. Cellular’s Application, p. 9, citing Virginia Cellular
4 ETC Designation Order⁶). However, U.S. Cellular contends that it is not required to
5 make a specific non-rural showing. Instead, its Application simply asserts that “its
6 designation in non-rural areas will be in the public interest based on its strong showing
7 pertaining to rural areas.” (U.S. Cellular’s Application, p. 9). Next, its testimony quite
8 inconsistently - and wrongly - asserts that for SBC Missouri’s and other non-rural
9 carriers’ wire centers, the only relevant question is whether U.S. Cellular has “committed
10 to offer and advertise the nine supported services throughout the proposed service
11 areas[.]” (Wood Direct, p. 3).⁷ The law is clear - an applicant for ETC designation must
12 demonstrate that granting its request is “consistent with the public interest, convenience
13 and necessity,” regardless of whether the applicant seeks designation in an area served by
14 a rural or non-rural carrier.⁸ U.S. Cellular offers no public interest evidence specific to

⁶ Federal-State Joint Board on Universal Service; Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier for the Commonwealth of Virginia, Memorandum Opinion and Order, CC Docket No. 96-45, 19 FCC Rcd 1563 (2004) (“Virginia Cellular ETC Designation Order”).

⁷ Indeed, in its Virginia Cellular ETC Designation Order – which was released over a year before U.S. Cellular filed its Application - the FCC had already determined “that merely showing that a requesting carrier in a non-rural study area complies with the eligibility requirements outlined in section 214(e)(1) of the Act would not necessarily show that an ETC designation would be consistent with the public interest in every instance.” ETC Report and Order, para. 42, citing, Virginia Cellular ETC Designation Order, para. 27.

⁸ 47 U.S.C. § 214(e)(2), (6); see also, ETC Report and Order, para. 3 (“We find that, under the statute, an applicant should be designated as an ETC only where such designation serves the public interest, regardless of whether the area where designation is sought is served by a rural or non-rural carrier.”); para. 40 (“Under section 214 of the Act, the commission and state commissions must determine that an ETC designation is consistent with the public interest, convenience and necessity.”); para. 42 (“We find that before designating an ETC, we must make an affirmative determination that such designation is in the public interest, regardless of whether the applicant seeks designation in an area served by a rural or non-rural carrier.”); para. 61 (“Section 214(e)(2) of the Act gives states the primary responsibility to designate ETCs and prescribes that all state designation decisions must be consistent with the public interest, convenience, and necessity.”).

1 the areas served by SBC Missouri's wire centers, and to the extent that it purports to rely
2 on evidence relating to the wire centers of other, rural carriers, that evidence is
3 insufficient insofar as the wire centers of non-rural carriers (such as SBC Missouri) are
4 concerned.

- 5 • Granting applications like that of U.S. Cellular, when considered collectively, have a
6 material impact on the FUSF and negatively impact Missouri consumers by increasing
7 FUSF contributions.

8 **II. THE POLICY SIGNIFICANCE OF THE FCC'S ETC REPORT AND ORDER**

9 **Q. PLEASE IDENTIFY THE PERTINENT PORTIONS OF THE FCC'S ETC** 10 **REPORT AND ORDER.**

11 A. In its ETC Report and Order, the FCC adopted many of the recommendations of the
12 Federal-State Joint Board on Universal Service ("Joint Board"). Specifically, the FCC
13 adopted certain requirements for applicants seeking designation from the FCC as an ETC.
14 The FCC "encourage[d] states that exercise jurisdiction over ETC designations pursuant
15 to section 214(e)(2) of the Act, to adopt these requirements when deciding whether a
16 common carrier should be designated as an ETC."⁹

17 The FCC's ETC Report and Order also adopted certain factors for use in the public
18 interest analysis required by Section 214(e)(2) of the Act. The FCC "strongly
19 encourage[d] state commissions to consider the same factors in their public interest
20 reviews."¹⁰

21 The FCC's requirements and public interest criteria are appropriate and reasonable.

⁹ ETC Report and Order, para. 1.

¹⁰ ETC Report and Order, para. 41.

1 Applying them here would help achieve a reasonable level of consistency in treatment of
2 ETC applications across the nation. It would also ensure that U.S. Cellular's Application
3 (and others) would be subjected to the same requirements and public interest criteria
4 regardless of whether such applications were filed with a state commission or the FCC.

5 **Q. HOW DOES U.S. CELLULAR'S APPLICATION ADDRESS THE FCC'S ETC**
6 **REPORT AND ORDER?**
7

8 A. The application essentially ignores the FCC's ETC Report and Order. Despite the fact
9 that the FCC's ETC Report and Order was released five weeks prior to the filing of U.S.
10 Cellular's ETC Application, U.S. Cellular mentions it only in passing and characterizes it
11 incorrectly at that.¹¹

12 **Q. SHOULD THE COMMISSION APPLY THE FCC'S ETC REQUIREMENTS AND**
13 **PUBLIC INTEREST FACTORS TO THIS PROCEEDING?**

14 A. Yes. In its ETC Report and Order, the FCC adopted requirements and public interest
15 tests that it will apply to ETC applications filed with the FCC.¹² The ETC Report and
16 Order also strongly recommended, and SBC Missouri strongly supports, that these
17 requirements and test should apply to all ETC applications filed with state commissions.
18 In other words, the ETC Report and Order's requirements and public interest factors are
19 "Permissive Guidelines for State ETC Designation Proceedings,"¹³ albeit important ones.

20 **Q. WHY DOES SBC MISSOURI SUPPORT APPLYING THE FCC'S GUIDELINES**
21 **TO THIS CASE?**

¹¹ According to U.S. Cellular's Application, "[i]n designating Virginia Cellular as an ETC, the FCC enunciated a framework for its consideration of future ETC designations. This framework was reaffirmed in a recent *Report and Order* making several changes to the rules competitive ETC petitions before the FCC." U.S. Cellular's Application, p. 11, citing the FCC's ETC Report and Order. However, it is the FCC's ETC Report and Order – not Virginia Cellular ETC Designation Order - which "set[s] forth the analytical framework the Commission will use to determine whether the public interest would be served by an applicant's designation as an ETC." ETC Report and Order, para. 3. As the FCC noted in that order, its decision "create[s] a more rigorous ETC designation process." ETC Report and Order, para. 2.

¹² The FCC reviews ETC applications only when the state relinquishes its authority to review ETC applications to the FCC or when the application is on tribal lands. See, 47 U.S.C. Section 214(e)(6).

¹³ ETC Report and Order, para. 58 (caption).

1 A. There are a number of reasons. Missouri's use of these guidelines will contribute to a
2 rational, comprehensive, national policy to promote the advancement and preservation of
3 universal service. While the FCC did not require states to use these guidelines it found
4 that, collectively, state decisions regarding ETC status "have national implications that
5 affect the dynamics of competition, the national strategies of new entrants, and the
6 overall size of the federal universal service fund."¹⁴ The FCC believes that State
7 adherence to the guidelines will produce the best results.

8 The guidelines are fully consistent with the requirements of the federal
9 Telecommunications Act of 1996 ("the Act") Act and the recommendations of the Joint
10 Board on Universal Service, which spent considerable time analyzing the issue. SBC
11 Missouri believes that the FCC's conclusions are correct: that the requirements embodied
12 in the Guidelines will result in a "more rigorous ETC designation process[;]"¹⁵ will
13 "improve the long-term sustainability of the universal service fund[;]"¹⁶ will "allow for a
14 more predictable ETC designation process[;]"¹⁷ and will "ensure designation of carriers
15 that are financially viable, likely to remain in the market, willing and able to provide the
16 supported services throughout the designated service area, and able to provide consumers
17 an evolving level of universal service."¹⁸

18 The guidelines provide for certain consumer protections and a review, on a case-by-case
19 basis, of the factors necessary to ensure that each ETC provides a local usage component
20 in its universal service offerings that is comparable to the plan offered by the incumbent

¹⁴ ETC Report and Order, para. 60.

¹⁵ ETC Report and Order, para. 2.

¹⁶ ETC Report and Order, para. 2.

¹⁷ ETC Report and Order, para. 1.

¹⁸ ETC Report and Order, para. 60.

1 local exchange carrier (“ILEC”) in the area. Also, the guidelines require the ETC to be
2 able to remain operational in case of an emergency, so that consumers will have service
3 when they need it most. The guidelines create an annual review of the actions of an ETC,
4 so the qualification process is on-going, and they also provide clear planning and
5 reporting requirements to show that the use of FUSF support complies with Section 254
6 of the Act.

7 SBC Missouri also supports the FCC’s determination that a public interest showing is
8 required in all ETC proceedings, both rural and non-rural. The ETC Report and Order is
9 clear in this regard:

10
11 “Section 214(e)(2) of the Act gives states the primary responsibility to designate ETCs
12 and prescribes that all state designation decisions must be consistent with the public
13 interest, convenience, and necessity.”¹⁹

14
15 The Act is likewise clear:

16
17 “Upon request and consistent with the public interest, convenience, and necessity, the
18 State commission may, in the case of an area served by a rural telephone company, and
19 shall, in the case of all other areas, designate more than one common carrier as an eligible
20 telecommunications carrier for a service area designated by the State commission.”²⁰
21

22 **Q. WHAT ACTIONS WOULD YOU RECOMMEND TO THE COMMISSION**
23 **REGARDING THE ETC REPORT AND ORDER?**

24 A. I recommend that the Commission complete its contemplated proceeding to establish
25 rules for ETCs prior to analyzing this, or any other, individual application. This would
26 allow the Commission to establish its policy regarding designations of competitive ETCs
27 (i.e., ETCs that are not incumbent local exchange carriers, or “CETCs”) in a
28 comprehensive, rather than in a piece meal, way. However, if the Commission

¹⁹ ETC Report and Order, para. 61. (emphasis added); see also, note 8, *infra*.

²⁰ 47 U.S.C. Section 214(e)(2). (emphasis added).

1 determines not to do so, I recommend that the Commission at least apply the FCC's new
2 guidelines to U.S. Cellular's Application and all other pending (and future) ETC
3 applications until the Commission completes its contemplated rulemaking proceeding.

4 **III. THE REQUIREMENTS OF THE FCC'S ETC REPORT AND ORDER**

5 **Q. WHAT ARE THE SPECIFIC REQUIREMENTS SET FORTH IN THE FCC'S**
6 **ETC REPORT AND ORDER?**

7 A. As I noted, the ETC Report and Order requires that any application for ETC status be in
8 the public interest. In addition, quite apart from meeting this requirement, a carrier
9 requesting ETC status must:

10 (1) commit to provide service throughout its proposed designated service area to all
11 customers²¹ and submit a five-year plan that describes with specificity the proposed
12 improvements or upgrades to the applicant's network on a wire center-by-wire center
13 basis throughout its proposed designated service area;²²

14 (2) demonstrate its ability to remain functional in emergency situations;²³

15 (3) demonstrate that it will satisfy appropriate consumer protection and service quality
16 standards;²⁴

17 (4) demonstrate that it offers a local usage plan comparable to the one offered by the
18 ILEC in the service areas for which it seeks designation;²⁵ and

19 (5) certify that the carrier acknowledges that the FCC may require it to provide equal

²¹ ETC Report and Order, para. 21.

²² ETC Report and Order, para. 23.

²³ ETC Report and Order, para. 25.

²⁴ ETC Report and Order, para. 28.

²⁵ ETC Report and Order, para. 33.

1 access to long distance carriers if all other ETCs withdraw from the market.²⁶

2 **Q. DOES THE FCC'S ETC REPORT AND ORDER CONVEY A FRAMEWORK**
3 **FOR APPLYING A PUBLIC INTEREST ANALYSIS WHEN CONSIDERING**
4 **ETC DESIGNATIONS?**

5 A. Yes it does. The FCC's ETC Report and Order "set[s] forth our public interest analysis
6 for ETC designations, which includes an examination of (1) the benefits of increased
7 consumer choice, (2) the impact of the designation on the universal service fund, and (3)
8 the unique advantages and disadvantages of the competitor's service offering."²⁷ The
9 FCC's public interest examination also includes an analysis of the potential for cream-
10 skimming.²⁸

11 **Q. IS THERE ANY ON-GOING OR ANNUAL REVIEW OF THE ETC'S**
12 **PERFORMANCE?**

13 A. Yes. Each year the reviewing authority reviews the performance of ETCs under their
14 jurisdiction and recertifies the carrier as an ETC. Once approved to be an ETC, an ETC
15 must provide annually: a progress report on its five-year service quality improvement
16 plan; detailed information on any outage; the number of requests for service from
17 potential customers within the eligible telecommunications carrier's service areas that
18 were unfulfilled during the past year; the number of complaints per 1,000 handsets or
19 lines; certification that it is complying with applicable service quality standards and
20 consumer protection rules; certification that the carrier is able to function in emergency
21 situations; certification that the carrier is offering a local usage plan comparable to that

²⁶ ETC Report and Order, para. 35 .

²⁷ ETC Report and Order, para. 18.

²⁸ ETC Report and Order, para. 18.

1 offered by the ILEC; and, certification that the carrier acknowledges that the FCC may
2 require it to provide equal access.²⁹

3 **IV. U.S. CELLULAR'S APPLICATION**

4 **Q. IN YOUR OPINION, BASED ON U.S. CELLULAR'S APPLICATION, HAS U.S.**
5 **CELLULAR SHOWN THAT DESIGNATING IT AS AN ETC WOULD BE IN**
6 **THE PUBLIC INTEREST?**

7 A. No. U.S. Cellular has not met its burden to show that granting its Application would be
8 in the public interest, based on the FCC's requirements (or guidelines, as applied to
9 analyses by state commissions). U.S. Cellular uses a series of outdated precedents and
10 orders from the FCC and commissions of states other than Missouri as proof that its
11 application is in the public interest. Moreover, U.S. Cellular's heavy dependence on
12 competition as proof that its application meets the public interest requirement of Section
13 214(e) of the Act ignores the FCC's orders. U.S. Cellular's Application will not create
14 competition. Rather, it will subsidize U.S. Cellular's existing competitive efforts
15 because, as its Application points out, U.S. Cellular already serves more than 100,000
16 customers in Missouri. (U.S. Cellular's Application, p. 15). In fact, for the fourth quarter
17 of 2005, U.S. Cellular has reported over 112,000 access lines³⁰ to the Universal Service
18 Administrative Company ("USAC") in the same service area in which U.S. Cellular is
19 asking this Commission to grant them an estimated \$9M in annual FUSF support,³¹ i.e., a
20 significant amount of support for customers lines already receiving service from U.S.
21 Cellular.

²⁹ ETC Report and Order, para. 69.

³⁰ USAC website 2005 4th Q Reported loop counts from reports HC09 (38,678) and HC12 (64,826 - non-rural; 8,722 - rural)).

³¹ USAC website 2005 3rd Q HC01 projected High Cost support by state by study area.

1 **Q. WHAT OTHER ARGUMENTS DOES U.S. CELLULAR OFFER FOR WHY ITS**
2 **REQUEST SHOULD BE APPROVED?**

3 A. U.S. Cellular presents this Commission with a “if we build it, they will come” theory for
4 economic growth in rural Missouri, a theory that advances the idea that if facilities are
5 available a company will move into an area regardless of any number of other factors, as
6 opposed to acknowledging that “if they come,” U.S. Cellular, or one of the other wireless
7 providers in the area, will build a network to support the new customers. Other than to
8 generally argue the benefits of competition, U.S. Cellular only contends that designation
9 of wireless carriers has had no adverse impact on the FUSF. U.S. Cellular provides as
10 proof that its USF high-cost support will not impact the FUSF the fact that the FCC
11 granted applications of Nextel for ETC status which entitled it to greater FUSF support
12 than U.S. Cellular will receive. U.S. Cellular’s Application, para. 41. The FCC has
13 acknowledged that the impact of but one ETC on the overall fund may be inconclusive.³²
14 But concern about the cumulative effect of ETC policy and the resulting designations is
15 what underlies the FCC’s orders and should be the foundation of this Commission’s
16 policy as well. The FCC’s ETC Report and Order specifically noted that collectively,
17 state decisions regarding ETC status “have national implications that affect the dynamics
18 of competition, the national strategies of new entrants, and the overall size of the federal
19 universal service fund.”³³

20 **Q. HAS THERE BEEN AN IMPACT TO THE FUSF AS A RESULT OF**
21 **COMPETITIVE ETCs GAINING HIGH-COST SUPPORT?**

22 A. Yes. There has been a material impact on the amount of USF required as a result of
23 CETC designations. Based on USAC’s demand projections, the high-cost fund for the

³² ETC Report and Order, para. 54.

³³ ETC Report and Order, para. 60. (emphasis added).

1 third quarter of 2005 will be \$1.017B, over 20% of which will go to CETCs. About 94%
2 of the support going to CETCs, or over 19% of the \$1.017B total, will go to wireless
3 carriers. If USAC's third quarter projections for wireless high-cost support are
4 annualized, \$776M of \$4.07B of high-cost support will go to wireless CETCs. Wireless
5 high-cost support represents about 11.6% of the total FUSF. To put this into perspective,
6 if the current FUSF surcharge were decreased by the 11.6% of the FUSF attributable to
7 wireless high-cost support, the current 10.2% surcharge would be 9.14%. Stated another
8 way, consumers of retail telecommunications services (except Lifeline customers) in this
9 country pay an additional 1.06% on their interstate telecommunications bill to support
10 wireless ETCs.

11 **Q. U.S. CELLULAR ASKS THE COMMISSION TO GRANT IT ETC STATUS FOR**
12 **PARTIAL SBC MISSOURI WIRE CENTERS IN THAT IT STATES THAT**
13 **"WHERE U.S. CELLULAR SERVES ONLY A PORTION OF A WIRE CENTER**
14 **LISTED [IN APPENDIX C], IT REQUESTS THAT IT BE DESIGNATED AS AN**
15 **ETC IN THAT PORTION OF THE WIRE CENTER WHERE IT IS**
16 **AUTHORIZED BY THE FCC TO SERVE." U.S. CELLULAR'S APPLICATION,**
17 **P. 3. PLEASE COMMENT ON THIS REQUEST.**

18
19 **A.** While the Commission is not restricted by statute in how it defines the service area of
20 non-rural carriers, the definition of "service area" is critical to addressing cream-
21 skimming concerns because implicit subsidies still remain strong elements of the
22 universal service structure at the state level. Defining a service area that is smaller than
23 the entire service area of the ILEC brings with it strong incentives to cream-skim either
24 the FUSF high-cost support or the implicit universal service support embedded in the
25 pricing structure of local service, toll and intrastate access rates. Defining a service area
26 below the wire center level of a non-rural ILEC could result in cream-skimming, because
27 it could allow the CETC to benefit from either skimming the cream that supports

1 universal service via implicit subsidies, or skimming the cream from the explicit
2 subsidies, depending on the cost structure of the ILEC providing service via that wire
3 center(s). The explicit universal service support that is available to non-rural carriers is
4 based on the average of the costs of all lines in the wire center and is designed to support
5 all of the lines of the wire center together. If a competitive carrier is allowed to serve
6 only a portion of the wire center, yet receive the average cost per line in support, the
7 competitive carrier has every incentive to serve only the low cost lines.

8 **Q. PLEASE DESCRIBE THE FCC'S ANALYSIS REGARDING CREAM-**
9 **SKIMMING AND EXPLAIN HOW CREAM-SKIMMING CAN OCCUR IN**
10 **WIRE CENTERS OF NON-RURAL CARRIERS RECEIVING FUSF HIGH COST**
11 **SUPPORT.**

12 A The FCC concluded that “[b]y serving a disproportionate share of the high-density
13 portion of a service area, an ETC may receive more support than is reflective of the rural
14 incumbent LEC’s costs of serving that wire center because support for each line is based
15 on the rural telephone company’s average costs for serving the entire service area unless
16 the incumbent LEC has disaggregated its support.”³⁴ In other words, cream-skimming
17 occurs when a carrier serves only the low cost customers while recovering FUSF support
18 based on providing service to all customers. The FCC’s analysis looks at the population
19 density of the wire centers in a carrier’s service area to determine if an ETC application
20 could result, even unintentionally, in cream-skimming.

21 The same analysis should be applied where an ETC seeks ETC designation for and
22 intends to provide service to a partial wire center of a non-rural ILEC that is receiving
23 FUSF high-cost support. The FUSF support for the wire center is based on the average

³⁴ ETC Report and Order, para. 49. (further citation omitted).

1 cost per loop across the entire wire center. If the ETC serves only, or primarily, the lower
2 cost, high density portion of the wire center, the ETC would receive support based on the
3 average loops cost, and thus would receive a financial windfall while draining away the
4 implicit support intended to support the high-cost, low density portion of the wire center.

5 **Q. WHAT HIGH COST SUPPORT DOES SBC MISSOURI RECEIVE, AND HOW**
6 **DOES THIS TYPE OF SUPPORT WORK?**

7 A. SBC Missouri receives FUSF high-cost Interstate Access Support (“IAS”). This support
8 is the result of the FCC’s CALLS Order, which decreased interstate access rates and
9 replaced some of the lost revenue by raising the Subscriber Line Charge (“SLC”) cap and
10 providing IAS funding.³⁵ SBC Missouri receives IAS in its zone 4 wire centers. Of the
11 146 SBC Missouri wire centers for which U.S. Cellular seeks designation as an ETC,
12 whether on a full or partial basis (as shown in U.S. Cellular’s Application, Exhibit C), I
13 was able to determine that at least 99 of them are zone 4 wire centers. Under the FCC’s
14 CALLS Order, total nationwide IAS support is capped at \$650 million. Because the IAS
15 is limited to \$650 million, addition of new ETCs and any additional access lines
16 associated with the new ETCs dilute the support available to the original recipients. The
17 original support calculations were developed to provide the support level deemed
18 necessary for the original carriers. Increasing the number of carriers and the number of

³⁵ In the Matter of Access Charge Reform; Price Cap Performance Review for Local Exchange Carriers; Low-Volume Long Distance Users; Federal-State Joint Board On Universal Service, CC Docket No. 96-262; CC Docket No. 94-1; CC Docket No. 99-249; CC Docket No. 96-45, Sixth Report and Order in CC Docket Nos. 96-262 and 94-1, Report and Order in CC Docket No. 99-249, and Eleventh Report and Order in CC Docket No. 96-45, 15 FCC Rcd 12962 (2000) (“CALLS Order”), aff’d in part, rev’d in part, and remanded in part, Texas Office of Public Util. Counsel v. FCC, 265 F. 3d 313 (5th Cir. 2001), Order on Remand, 18 FCC Rcd 14976 (2003).

1 access lines decreases the support available to carriers currently receiving the support.
2 Thus, carriers like U.S. Cellular diminish the IAS provided to the original recipients.³⁶

3 **V. U.S. CELLULAR'S DIRECT TESTIMONIES**

4 **Q. MR. WOOD SAYS THAT THE FCC'S ETC REPORT AND ORDER "MADE NO**
5 **FUNDAMENTAL CHANGES TO THE STANDARDS TO BE MET BY A**
6 **CARRIER SEEKING DESIGNATION AS AN ETC." (WOOD DIRECT, P. 5). DO**
7 **YOU AGREE?**

8 A. No. The FCC itself made clear that its ETC Report and Order broke new ground when
9 compared to its previous decisions. Thus, U.S. Cellular's reliance on those earlier
10 decisions, and on numerous older and outdated and state orders relying on them, offers
11 very little support for its Direct Testimonies. The FCC's ETC Report and Order provides
12 for a "more rigorous ETC designation process" and a very clearly defined analytical
13 framework for determining if an application is in the public interest than were reflected in
14 previous FCC orders.³⁷

15 **Q. MR. WOOD CONTINUES BY SAYING THAT "OTHER THAN THE ADDITION**
16 **OF SOME NEW FILING REQUIREMENTS, THERE IS NOTHING THAT IS**
17 **SUBSTANTIVELY NEW OR DIFFERENT FROM THE WAY THE FCC HAS**
18 **PREVIOUSLY ADDRESSED THESE SAME ISSUES." (WOOD DIRECT, P. 6).**
19 **DO YOU AGREE?**

20 A. No. The FCC's ETC Report and Order established clear requirements a carrier must
21 meet to even be considered for ETC status. The FCC's ETC Report and Order requires
22 an ETC applicant to show, among other eligibility requirements, the "ability to remain
23 functional in emergency situations."³⁸ It also provides that "ETC applicants should
24 acknowledge that we may require them to provide equal access."³⁹ While the FCC did

³⁶ While it may be that the \$650M cap on the IAS fund is not a "hard" cap, still it is the case that only the current year's support payments are affected and each year the per line support available from the IAS fund is recalculated to return the support to below the \$650M cap.

³⁷ ETC Report and Order, para. 2.

³⁸ ETC Report and Order, para. 25.

³⁹ ETC Report and Order, para. 35.

1 not establish local usage requirements, it “encourage[s] state commissions to consider
2 whether an ETC offers a local usage plan comparable to those offered by the incumbent
3 in examining whether the ETC applicant provides adequate local usage to receive
4 designation as an ETC.”⁴⁰ The establishment of the five eligibility guidelines in section
5 IV of the FCC’s ETC Report and Order is not only a substantive change from how the
6 FCC previously addressed these issues, but the new annual certification and reporting
7 requirements found in section V take this change even further. Previously, in most states,
8 carrier would simply self certify that it met the proper use of FUSF support requirement
9 of Section 254(e) of the Act, and no further review was performed. This substantive
10 change in basic FCC policy is welcome and needed, and thus SBC Missouri encourages
11 this Commission to use the FCC’s ETC Report and Order as the basis for the reviewing
12 U.S. Cellular’s ETC Application.

13 **Q. MR. WOOD APPEARS TO ACKNOWLEDGE THAT THE BURDEN RESTS ON**
14 **U.S. CELLULAR TO PROVE THAT ITS APPLICATION IS IN THE PUBLIC**
15 **INTEREST. (WOOD DIRECT, P. 7). DO YOU AGREE?**

16 **A.** Yes. The FCC states “the Commission places the burden of proof upon the ETC
17 applicant.”⁴¹

18 **Q. WHEN DISCUSSING THE NON-RURAL LECS, INCLUDING CENTURYTEL**
19 **AND SBC MISSOURI, MR. WOOD STATES THAT “THE RELEVANT**
20 **QUESTION BEFORE THE COMMISSION IS SIMPLY: HAS U.S. CELLULAR**
21 **COMMITTED TO OFFER AND ADVERTISE THE NINE SUPPORTED**
22 **SERVICES THROUGHOUT THE PROPOSED SERVICE AREA?” (WOOD**
23 **DIRECT, P. 3). YET, WHEN DISCUSSING THE RURAL LECS, MR. WOOD**
24 **STATES THAT “THE QUESTION IS TWO FOLD,” ADDING THE QUESTION**
25 **OF WHETHER “THE DESIGNATION OF U.S. CELLULAR AS AN ETC [IS] IN**
26 **THE PUBLIC INTEREST.” (WOOD DIRECT, P. 4). DOES THIS CORRECTLY**
27 **REPRESENT THE FCC’S REQUIREMENTS AS PROVIDED BY EITHER THE**
28 **FCC OR THE FEDERAL STATE JOINT BOARD ON UNIVERSAL SERVICE?**

⁴⁰ ETC Report and Order, para. 34.

⁴¹ ETC Report and Order, para. 44.

1 A. No. Mr. Wood's testimony is clearly meant to suggest that in an area served by a non-
2 rural telephone company, if the requesting carrier meets the requirements of Section
3 214(e)(1) of the Act – that is, by offering and advertising each of the supported services -
4 it has met all the requirements to be granted ETC status. Mr. Wood apparently denies
5 that U.S. Cellular has any burden to prove public interest as to non-rural wire center
6 areas, despite his general acknowledgement of U.S. Cellular's burden of proof, even
7 while he claims that U.S. Cellular's Application meets the public interest showing require
8 by Section 214 (e)(2) of the Act in the wire centers of SBC Missouri. The FCC could not
9 have been clearer in this regard. An applicant for ETC designation must demonstrate that
10 granting its request is "consistent with the public interest, convenience and necessity,"
11 and this is so regardless of whether the applicant seeks designation in an area served by a
12 rural or non-rural carrier.⁴² U.S. Cellular's belief that it "has demonstrated that its
13 designation in non-rural areas will be in the public interest based on its strong showing
14 pertaining to rural areas" (U.S. Cellular's Application, p. 9), is insufficient. Each of the
15 study areas in which U.S. Cellular is requesting ETC status is unique.

16 **Q. MR. WOOD AND MR. WRIGHT SUGGEST THAT THE COMMISSION**
17 **SHOULD NOT APPLY THE FCC'S ETC REPORT AND ORDER TO U.S.**
18 **CELLULAR'S APPLICATION. (WOOD DIRECT, P. 6; WRIGHT DIRECT, P.**
19 **21). DOES THE COMMISSION HAVE DISCRETION AS TO WHETHER TO**
20 **APPLY THE FCC'S OWN REQUIREMENTS AND PUBLIC INTEREST**
21 **FACTORS TO THIS CASE?**

⁴² 47 U.S.C. § 214(e)(2), (6); see also, ETC Report and Order, para. 3 ("We find that, under the statute, an applicant should be designated as an ETC only where such designation serves the public interest, regardless of whether the area where designation is sought is served by a rural or non-rural carrier."); para. 40 ("Under section 214 of the Act, the commission and state commissions must determine that an ETC designation is consistent with the public interest, convenience and necessity."); para. 42 ("We find that before designating an ETC, we must make an affirmative determination that such designation is in the public interest, regardless of whether the applicant seeks designation in an area served by a rural or non-rural carrier."); para. 61 ("Section 214(e)(2) of the Act gives states the primary responsibility to designate ETCs and prescribes that all state designation decisions must be consistent with the public interest, convenience, and necessity.").

1 A. Yes. While the FCC applies the requirements and public interest factors to ETC
2 applications filed with it, the Commission is not bound by them. However, as I stated
3 earlier, the FCC has strongly recommended and SBC Missouri strongly supports that they
4 be applied as “guidelines” to all ETC applications filed with this Commission.

5 **Q. WHY DOES SBC MISSOURI BELIEVE THAT THE COMMISSION SHOULD**
6 **USE THE ETC REPORT AND ORDER TO EVALUATE U.S. CELLULAR’S**
7 **APPLICATION?**

8 A. As I noted earlier, the ETC Report and Order provides a welcome and needed analytic
9 framework that is more rigorous than earlier analyses that had been applied to ETC
10 applications. Moreover, state decisions regarding ETC status “have national implications
11 that affect the dynamics of competition, the national strategies of new entrants, and the
12 overall size of the federal universal service fund.”⁴³ In other words, to the extent that
13 state commission move toward adopting these requirements as their own, their actions
14 will have uniform, nationwide effect. To the extent they diverge from them, their actions
15 will have a splintered, patchwork effect.

16 **Q. BOTH MR. WOOD AND MR. WRIGHT STATE THEY ARE WILLING TO**
17 **COMPLY WITH WHAT MR. WOOD CALLS “THE FCC’S NEW FILING**
18 **REQUIREMENTS” FOUND IN SECTION V OF THE FCC’S ETC REPORT AND**
19 **ORDER. (WOOD DIRECT, P. 6; WRIGHT DIRECT, PP. 20-21). DO YOU TAKE**
20 **THIS TO MEAN THAT MR. WOOD AND MR. WRIGHT ARE AGREEING TO**
21 **HAVE U.S. CELLULAR’S APPLICATION REVIEWED USING THE**
22 **ANALYTICAL FRAMEWORK ADOPTED BY THE FCC’S ETC REPORT AND**
23 **ORDER?**

24 A. No. These statements and their surrounding testimony are directed to the portion of the
25 FCC’s ETC Report and Order (i.e., Section V) suggesting what state commissions should
26 require as part of the annual recertification of an ETC under Section 254(e) of the Act.

⁴³ ETC Report and Order, para. 60.

1 The FCC's eligibility requirements and the public interest test criteria are in Section IV
2 (Parts A & B) of that order.

3 **Q. MR. WOOD SPENDS A SIGNIFICANT PART OF HIS DIRECT TESTIMONY**
4 **DISCUSSING HOW GRANTING U.S. CELLULAR'S APPLICATION WOULD**
5 **CREATE COMPETITION. (WOOD DIRECT, PP. 7-10). IS CREATING**
6 **COMPETITION THE OVERARCHING ISSUE IN THIS PROCEEDING?**

7 A. No. As the FCC's ETC Report and Order noted, the relative importance of creating
8 competition was dubious at best even before that order was issued: "The Commission has
9 determined that, in light of the numerous factors it considers in its public interest
10 analysis, the value of increased competition, by itself, is unlikely to satisfy the public
11 interest test."⁴⁴ The FCC provides an example of where the value of competition is
12 outweighed by the cost of competition: "[O]ne relevant factor in considering whether or
13 not it is in the public interest to have additional ETCs designated in any area may be the
14 level of per-line support provided to the area. If the per-line support level is high enough,
15 the state may be justified in limiting the number of ETCs in that study area, because
16 funding multiple ETCs in such areas could impose strains on the universal service
17 fund."⁴⁵

18 **Q. HOW DOES MR. WRIGHT'S DIRECT TESTIMONY ADDRESS THE FIRST OF**
19 **THE FCC'S ELIGIBILITY REQUIREMENTS - THE COMMITMENT AND**
20 **ABILITY TO PROVIDE THE SUPPORTED SERVICES?**

21
22 A. Mr. Wright notes that U.S. Cellular would have received \$200,000 in support per quarter,
23 based on available projections from USAC at the time U.S. Cellular's Application was
24 filed. (Wright Direct, p. 13). U.S. Cellular then intended to build sixteen new cell sites in

⁴⁴ ETC Report and Order, para. 44; citing, Virginia Cellular ETC Designation Order, para. 4, and In the Matter of Federal-State Joint Board on Universal Service; Highland Cellular, Inc. Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia, Memorandum Opinion and Order, CC Docket No. 96-45, 19 FCC Rcd 6422 ("Highland Cellular ETC Designation Order"), para. 4.

⁴⁵ ETC Report and Order, para. 55.

1 the first eighteen months, an “an ambitious commitment” in Mr. Wright’s view. (Id.).
2 Whether that is true is debatable. In any case, Mr. Wright next observes that based on
3 new USAC projections, U.S. Cellular could receive ten times the original support -
4 “roughly \$2 million per quarter”- which raises certain questions, for example: is sixteen
5 towers still “an ambitious commitment given this additional funding?” and “if U.S.
6 Cellular had planned to build sixteen towers when it anticipated \$200,000 in quarterly
7 funding, what additional build-out will it embark on so as to properly deploy the
8 additional \$2 million it may receive?” and “if no additional build-out is planned (and
9 none is indicated in the testimony), what will be done with the additional funds?”

10 Mr. Wright urges the Commission to not require U.S. Cellular to provide the five year
11 build-out plan and instead use an annual plan. (Wright Direct, p. 19). The Commission
12 must emphatically reject this request. Without a five year plan, this Commission will not
13 know how U.S. Cellular will spend the \$9 million annually,⁴⁶ and potentially \$43.5M
14 over the five years of the plan, based on current support levels, in FUSF High Cost
15 support U.S. Cellular will receive for providing service to its current customers,
16 customers served today by U.S. Cellular without the need of FUSF high-cost support.

17 Such questions also raise a more fundamental problem with U.S. Cellular’s build out plan
18 – the plan does not meet the FCC’s specific requirements that the Commission should
19 apply here. The plan doesn’t show, for example, the projected start date and completion
20 date for each improvement or the estimated amount of investment for each project that

⁴⁶ Annual 2005 Q4 high-cost support from USAC HC01 report.

1 would be funded by high-cost support.⁴⁷ These are questions for which the Commission
2 deserves concrete answers before considering granting U.S. Cellular's Application.

3 Finally, I am somewhat confused by a few statements made by the U.S. Cellular
4 witnesses. While the FCC requires that "the five-year plan must demonstrate in detail
5 how high-cost support will be used for service improvements that would not occur absent
6 receipt of such support[,]"⁴⁸ Mr. Wright states that the USF high-cost support "will only
7 accelerate our ability to construct additional facilities in high-cost areas of rural
8 Missouri." (Wright Direct, p. 12). Mr. Lowell states that "the addition of high-cost USF
9 support will accelerate our construction plans to fill in the remaining areas within our
10 service area[,]" (Lowell Direct, p. 11) or, stated another way, "[h]igh-cost support will
11 accelerate our ability to expand our coverage" (Lowell Direct, p. 2). These statements do
12 not offer the requisite concrete assurances that service improvements would not occur
13 absent FUSF high-cost support.

14 **Q. WHAT DO U.S. CELLULAR'S WITNESSES SAY ABOUT CONSUMER**
15 **PROTECTION?**

16
17 A. In reviewing U.S. Cellular's direct testimony, I don't recall seeing any commitment that
18 would meet the requirements of the FCC's guidelines. I will note that when discussing
19 Lifeline, U.S. Cellular's witness Mr. Lowell indicated that U.S. Cellular would provide
20 "toll blocking." Lowell Direct, p. 4. Toll blocking enables customers to avoid incurring
21 toll charges that could place their service at risk.

22 **Q. DOES U.S. CELLULAR'S DIRECT TESTIMONY DEMONSTRATE THAT U.S.**
23 **CELLULAR MEETS THE ELIGIBILITY GUIDELINES IN SECTION IV.A. OF**
24 **THE FCC'S ETC REPORT AND ORDER?**

⁴⁷ ETC Report and Order, para. 23.

⁴⁸ ETC Report and Order, para. 23.

1
2 A. In my opinion, no. U.S. Cellular said it will provide a five year plan; it has not done so
3 yet. U.S. Cellular does not address consumer protection in its direct testimony and its
4 discussion of a comparable local plan is limited to providing information on a few plans
5 offered by U.S. Cellular.

6 **Q. DOES U.S. CELLULAR'S TESTIMONY ADEQUATELY ADDRESS PUBLIC**
7 **INTEREST DETERMINATION OF A COST-BENEFIT ANALYSIS, PURSUANT**
8 **TO SECTION IV, B OF THE FCC'S ETC REPORT AND ORDER?**
9

10 A. No. The FCC specifically stated, under the heading of Cost-Benefits Analysis, that "we
11 will continue to consider and balance the factors listed below as part of our overall
12 analysis regarding whether the designation of an ETC will serve the public interest[.]"
13 and it included such items as "Consumer Choice" and "Advantages and Disadvantages of
14 Particular Service Offering" when it emphasized that "the value of increased competition,
15 by itself, is unlikely to satisfy the public interest test."⁴⁹ U.S. Cellular witness Mr. Wood
16 builds his public interest case on competition. Mr. Wood states: "In other state
17 proceedings, ILECs have asked state regulators to weigh the benefits and cost of
18 permitting competitive entry into rural areas (specifically areas of low line density) and
19 the benefits and costs of granting ETC status to more than one carrier in such areas.
20 These general policy questions are simply not relevant to the designation of a competitive
21 ETC. To the contrary, the relevant questions here are specific to U.S. Cellular's showing
22 in its Application." (Wood Direct, p.11). Yet the FCC states in the ETC Report and
23 Order: "If the per-line support level is high enough, the state may be justified in limiting

⁴⁹ ETC Report and Order, para. 44.

1 the number of ETCs in that study area, because funding multiple ETCs in such areas
2 could impose strains on the universal service fund.”⁵⁰

3 **Q. DO YOU HAVE ANY COMMENTS ON U.S. CELLULAR’S TESTIMONY ON**
4 **CREAM-SKIMMING?**

5
6 A. Yes. I would like to point out that Mr. Wright concedes that it might be, and SBC
7 Missouri believes that it is, appropriate for the Commission to limit U.S. Cellular’s
8 Application to whole wire centers in non-rural areas. (Wright Direct, p. 3). The same
9 potential for cream-skimming that exists when the service area is defined below the study
10 area in rural territories also exists in a non-rural area if a service area is below the wire
11 center level, i.e., where, as here, U.S. Cellular seeks ETC status in eighteen SBC
12 Missouri wire centers only “partially.” See, U.S. Cellular’s Application, Exhibit C.
13 Support in rural areas is not generally disaggregated below the study area, so to service a
14 portion of it creates the possibility of cream-skimming. The same is true within a single
15 non-rural wire center. Where a competitive ETC plans to serve only part of a wire center,
16 there is a potential for cream-skimming due to the fact that support is averaged over the
17 entire wire center.

18 As I noted earlier “[b]y serving a disproportionate share of the high-density portion of a
19 service area, an ETC may receive more support than is reflective of the rural incumbent
20 LEC’s costs of serving that wire center because support for each line is based on the rural
21 telephone company’s average costs for serving the entire service area unless the
22 incumbent LEC has disaggregated its support.”⁵¹ The same holds where an ETC
23 applicant intends to provide service only “partially” in a non-rural carrier’s wire centers

⁵⁰ ETC Report and Order, para. 55.

1 for which the carrier is receiving FUSF high-cost support, as is the case in at least fifteen
2 SBC Missouri wire centers for which U.S. Cellular would seek ETC status yet only serve
3 “partially.” The FUSF support for the wire center is based on the average cost per loop
4 across the entire wire center, yet the ETC might request to serve only, or primarily, the
5 lower cost, higher density portion of the wire center. The ETC would receive support
6 based on the average loop cost while serving only low cost customers, and thus would
7 receive a financial wind fall while draining away the implicit support intended to support
8 the high-cost, low density portion of the wire center. In this case, U.S. Cellular fails to
9 dispel any potential for cream-skimming in the eighteen SBC Missouri “partial” wire
10 centers – no population density analysis is provided nor any other analysis. Thus, U.S.
11 Cellular’s Application is deficient for this additional reason.

12 **Q. HAS THERE BEEN AN IMPACT TO THE FUSF AS A RESULT OF**
13 **COMPETITIVE ETCs GAINING HIGH-COST SUPPORT?**

14 A. Yes. There has been a material impact on the amount of USF required as a result of
15 CETC designations, but U.S. Cellular does not address it. The FUSF contribution factor
16 jumped to 7.28% for the first quarter of 2003, then later jumped to its highest level yet of
17 11.1% for the second quarter of 2005. It has temporarily decreased to 10.2% for the third
18 quarter of 2005. To isolate the effect of CETCs on the Fund, one must look at the
19 estimates of demand for the programs from which CETCs draw support. Based on the
20 Universal Service Administration Company’s (“USAC”) demand projections, the high-
21 cost fund for the third quarter of 2005 will be \$1.017B in high-cost, over 20% of which
22 will go to CETCs. About 94% of the support going to CETCs, or over 19% of the
23 \$1.017B total, will go to wireless carriers. If USAC’s third quarter projections for

⁵¹ ETC Report and Order, para. 49. (further citation omitted).

1 wireless high-cost support are annualized, \$776M of \$4.07B of high-cost support will go
2 to wireless CETCs. Wireless high-cost represents about 11.6% of the total FUSF. To put
3 this into perspective, if the current FUSF surcharge were decreased to account for the
4 11.6% of FUSF attributable to wireless high-cost support, the current 10.2% surcharge
5 would be 9.14%. Currently, consumers of retail telecommunications services (except
6 Lifeline customers) in this country pay an additional 1.06% on their interstate
7 telecommunications bill to support wireless ETCs. The CETC demand for fourth quarter
8 2005 has increased by about \$20M annually, increasing the burden on both the fund and
9 consumers.

10 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

11 **A. Yes.**

SCHEDULE JES-1

1 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?**

2 A. I am employed by SBC Services, Inc. ("SBC"), as an Associate Director- Regulatory
3 Policy in SBC's Regulatory Planning and Policy group. My responsibilities include the
4 development of Universal Service policy in all of SBC's jurisdictions, including
5 Missouri.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

7 A. I hold Bachelors Degrees in Telecommunications and Political Science from the
8 University of Oregon. I have also done additional graduate level coursework in
9 Communications at the University of Iowa, and in Political Science at Portland State
10 University.

11 **Q. PLEASE SUMMARIZE YOUR TELECOMMUNICATIONS INDUSTRY WORK**
12 **EXPERIENCE.**

13 A. I have approximately seventeen years of telecommunications experience. In 1988, I
14 began my career in the telephone industry at the National Exchange Carrier Association
15 ("NECA") in the Industry Relations organization. I was responsible for developing
16 Average Schedule methods and procedures, analyzing the impact of new technologies on
17 the NECA member companies, developing special settlements for carriers implementing
18 new technologies (e.g. Equal Access and SS7) and reviewing and analyzing Federal
19 Communications Commission ("FCC") rule changes. I also assisted in the development
20 of the NECA Access Charge Handbook. In 1992, I joined Bell Atlantic (now Verizon)
21 and worked in a variety of regulatory roles both at Bell Atlantic-West Virginia and Bell
22 Atlantic Corporate in Maryland. My responsibilities included regulatory support,
23 intercarrier settlement, regulatory finance and marketing. In 1997, I joined American
24 Communications Services, Inc. (ACSI), later known as e.spire Communications, Inc., and

SCHEDULE JES-1

1 now as Xspedius Management Company, as the Director of Carrier Management. My
2 responsibilities with ACSI included wholesale billing, the development of reciprocal
3 compensation policy, billing methods and the billing of reciprocal compensation, industry
4 relations, and the creation and management of their telco cost control organization. In
5 1998, I left ACSI to provide executive consulting services to competitive local exchange
6 carriers (CLECs) and to a small incumbent local exchange carrier ("ILEC"). This
7 consulting work involved several subjects, including intercarrier compensation, and
8 billing and cost control operations matters. In July 2000, I joined the SBC family of
9 companies. I work with SBC's federal regulatory group on various policy matters,
10 particularly universal service fund ("USF") issues, and often serve as the SBC corporate
11 13-state policy witness for universal service fund matters. I also participate in the
12 development of corporate policy for intercarrier compensation (i.e. reciprocal
13 compensation and access charges) and have previously participated in the development of
14 corporate policy for advanced services.

15 **Q. WHAT IS YOUR PREVIOUS EXPERIENCE PRESENTING TESTIMONY TO**
16 **STATE UTILITY REGULATORY COMMISSIONS?**

17 A. I have filed testimony before the Public Utility Commission of Nevada, the Indiana
18 Utility Regulatory Commission, the Kansas Corporation Commission and the Illinois
19 Commerce Commission. I have also participated in workshops at the Public Utility
20 Commission of Texas, the Oklahoma Corporation Commission, the Indiana Utility
21 Regulatory Commission, the California Public Utility Commission, the Illinois
22 Commerce Commission and the Missouri Public Service Commission.